



Dave Yost • Auditor of State

**ASHTABULA COUNTY PORT AUTHORITY
ASHTABULA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ashtabula County Port Authority
Ashtabula County
25 West Jefferson Street
Jefferson, Ohio 44047

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Ashtabula County Port Authority, Ashtabula County, (the Authority), a component unit of Ashtabula County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ashtabula County Port Authority, Ashtabula County, Ohio, as of December 31, 2016, and the changes in financial position and its cash flows 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* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2017, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 21, 2017

Ashtabula County Port Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2016

Unaudited

The discussion and analysis of the Ashtabula County Port Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the Authority's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The Authority's net position increased by \$802,295, or 11 percent.
- During 2016, the Authority had overall operating income of \$962,927.
- The Authority was able to make additional principal and interest payments on its outstanding Ohio Water Development Authority loan in the amount of \$404,762 and \$61,249, respectively. The additional payments made during 2016 reduced the outstanding loan balance to \$0.
- During 2016 Authority continued partial demolition and sale of scrap metal on its Plant C project.
- The Authority net pension liability increased from \$72,849 to \$108,778. For more information on this liability see Note 6 to the basic financial statements.

Using this Annual Financial Report

This report consists of a series of financial statements. The *Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position* provide information about the activities of the Authority and present a longer-term view of the Authority's finances.

A question typically asked about the Authority's finances "How did we do financially during 2016?" The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority and its activities in a way that helps answer this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the *accrual basis of accounting* which is similar to the accounting used by most private-sector companies. The Authority charges a fee to customers to help it cover part of the services it provides. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's *net position* and *changes in that net position*. This change in net position is important because it tells the reader that, for the Authority as a whole, the *financial position* of the Authority has improved or diminished. The reader will need to consider other non-financial factors (e.g. changes in the condition of capital assets, regulations, weather, etc.) in order to assess the overall health of the Authority.

Ashtabula County Port Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2016

Unaudited

The Authority as a Whole

Recall that the Statement of Net Position provides the perspective of the Authority as a whole. Table 1 provides a summary of the Authority's net position for 2016, compared to 2015:

(Table 1)
Net Position

	Business-Type Activities		
	2016	2015 (Restated)	Change
Assets			
Current and Other Assets	\$2,414,260	\$1,638,423	\$775,837
Capital Assets, Net of Depreciation	<u>6,717,259</u>	<u>6,513,277</u>	<u>203,982</u>
Total Assets	<u>9,131,519</u>	<u>8,151,700</u>	<u>979,819</u>
Deferred Outflows of Resources			
Pension - OPERS	<u>44,733</u>	<u>13,266</u>	<u>31,467</u>
Liabilities			
Current and Other Liabilities	188,378	148,408	(39,970)
Long-Term Liabilities:			
Due Within One Year	0	144,766	144,766
Due in More than One Year:			
Net Pension Liability	108,778	72,849	(35,929)
Other Amounts	<u>550,426</u>	<u>273,358</u>	<u>(277,068)</u>
Total Liabilities	<u>847,582</u>	<u>639,381</u>	<u>(208,201)</u>
Deferred Inflows of Resources			
Pension - OPERS	<u>2,101</u>	<u>1,311</u>	<u>790</u>
Net Position			
Net Investment in Capital Assets	6,236,003	6,108,515	127,488
Restricted	171,119	208,036	(36,917)
Unrestricted	<u>1,919,447</u>	<u>1,207,723</u>	<u>711,724</u>
Total Net Position	<u><u>\$8,326,569</u></u>	<u><u>\$7,524,274</u></u>	<u><u>\$802,295</u></u>

Ashtabula County Port Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2016

Unaudited

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB No. 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the Authority, part of a bargained-for benefit to the employee, and should accordingly be reported by the Authority as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB No. 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred outflows and deferred inflows of resources.

Ashtabula County Port Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2016

Unaudited

Total assets increased \$979,819 during 2016. The majority of this increase was the result of an overall increase in capital assets as the Authority capitalized more costs related to its Brownfield cleanup projects. Current assets increased due to increases in loans and cash on hand.

Total liabilities increased by \$208,201 during 2016. Long-term liabilities increased due to the Authority entering into a new Ohio Water development Loan and an increase in net pension liability. Other liabilities decreased due to a decrease in accounts payable and contracts payable related to the Plant C project.

