313 Second St.
Marietta, OH 45750
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1907 Grand Central Ave.
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St. Clairsville, OH 43950
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1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358

Perry & Associates
Certified Public Accountants, A.C.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY
Regular Audit
For the Year Ended December 31, 2016

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...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants
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• Association of Certified Anti - Money Laundering Specialists •

Board of Directors
Heath-Newark-Licking County Port Authority
851 Irving-Wick Drive, West
Heath, Ohio 43056

We have reviewed the *Independent Auditor's Report* of the Heath-Newark-Licking County Port Authority, Licking County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Heath-Newark-Licking County Port Authority is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

September 21, 2017

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HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

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Certified Public Accountants, A.C.

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INDEPENDENT AUDITOR'S REPORT

June 9, 2017

Heath-Newark-Licking County Port Authority
Licking County
851 Irving-Wick Drive West
Heath, OH 43056-6114

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of **Heath-Newark-Licking County Port Authority**, Licking County, Ohio (the "Authority"), 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heath-Newark-Licking County Port Authority, Licking County, Ohio as of December 31, 2016, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and the schedule 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 June 9, 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.

Perry & Associates CPA's A.C.

Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

The discussion and analysis of the Heath-Newark-Licking County Port Authority, Licking County (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 financial performance as a whole; readers should also review the basic financial statements and the notes to the basic 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 was $31,284,542 as of December 31, 2016 according to the Statement of Net Position. This represents an increase of $911,031 from last year's net position of $30,373,511.

- Operating revenues for 2016 were $5,295,083 which represents an increase of $660,157, or 14.2% from 2015.

- Total outstanding debt during the year increased $2,191,620 to $8,885,570 and is attributed to the Port Authority's capital plan for the expansion of assets within Licking County.

- The overall cash position of the Authority decreased $963,135.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Authority as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of revenues, expenses, and changes in net position provide information about the activities of the Authority as a whole, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

Reporting the Authority as a Whole

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during 2016?" These statements present all assets and deferred outflows of resources and liabilities and deferred inflows of resources both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private – sector companies.

The accrual basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. These two statements report the Authority's net position and changes in overall financial 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 causes of this change may be the result of many factors, some financial, some not.

Reporting the Authority's Most Significant Fund

Proprietary Fund

The Authority maintains one proprietary fund, an enterprise fund.

Summary of Net Position

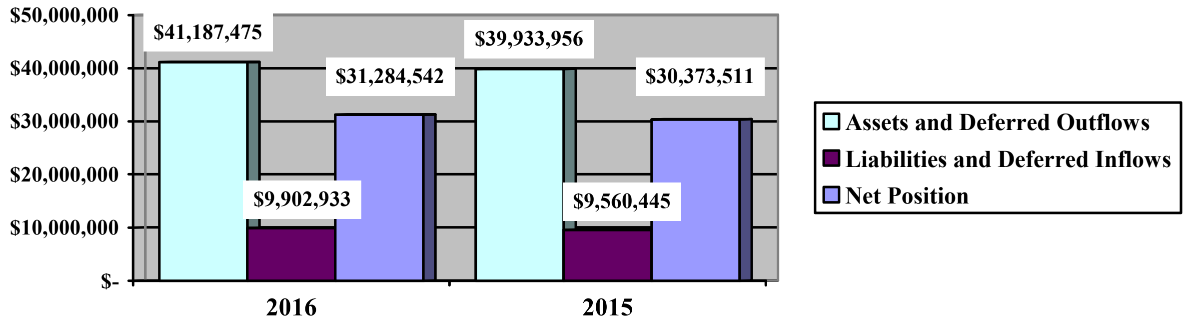
The table below provides a summary of the Authority's net position for 2016 and 2015:

	2016	2015
Assets		
Current and other assets	$ 8,232,989	$ 9,525,894
Noncurrent and restricted assets	215,327	999,829
Capital assets	32,501,176	29,331,355
Total assets	40,949,492	39,857,078
Deferred outflows of resources	237,983	76,878
Liabilities		
Current liabilities	1,400,372	1,794,518
Noncurrent and restricted liabilities	8,490,806	7,759,550
Total liabilities	9,891,178	9,554,068
Deferred inflows of resources	11,755	6,377
Net Position		
Net investment in capital assets	23,550,437	21,120,198
Unrestricted	7,734,105	9,253,313
Total net position	$ 31,284,542	$ 30,373,511

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $31,284,542.