In total, net position of the Authority increased by \$802,295 which can be attributed mostly to the aforementioned increase in cash on hand.

Table 2 shows the revenues, expenses and the changes in net position for the year ended December 31, 2016 compared to the year ended December 31, 2015.

(Table 2)
Changes in Net Position

	Business-Type Activities (Restated)		
	2016	2015	Change
<i>Operating Revenues</i>			
Praxair/Ashco Debt Reduction	\$952,566	\$1,064,466	(\$111,900)
Lease & Program Income	23,577	11,362	12,215
Contributions and Donations	(20,000)	60,000	(80,000)
Charges for Services	1,553,413	1,752,269	(198,856)
Other Operating Revenues	1,169	0	1,169
<i>Total Operating Revenues</i>	2,510,725	2,888,097	(377,372)
<i>Operating Expenses</i>			
Plant C Operating Expenses	1,099,602	1,496,860	397,258
Personal Services	104,462	87,635	(16,827)
Contractual Services	179,349	20,638	(158,711)
Overhead, Rent & Utilities	38,071	14,094	(23,977)
Other Operating Expenses	3,836	29,922	26,086
Depreciation	122,478	119,837	(2,641)
<i>Total Operating Expenses</i>	1,547,798	1,768,986	221,188
Operating Income/(Loss)	962,927	1,119,111	(156,184)

Ashtabula County Port Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2016

Unaudited

(Table 2)
Changes in Net Position
(continued)

Changes in Net Position

	Business-Type Activities (Restated)		
	2016	2015	Change
<i>Non-Operating Revenues (Expenses)</i>			
Interest Income	\$174	\$214	(\$40)
Capital Grants	506,883	0	506,883
Sale of Scrap Metal	47,750	0	47,750
Plant C non-Operating Expenses	(654,190)	0	(654,190)
Interest and Fiscal Charges	(61,249)	(59,848)	(1,401)
<i>Total Non-Operating Revenues (Expenses):</i>	<u>(160,632)</u>	<u>(59,634)</u>	<u>(100,998)</u>
<i>Income (Loss) Before Contributions & Transfers</i>	802,295	1,059,477	(257,182)
Capital Contribution - Andover Property Acquisition	0	1,541,853	(1,541,853)
Change in Net Position	802,295	2,601,330	(1,799,035)
Net Position Beginning of Year - Restated	<u>7,524,274</u>	<u>4,922,944</u>	<u>2,601,330</u>
Net Position End of Year	<u><u>\$8,326,569</u></u>	<u><u>\$7,524,274</u></u>	<u><u>\$802,295</u></u>

Operating revenues decreased by \$377,372 due primarily to a decrease in charges for services and contributions and donations received from the previous year. Operating expenses decreased by \$221,188 from the prior year due to decreases in plant C operating expenses.

Capital Assets

The largest portion of the Authority's net position is its net investment in capital assets. The Authority uses these capital assets to provide services to the businesses and public using the Authority. Table 3 shows 2016 balances compared with 2015.

Ashtabula County Port Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2016

Unaudited

(Table 3)
Capital Assets at December 31 (Net of Depreciation)

	Business-Type Activities		
	2016	2015	Change
Land	\$1,133,533	\$1,132,800	\$733
Construction in Progress	267,995	0	267,995
Plant C	3,849,680	3,887,188	(37,508)
Buildings & Improvements (Andover)	1,454,640	1,492,920	(38,280)
Furniture, Equipment and Vehicles	11,411	369	11,042
Totals	\$ 6,717,259	\$ 6,513,277	\$ 203,982

The \$203,982 increase in capital assets was due to current year construction in progress and other acquisitions exceeding current year depreciation of \$122,478. Note 10 of the basic financial statements provides a more detailed look at the capital asset activity during 2016.

Debt

The Authority's outstanding long-term obligations are included in the following table:

(Table 4)
Outstanding Debt, at December 31

	Amount	Amount	Increase (Decrease)
	Outstanding 12/31/2016	Outstanding 12/31/2015	
Long-Term Obligations:			
OWDA Loans	\$537,064	\$404,762	\$132,302
Accrued Mineral Rights	13,362	13,362	0
Total Long-Term Obligations	\$ 550,426	\$ 418,124	\$ 132,302

In 2013, the Authority finalized a loan agreement with the Ohio Water Development Authority in the amount of \$3,026,987 in order to help pay its cost associated with the revitalization and improvements of Plant C. This loan was paid in full during 2016.

In 2016, the Authority entered into a new loan agreement with the Ohio Water Development Authority in the amount of \$10,610,893 in order to help pay its cost associated with the Cristal USA Effluent Line. The Authority drew \$537,064 on this loan in 2016 but it is not yet finalized.

Additional information concerning the Authority's long-term obligations can be found in Note 5 to the basic financial statements.

Ashtabula County Port Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2016

Unaudited

Factors Expected to Impact the Authority's Future Financial Position or Results of Operations

Plant C - During 2016, the Authority continued negotiations with new users for the raw water distribution system.

Other – The Authority was awarded a \$600,000 Environmental Protection Agency Brownfield grant for assessment and cleanup activities on Authority properties in 2015. During 2016, \$267,995 was capitalized as construction in progress related to these projects.

Contacting the Authority's Finance Department

This financial report is designed to provide our citizens, taxpayers, Authority users, and all interested parties with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sean Ratican, Executive Director of the Ashtabula County Port Authority, 35 West Jefferson Street, Jefferson, Ohio 44047.

Ashtabula County Port Authority
Statement of Net Position
December 31, 2016

	Port Authority
Assets:	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,706,432
Accounts Receivable	257,222
Loan Receivable - Pairings Ohio	96,385
Loan Receivable - Growth Partnership	103,750
Loan Receivable - R&R Marina	73,154
Prepaid Items	3,234
Other Assets	2,964
<i>Total Current Assets</i>	2,243,141
<i>Noncurrent Assets:</i>	
Land	1,133,533
Plant C	3,849,680
Andover Property	1,454,640
Furniture, Equipment & Vehicles	11,411
Construction in Progress	267,995
<i>Total Noncurrent Assets</i>	6,717,259
<i>Restricted and Other Assets:</i>	
<i>Cash and Cash Equivalents:</i>	
Restricted for Economic Loans	170,464
Restricted for Economic Development Planning Committee	655
<i>Total Restricted and Other Assets</i>	171,119
<i>Total Assets</i>	9,131,519
Deferred Outflows of Resources	
Pension	44,733
Liabilities:	
<i>Current Liabilities:</i>	
Accounts Payable	26,571
Contracts Payable	56,757
Accrued Wages & Benefits	1,796
Intergovernmental Payable	200
Unearned Revenue	103,054
<i>Total Current Liabilities</i>	188,378
<i>Long-Term Liabilities (net of current portion)</i>	
Accrued Mineral Rights	13,362
OWDA Loans Payable	537,064
Net Pension Liability (See Note 6)	108,778
<i>Total Long-Term Liabilities</i>	659,204
<i>Total Liabilities</i>	847,582
Deferred Inflows of Resources	
Pension	2,101
Net Position	
Net Investment in Capital Assets	6,236,003
Restricted for Economic Development	171,119
Unrestricted (Deficit)	1,919,447
<i>Total Net Position</i>	\$ 8,326,569

The notes to the basic financial statements are an integral part of this statement.

Ashtabula County Port Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2016

	Port Authority
Operating Revenues	
Charges for Services	\$ 1,553,413
Praxair/Ashco Debt Reduction Payments	952,566
Contributions & Donations	(20,000)
Rent Revenue	18,000
Finance Programs Income	5,577
Other Operating Revenues	1,169
	<u>2,510,725</u>
 Operating Expenses	
Plant C Operating Expenses	1,099,602
Personal Services	104,462
Contractual Services	179,349
Overhead, Rent & Utilities	38,071
Other Operating Expenses	3,836
Depreciation Expense	122,478
	<u>1,547,798</u>
<i>Total Operating Revenues</i>	<u>2,510,725</u>
<i>Total Operating Expenses</i>	<u>1,547,798</u>
<i>Operating Income (Loss)</i>	<u>962,927</u>
 Non-Operating Revenues (Expenses)	
Capital Grants	506,883
Interest Income	174
Sale of Scrap Metal	47,750
Plant C Non-Operating Expenses	(654,190)
Interest and Fiscal Charges	(61,249)
	<u>(160,632)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(160,632)</u>
<i>Change in Net Position</i>	802,295
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>7,524,274</u>
<i>Net Position End of Year</i>	<u><u>\$ 8,326,569</u></u>

The notes to the basic financial statements are an integral part of this statement.