Capital assets represent the largest portion of the Authority's net position. At year-end, capital assets represented 79% of total assets and deferred outflows of resources. Capital assets include land, land improvements, infrastructure, furniture and fixtures, machinery and equipment and vehicles. Net investment in capital assets or what was required to acquire these assets at December 31, 2016 was $23,550,437. These capital assets are used to provide services and are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The balance of unrestricted net position of $7,734,105 may be used to meet the Authority's ongoing obligations.



Summary of Revenues and Expenses

The table below provides a summary of the Authority's revenues and expenses for 2016 and 2015:

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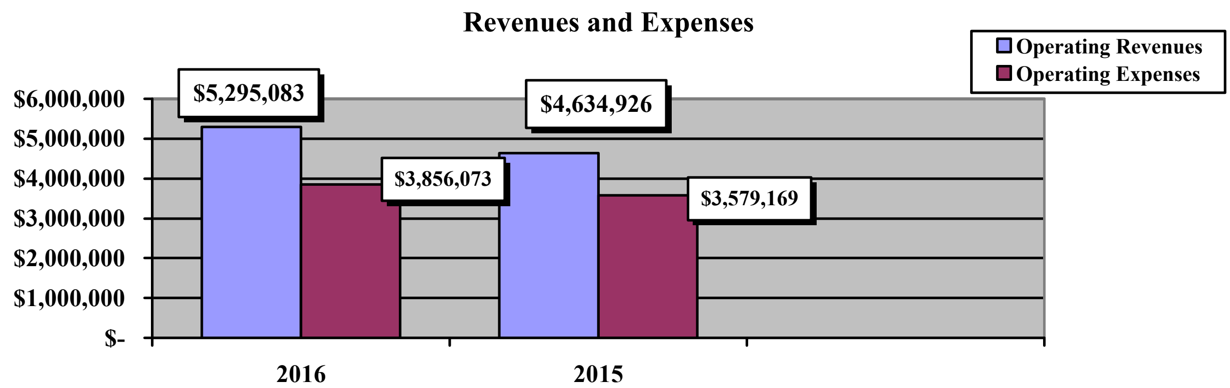
	2016	2015
Operating Revenues:		
Charges for Services	$ 5,233,117	$ 4,520,938
Other Operating Revenues	61,966	113,988
Total Operating Revenues	5,295,083	4,634,926
Operating Expenses:		
Personnel Services	965,745	636,971
Materials and Supplies	55,217	55,943
Contractual Services	1,746,373	1,959,076
Depreciation	1,088,738	927,179
Total Operating Expenses	3,856,073	3,579,169
Operating Income	1,439,010	1,055,757
Nonoperating Revenues (Expenses):		
Investment Earnings	38,266	22,622
Gain (loss) on disposal of capital assets	(13,163)	228,060
Intergovermental	-	550,488
Interest and Fiscal Services	(380,366)	(254,692)
Other Nonoperating Expenses	(172,716)	(88,636)
Total Nonoperating Revenues (Expenses)	(527,979)	457,842
Changes in net position	911,031	1,513,599
Beginning Net Position	30,373,511	28,859,912
Ending Net Position	$ 31,284,542	$ 30,373,511

Operating revenues increased $660,157 and operating expenses increased $276,904 from 2015. Increases in operating revenues are attributed to new tenants and also higher lease revenues received from existing tenants. Increases in operating expenses primarily relate to changes in net pension liability as well as depreciation expense for capital asset additions during 2016.

The graph below presents the activity regarding the change in net position for 2016 and 2015.