Ashtabula County Port Authority
Statement of Cash Flows
For the Year Ended December 31, 2016

	Port Authority
Cash Flows From Operating Activities:	
Cash Received from Customers & Users	\$ 2,571,475
Cash Received from Contributions & Donations	70,000
Other Operating Revenues	15,336
Cash Paid to Operate Plant C	(1,139,983)
Cash Paid to Employees	(100,997)
Cash Paid for Contractual Services	(196,677)
Cash Paid for Overhead, Rent & Utilities	(37,290)
Cash Paid for Other Operating Expenses	(3,836)
	1,178,028
<i>Net Cash Provided By (Used For) Operating Activities</i>	
Cash Flows From Capital and Related Financing Activities	
Interest Income	174
Proceeds of OWDA Loans	537,064
Proceeds from Sale of Scrap Metal	47,750
Cash Received from Capital Grants	506,883
Plant C Non-Operating Expenses	(658,844)
Loan Program Loans Distributed	(75,000)
Loan Program Repayments	1,846
Payment for Capital Acquisitions	(325,511)
Principal Paid on Debt	(404,762)
Interest Paid on Debt	(61,249)
	(431,649)
<i>Net Cash Provided by (Used For) Capital and Related Financing Activities</i>	
	746,379
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	
	1,131,172
<i>Cash and Cash Equivalents Beginning of Year</i>	
	\$ 1,877,551

(continued)

Ashtabula County Port Authority
Statement of Cash Flows
For the Year Ended December 31, 2016

	Port Authority
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$ 962,927
Adjustments:	
Depreciation	122,478
(Increase) Decrease in Assets & Deferred Outflows:	
Accounts Receivable	(47,128)
Due from Other Governments	60,000
Prepaid Assets	664
Other Assets	160
Notes Receivable	30,000
Deferred Outflows of Resources - Pension	(31,467)
Increase (Decrease) in Liabilities & Deferred Inflows:	
Accounts Payable	(39,455)
Accrued Wages & Benefits Payable	(29)
*Contracts Payable	(19,500)
Due to Other Governments	(395)
Unearned Revenue	103,054
Net Pension Liability	35,929
Deferred Inflows of Resources - Pension	790
<i>Total Adjustments</i>	215,101
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 1,178,028

Footnote:

* Contracts payable overall decrease of \$23,205 had two components: operating and non-operating. The cash flows reconciliation only provides a comparison for operating activities, therefore non-operating revenues and expenses are not considered in the reconciliation. A decrease of \$19,500 was accounted for in the operating expenditures, while a decrease of \$3,705 was accounted for under capital and related financing activities.

The notes to the basic financial statements are an integral part of this statement.

Ashtabula County Port Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2016

Note 1 - Description of the Ashtabula County Port Authority & Reporting Entity

A. The Authority

The Port Authority of Ashtabula County, (the Authority) was created pursuant to Sections 4582.22 through 4582.59, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Ashtabula County including rendering financial and other assistance to such enterprises situated in Ashtabula County and to induce the location in Ashtabula County of other manufacturing, commerce, distribution and research entities; to purchase, subdivide, sell and lease real property in Ashtabula County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Ashtabula County.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Ashtabula County Commissioners. Currently, seven Directors serve on the Board.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable. As a result, the Port Authority is reflected as a component unit of Ashtabula County.

B. Reporting Entity

The Authority has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Authority are not misleading. The primary government consists of all departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which a primary government is financially accountable. The Authority is financially accountable for an organization if the primary government appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; or (3) the Authority is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or (4) the Authority is obligated for the debt of the organization. Under the criteria specified in Statement No. 14, the Authority has no component units. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. The Authority is, however, considered to be a component unit of Ashtabula County ("the County") by virtue of the fact the Authority's Board of Trustees is appointed by the County and the Authority meets the financial criteria under GASB pronouncements due to an EDA grant entered into in conjunction with the County. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization.

Ashtabula County Port Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2016

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The Authority's basic financial statements consist of a statement of net position, statement of activities, and a statement of cash flows. The Authority reports its operations in an enterprise fund. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Authority follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with this Statements, the accompanying basic financial statements are reported on an Authority-wide basis.