Budgeting Highlights

Although not required under the Ohio Revised Code, an annual operating budget is adopted for management purposes. Budget information is reported to the management of the Board, and modifications may only be made by resolution of the Board.

Capital Assets and Debt Administration

Capital Assets

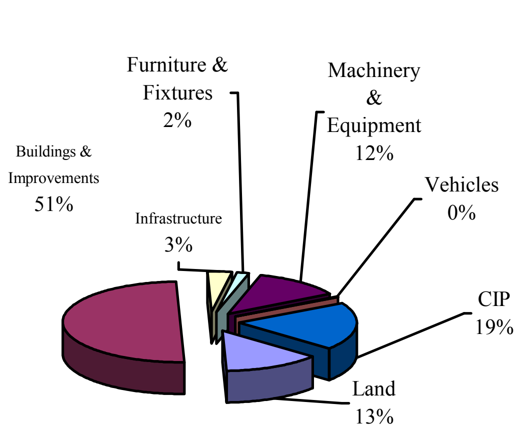
At the end of 2016, the Authority had $32,501,176 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. The following table shows 2016 balances compared to 2015:

Capital Assets at December 31

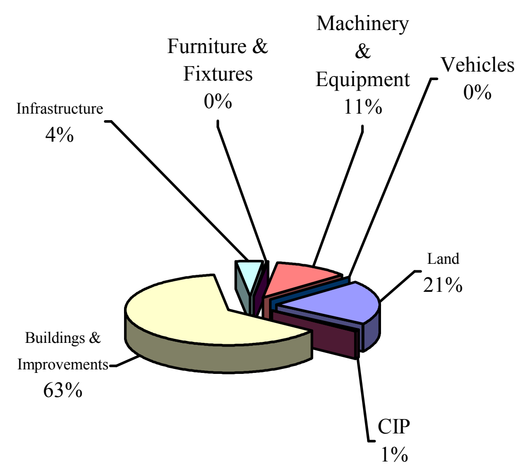
	2016	2015
Land	$ 9,342,538	$ 5,736,893
Construction in Progress	406,659	8,180,828
Buildings and Improvements	28,923,239	21,386,514
Infrastructure	1,990,793	1,455,137
Furniture and Fixtures	135,221	710,350
Machinery and Equipment	5,265,128	5,259,000
Vehicles	51,776	90,276
Less: Accumulated Depreciation	(13,614,178)	(13,487,643)
Totals	$ 32,501,176	$ 29,331,355

The following graph presents the categories of the Authority's capital assets reported at cost:

Capital Assets - 2015



Capital Assets - 2016



The Authority's largest capital asset category is buildings and improvements and represents 63% of total capital assets for 2016 and 51% for 2015.

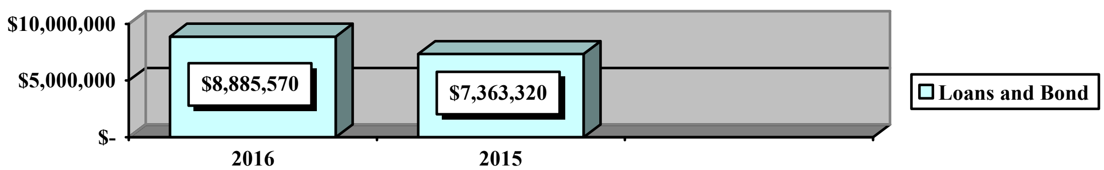
See Note 5 to the basic financial statements for more detail on the Authority's capital assets.

Debt Administration

The Authority had the following long-term obligations outstanding at December 31, 2016 and 2015:

	2016	2015
Horton building interior loan	$ 579,465	$ 661,747
MISTRAS building loan	4,118,681	4,264,110
701 international drive loan	606,577	606,577
Recovery zone bond	1,389,227	1,830,886
Seminary ridge loan	1,999,020	-
Seminary ridge mortgage	192,600	-
Total long-term obligations	8,885,570	7,363,320
Less: Due within one year	(1,061,633)	(399,295)
Net long-term obligations	$ 7,823,937	$ 6,964,025

A breakdown of the Authority's long-term obligations is as follows for 2016 and 2015:



See Note 8 to the basic financial statements for more detail on the Authority's long-term debt obligations.

Economic Conditions and Outlook

Net position is expected to increase in future years as the Authority continues to increase expansion of the base further increasing the local workforce along with the Authority's commitment to bring high quality companies to the Licking County area.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact Erin Grigsby, Director, Finance and Compliance, Heath-Newark-Licking County Port Authority, 851 Irving-Wick Drive West, Heath, Ohio.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2016

Assets:	
Current assets:	
Cash and cash equivalents	$ 3,020,937
Investments	5,000,000
Receivables:	
Interest	4,473
Note	100,000
Prepaid items	107,579
Total current assets	8,232,989
Noncurrent assets:	
Loan receivable	215,327
Capital assets:	
Land	9,342,538
Construction in progress	406,659
Depreciable capital assets, net	22,751,979
Total capital assets, net	32,501,176
Total noncurrent assets	32,716,503
Total assets	40,949,492
Deferred Outflows of Resources:	
Pension	237,983
Liabilities:	
Current liabilities:	
Accounts payable	34,089
Contracts payable	65,169
Accrued wages and benefits	25,800
Intergovernmental payable	136,504
Accrued interest payable	10,419
Unearned revenue	63,058
Compensated absences payable	3,700
Horton building interior loan	89,180
MISTRAS building construction loan	173,173
Seminary ridge loan	499,755
Seminary ridge mortgage	21,400
Recovery zone facility bond	278,125
Total current liabilities	1,400,372
Noncurrent liabilities:	
Recovery zone facility bond	1,111,102
Horton building interior loan	490,285
MISTRAS building construction loan	3,945,508
701 international drive loan	606,577
Seminary ridge loan	1,499,265
Seminary ridge mortgage	171,200
Net pension liability	666,869
Total noncurrent liabilities	8,490,806
Total liabilities	9,891,178
Deferred Inflows of Resources:	
Pension	11,755
Net Position:	
Net investment in capital assets	23,550,437
Unrestricted	7,734,105
Total net position	$ 31,284,542

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Operating revenues:	
Charges for services - leases	$ 5,233,117
Other operating revenues	61,966
Total operating revenues	5,295,083
Operating expenses:	
Personnel services	965,745
Material and supplies	55,217
Contractual services	1,746,373
Depreciation	1,088,738
Total operating expenses	3,856,073
Operating income	1,439,010
Nonoperating revenues (expenses):	
Investment earnings	38,266
Interest and fiscal charges	(380,366)
Loss on disposal of capital assets	(13,163)
Other nonoperating expenses	(172,716)
Total nonoperating revenues (expenses)	(527,979)
Change in net position	911,031
Net position at beginning of year	30,373,511
Net position at end of year	$ 31,284,542