GASB Statement No. 34 requires the following, which collectively make up the Authority's basic financial statements:

Management's Discussion and Analysis
Basic Financial Statements:
 Statement of Net Position
 Statement of Revenues, Expenses, and Changes in Net Position
 Statement of Cash Flows
Notes to the Basic Financial Statements
Required Supplementary Information

B. Fund Accounting

The Authority uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary, however the Authority is a proprietary fund.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Port Authority is a single enterprise fund.

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Port Authority Fund – The Port Authority fund accounts for the all of the day to day activity, grants, lending programs and economic development activity relating to the Authority.

C. Measurement Focus and Basis of Accounting

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled service charges are recognized as revenue at year end.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal 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 fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before eligibility requirements are met are also recorded as a deferred inflow of resources. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net 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. For the Authority, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 6.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources were reported for pension. Deferred inflows of resources related to pension are reported on the statement of net position (see Note 6).

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D. Cash and Cash Equivalents

The Authority maintains interest bearing depository accounts. All funds of the Authority are maintained in these accounts. These interest bearing depository accounts are presented in the statement of net position as “Cash and Cash Equivalents”. The Authority has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general operating fund during 2016 was \$174.

E. Restricted Assets and Related Liabilities

Bond indentures and other lease agreements require portions of debt proceeds as well as other resources of the Authority to be set aside for various purposes. These amounts are reported as restricted assets along with the unspent proceeds of the Authority’s debt obligations. The liabilities that relate to the restricted assets are included in other liabilities payable from restricted assets in the Statement of Net Position.

F. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Authority does not currently maintain a capitalization threshold but plans to implement one during 2017.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. All reported capital assets except land and construction in progress are depreciated. Depreciation in the enterprise fund is computed using the straight-line basis over the following estimated useful lives:

<u>Estimated Lives</u>	<u>Description</u>
25 - 50 years	Buildings and Improvements
5 - 10 years	Vehicles
3 - 10 years	Furniture and Equipment

G. Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for debt service represents monies set aside for the repayment of debt.

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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H. Grants and Intergovernmental Revenues

State and Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. State and Federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when all applicable eligibility requirements have been met and the resources are available.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Authority, these revenues are charges for services, rentals, leases and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Authority. Revenues and expenses which do not meet these definitions are reported as non-operating.

J. Financing Fee Income

Fees associated with economic development loan programs and conduit debt transactions are recognized in operating revenue as they are received.

K. Lease Accounting

The Authority classifies leases at the inception of each lease in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62.

L. Pensions

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

M. 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 estimates.

N. Extraordinary & 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 management and that are either unusual in nature or infrequent in occurrence. The Authority had neither item in 2016.

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Note 3 – Change in Accounting Principles & Restatement of Prior Year Net Position

A. *Change in Accounting Principles*

For 2016, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application”, Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, Statement No. 77, “Tax Abatement Disclosures”, Statement No. 78, “Pension Benefits Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”, Statement No. 79, “Certain External Investment Pools and Pool Participants”, and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73”.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Authority.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement supersedes Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Authority.

GASB Statement No. 77 gives users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature of tax abatements will make these transactions more transparent to financial statement users. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Authority.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local government employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Authority.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes, all of their investment at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The Authority does not participate in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The Authority also incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Authority’s fiscal year 2016 financial statements; however, there was no effect on beginning net position.

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B. Restatement of Prior Year Net Position

	<u>Business-Type Activities</u>
Net Position at December 31, 2015, as Previously Reported	\$7,467,805
Change in Cash Balance	<u>56,469</u>
Adjusted Net Position at December 31, 2015	<u><u>\$7,524,274</u></u>

The change in cash balance was due to outstanding checks in 2015 that were subsequently voided, which increased cash and cash equivalents for the year ended December 31, 2015.

Note 4 – Deposits and Investments

State statutes classify monies held by the Authority into three categories.

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash by the Authority, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies 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 mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name. During 2016, the Authority had no investments.

Deposits with Financial Institutions

At year-end, the carrying amount of the Authority's deposits was \$1,877,551, none of which was cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$250,000 of the Authority's bank balance of \$1,928,367 was covered by the Federal Deposit Insurance Corporation, meaning \$1,678,367 was exposed to custodial risk as discussed below.

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

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Note 5 – Long-Term Obligations

Changes in the Authority’s long-term obligations during 2016 were as follows:

Issue	Outstanding 12/31/15	Additions	(Reductions)	Outstanding 12/31/16	Amounts Due in One Year
OWDA Loans					
Purchase & Improvement - Plant C - 3.0%	\$404,762	\$0	(\$404,762)	\$0	0
Cristal USA Effluent Line - 2.0%	0	537,064	0	537,064	0
Net Pension Liability					
OPERS - Traditional Plan	72,849	45,308	(9,379)	108,778	0
Other Long-Term Obligations					
Accrued Mineral Rights Payable - n/a	13,362	0	0	13,362	0
<i>Total Long-Term Obligations</i>	<u>\$490,973</u>	<u>\$582,372</u>	<u>(\$414,141)</u>	<u>\$659,204</u>	<u>\$0</u>

The Port Authority has entered into a contractual agreement for a purchase and improvement loan from OWDA for the First Energy Plant C project in the amount \$3,026,987. Under the terms of this agreement, OWDA will reimburse, advance, or directly pay the construction costs of the approved project. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loan. This loan was paid in full during 2016.

The Port Authority has entered into a contractual agreement for a purchase and improvement loan from OWDA for the Cristal USA Effluent line project in the amount \$10,610,893. Under the terms of this agreement, OWDA will reimburse, advance, or directly pay the construction costs of the approved project. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loan. This loan will not have an accurate repayment schedule until it is finalized and, therefore, is not included in the schedule of future debt service requirements. The balance of the loan is \$537,064.

The Authority pays obligations related to employee compensation from the enterprise fund.

In April of 2000, the Port Authority entered into an agreement with Cambrian Hunter, Inc. for the purpose of settling claims and disputes between the two parties concerning mineral rights on the Industrial Park property purchased by the Port Authority. Under the terms of the agreement, the Port Authority is to pay Cambrian \$500 each time it sells one acre of land of the Industrial Park.

Note 6 - Defined Benefit Pension Plan

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred payment basis - as part of the total compensation package offered by an employer for employee services each financial

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period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied

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to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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

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

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

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

	<u>State and Local</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-Employment Health Care Benefits	2.0%
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractual required contribution was \$10,527 for 2016. Of this amount, \$826 is reported as accrued wages and benefits payable.

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportion of the Net Pension Liability (Asset) Prior Measurement Date	0.00060400%
Proportion of the Net Pension Liability (Asset) Current Measurement Date	0.00062800%
Change in Proportionate Share	0.00002400%
Proportionate Share of the Net Pension Liability (Asset)	\$108,778
Pension Expense	\$15,284

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$31,973
Change in proportionate share and difference between Authority contributions and proportionate share of contributions	2,233
Authority contributions subsequent to the measurement date	10,527
Total Deferred Outflows of Resources	\$44,733
Deferred Inflows of Resources	
Differences between expected and actual experience	\$2,101

\$10,527 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year

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ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2017	(\$10,136)
2018	(10,136)
2019	(10,136)
2020	(1,697)
Total	(\$32,105)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 Percent
Future Salary Increases, Including Inflation	4.25 Percent to 10.05 Percent, Including Wage Inflation
COLA or Ad hoc COLA	3 Percent, Simple
Investment Rate of Return	8.0 Percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projections Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the

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Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.0 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.0 percent), or one percentage point higher (9.0 percent) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Authority's Proportionate Share of the Net Pension Liability	\$173,309	\$108,778	\$54,347

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Changes Between Measurement Date and Report Date In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Authority's net pension liability is expected to be significant.

Note 7 - Postemployment Benefits

Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS CAFR for details.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Ashtabula County Port Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2016

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to VEBA for participants in the Member-Directed Plan for 2016 was 4.5 percent.

The Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$1,755, \$1,563 and \$1,481 respectively; 99 percent has been contributed for 2016 and 100 percent for 2015 and 2014.

Note 8 – Other Employee Benefits

A. Sick Days

Full time employees earn five sick leave days per year using the anniversary date of hire for calculating the days. Unused sick days have no value upon termination and cannot be carried over from year to year. Therefore, there was no liability for accrued but unused sick days as of December 31, 2016.

B. Vacation

Full time employees are eligible for paid vacation time depending upon length of service. Vacation for full-time exempt and non-exempt employees is earned as follows:

After first year of employment	3.10 hours per 80 hours worked (10 days)
After fifth year of employment	4.60 hours per 80 hours worked (15 days)

If the employee does not use all of their vacation time, a request to carry over the unused balance must be approved by the Board. Unused vacation days have no value upon termination, therefore, there was no liability for accrued but unused vacation days as of December 31, 2016.

Ashtabula County Port Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2016

Note 9 - Risk Management

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

Note 10 - Capital Assets

A summary of the Authority's capital assets at December 31, 2016 follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,132,800	\$733	\$0	\$1,133,533
Construction in Progress	0	267,995	0	267,995
<i>Total Capital Assets, not being depreciated:</i>	1,132,800	268,728	0	1,401,528
<i>Capital Assets, being depreciated:</i>				
Plant C	4,071,676	45,052	0	4,116,728
Buildings and Improvements - Andover	1,531,200	0	0	1,531,200
Furniture, Equipment and Vehicles	615	12,680	0	13,295
<i>Total Capital Assets, being depreciated:</i>	5,603,491	57,732	0	5,661,223
Less Accumulated Depreciation:				
Plant C	(184,488)	(82,560)	0	(267,048)
Buildings and Improvements - Andover	(38,280)	(38,280)	0	(76,560)
Furniture, Equipment and Vehicles	(246)	(1,638)	0	(1,884)
<i>Total Accumulated Depreciation</i>	(223,014)	(122,478)	0	(345,492)
<i>Total Capital Assets being depreciated, net</i>	5,380,477	(64,746)	0	5,315,731
Total Capital Assets, Net	\$6,513,277	\$203,982	\$0	\$6,717,259

Ashtabula County Port Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2016

Note 11 – Contingent Liabilities

Financial Assistance - The Authority receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits may require refunding to grantor agencies. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Authority as of December 31, 2016.

Note 12 – Economic Development Planning Committee

In June of 2009, the Port Authority accepted a County contribution for the Economic Development Planning Committee (EDPC). The EDPC had a budget of \$655 for 2016 and is charged with the responsibility of developing a County strategic plan. Once complete, the County Commissioners will take ownership of plan. During 2016, no EDPC money was spent.

At December 31, 2016, the Port Authority was still holding \$655 of EDPC funds in a checking account to be spent on EDPC approved activity and is presented as restricted cash.

Note 13 – Water Pumping Service Agreement

On April 28, 2006, the Port Authority entered into a ten-year agreement to provide water pumping services to Ashco, Inc., a wholly owned subsidiary of Millennium Inorganic Chemicals Inc., and Praxair Inc. Under the terms of this agreement, the Port Authority agrees to provide process water from Plant C to Ashco's manufacturing facility, until the agreement expires on December 31, 2016. Assuming neither party breaches the written terms of the agreement, Ashco Inc. will continue to pay the monthly operating fee to the Port Authority at agreed upon rates which can fluctuate based upon the Port Authority's costs to provide the service.

Note 14 – Water Pumping Service Guaranty

On April 28, 2006, the Port Authority entered into a ten-year guaranty with Millennium Inorganic Chemicals Inc., to provide water pumping services to Ashco, Inc., a wholly owned subsidiary of Millennium Inorganic Chemicals Inc. Under the terms of this agreement, Millennium Inorganic Chemicals Inc. guarantees the due and punctual payment of any and all amounts payable by Ashco, Inc., to the Port Authority, provided the Port Authority does not breach the terms of the contract. The guaranty will remain in full force and effect until the earlier of; (a) the termination of the agreement agreed upon between the two parties involved, (b) payment in full of all 10 years of obligations by Ashco Inc., or (c) the return of the guaranty to Millennium Inorganic Chemicals Inc. marked "cancelled".

Ashtabula County Port Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2016

Note 15 – Operating Lease Agreements

Authority as Lessor

Aloterra Real Estate, LLC - In December 1 of 2015, the Authority entered into a ten year operating lease agreement with Aloterra Real Estate, LLC for property and buildings located on Maple Extension Street and Main Street in the Village of Andover. The Authority also agreed to make certain improvements to the condition of property. The lease commenced on December 1, 2015 and is scheduled to expire November 30, 2025, with an option to purchase the property at the expiration of the initial ten year lease term at a price of \$1. If a purchase agreement is reached, Aloterra will also be responsible for any outstanding financial obligation incurred by the Authority for short term capital improvements and environmental remediation. Rental payments under the lease are \$500 per month for the first three months (December 2015 thru February 2016), \$1,000 per month for the next four months (March 2016 thru June 2016), \$2,500 per month for the next five months (July 2016 thru November 2016), \$3,000 per month for the next 12 months (December 2016 thru November 2017), and \$5,000 per month for the remainder of the lease.

The future minimum rental payments to be received under this lease agreement are as follows:

	Amount
Year Ending December 31:	
2017	\$38,000
2018	60,000
2019	60,000
2020	60,000
2021	60,000
2022-2025	235,000
<i>Total</i>	\$513,000

The Authority recorded \$20,500 of rental income under this lease for the year ended December 31, 2016.

Authority as Lessee

Office Lease - The Authority leases office space at 25 West Jefferson Street, Jefferson, Ohio from Ashtabula County on a month to month basis for \$100. Rental expense, recognized on a straight-line basis, related to the Authority's lease was \$1,200 for the year ended December 31, 2016.

Note 16 – Loans Receivable

Loans Receivable represent loans to businesses including Pairings Ohio, Growth Partnership of Ashtabula County and R&R Marina for the purpose of economic development.

As of December 31, 2016, total loans receivable for Pairings Ohio, Growth Partnership of Ashtabula County and R&R Marina were \$96,385, \$103,750 and \$73,154, respectively.

Ashtabula County Port Authority
Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0006280%	0.0006040%	0.0006040%
Authority's Proportionate Share of the Net Pension Liability	\$108,778	\$72,849	\$71,204
Authority's Covered-Employee Payroll	\$78,155	\$74,030	\$69,455
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.18%	98.40%	102.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the Authority's measurement date which is the prior year end.

Ashtabula County Port Authority
Required Supplementary Information

Schedule of Authority Contributions
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Nine Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$10,527	\$9,379	\$8,884	\$9,029
Contributions in Relation to the Contractually Required Contribution	(\$10,527)	(\$9,379)	(\$8,884)	(\$9,029)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority Covered-Employee Payroll	\$87,728	\$78,155	\$74,030	\$69,455
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2008 available upon request.

2012	2011	2010	2009	2008
\$7,262	\$5,973	\$3,446	\$2,876	\$2,401
(\$7,262)	(\$5,973)	(\$3,446)	(\$2,876)	(\$2,401)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$72,620	\$59,734	\$35,600	\$35,200	\$34,300
10.00%	10.00%	9.68%	8.17%	7.00%

Ashtabula County Port Authority
Notes to Required Supplementary Information
For the Year Ended December 31, 2016

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 through 2016

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of determined contributions for 2014 through 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

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

Ashtabula County Port Authority
Ashtabula County
25 West Jefferson Street
Jefferson, Ohio 44047

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 Ashtabula County Port Authority, Ashtabula County, (the Authority) a component unit of Ashtabula County, as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated July 21, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 21, 2017

ASHTABULA COUNTY PORT AUTHORITY
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

1. Financial Reporting

<i>Finding Number</i>	2016-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

The Authority entered into agreements for water pumping services with area manufacturers. Under the terms of the agreements, the Authority agrees to provide process water from Plant C to the manufacturing facilities.

Section 3.2 of the agreements provides that the operating fee maybe adjusted by the Authority on an annual basis, or more frequently if necessary, based on changes in the costs reasonably incurred by the Authority in operating and maintaining or improving Plant C.

The Authority received more money for these services than was earned, thus a liability existed at December 31, 2016. This liability was not booked by the Authority's management on their financial statements and resulted in liabilities being understated. The Authority's management increased the Unearned Revenue line item by \$103,054 on the financial statements to correct the error.

We recommend the Authority work with the affected manufacturing companies to address the overpayment through applying to subsequent charges, refund, or other mutually agreed upon terms. Additionally, we recommend the Authority's management review the GAAP Compilation Report and all work papers received to ensure its accuracy.

Official's Response: We did not receive a response from Officials to this finding.

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Dave Yost • Auditor of State

ASHTABULA COUNTY PORT AUTHORITY

ASHTABULA 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
AUGUST 8, 2017