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities:	
Cash received from leases	$ 5,280,350
Cash received from other operating receipts	61,966
Cash payments to supplies for goods and services	(2,854,047)
Cash payments for employee services and benefits	(700,712)
Net cash provided by operating activities	1,787,557
Cash flows from capital and related financing activities:	
Intergovernmental receipts	280,488
Proceeds from loans	2,213,020
Principal payments - Recovery zone facility bond	(441,659)
Principal payments - Horton building interior loan	(82,282)
Principal payments - MISTRAS loan	(145,429)
Principal payments - Seminary ridge mortgage	(21,400)
Interest payments - Recovery zone facility bond	(104,718)
Interest payments - Horton building interior loan	(31,746)
Interest payments - MISTRAS loan	(212,455)
Interest payments - 701 international drive loan	(30,300)
Interest payments - Seminary ridge mortgage	(1,600)
Acquisition and construction of capital assets	(4,210,424)
Net cash used in capital and related financing activities	(2,788,505)
Cash flows from investing activities:	
Interest received	37,813
Net cash provided by investing activities	37,813
Net decrease in cash and cash equivalents	(963,135)
Cash and cash equivalents at beginning of year	3,984,072
Cash and cash equivalents at end of year	$ 3,020,937
Reconciliation of operating income to net cash provided by operating activites:	
Operating income	$ 1,439,010
Adjustments:	
Depreciation	1,088,738
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	46,950
(Increase) decrease in intergovernmental receivable	550,488
Increase (decrease) in deferred outflows of resources - pension	(161,105)
(Increase) decrease in prepaid items	2,785
Increase (decrease) in accounts payable	(272,071)
Increase (decrease) in contracts payable	(782,668)
Increase (decrease) in accrued wages and benefits	(1,120)
Increase (decrease) in compensated absences	(604)
Increase (decrease) in intergovernmental payable	149
Increase (decrease) in retainage payable	(341,786)
Increase (decrease) in net pension liability	213,130
(Increase) decrease in deferred inflows of resources - pension	5,378
Increase (decrease) in unearned revenue	283
Net cash provided by operating activities	$ 1,787,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Heath-Newark-Licking County Port Authority (the "Authority") was created on May 18, 1996 under the authority of Section 4582.21 et seq. of the Ohio Revised Code which provides that "a municipal corporation, a county or any combination thereof acting jointly, may create a port authority which shall be a body corporate and politic and have territorial limits coterminous with the territorial limits of the political subdivision(s) creating such port authority."

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's Governing Board and (1) the Authority is able to significantly influence the programs or services performed or provided by the 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 the deficits of, or provide financial support to, the organization; or (4) the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Authority has no component units. The basic financial statements of the reporting entity include only those of the Authority (the primary government).

B. Basis of Presentation

The Authority operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. All transactions are accounted for in a single enterprise fund.

The financial statements are presented as of December 31, 2016 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting: and Financial Reporting: Standards (GASB Codification).

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows and outflows of resources associated with the operation of these funds are included on the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus (Continued)

The statement of revenues, expenses, and change in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

The Authority uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

E. Budgetary Process

The budgetary process is prescribed by the provisions of Ohio Revised Code Section 4582.39. "Rents and charges received by the port authority shall be used for the general expenses of the port authority and to pay interest, amortization, and retirement charges on money borrowed." The major document prepared is the appropriation resolution which is prepared on the budgetary basis of accounting.

The appropriation resolution is subject to amendment throughout the year. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within its fund. Budgetary modifications may only be made by resolution of the Board of Directors.

1. Budget

The Director, Finance and Compliance and Chief Executive Officer submit an annual budget and appropriations resolution for the following fiscal year to the Board of Directors by the December board meeting for consideration and passage. The adopted budget shall not exceed the total of the estimated revenues available for expenditure.

2. Estimated Resources

The Director, Finance and Compliance and Chief Executive Officer prepare estimated revenues by fund prior to consideration of the annual appropriation resolution. The Authority must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

3. Appropriations

An annual appropriation resolution must be passed by the Board of Directors for the following year in December. The appropriation resolution establishes spending controls at the fund and object level (i.e. personnel services, materials and supplies, contractual services, and capital outlay). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources. The allocation of appropriations among objects within the fund may be modified during the year by a resolution of the Board of Directors.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

F. Cash and Cash Equivalents

Cash and cash equivalents may include amounts in demand deposits, certificates of deposit and repurchase agreements.

G. Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments of the Authority are reported at cost.

H. Capital Assets and Depreciation

Capital Assets are defined by the Authority as assets with an initial, individual cost of more than $1,000.

Property, plant and equipment acquired by the enterprise funds are stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Donated capital assets are recorded at their acquisition value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Infrastructure	20 – 50
Buildings	20 – 50
Building Improvements	10 – 50
Improvements Other than Buildings	10 – 20
Vehicles	3 – 15
Furniture & Equipment	3 – 25
Computer Equipment	3 – 15

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," compensated absences are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Employees earn vacation leave based on length of service and position. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

Employees earn 10 days of sick leave per year, which may be carried over to subsequent years. There is no liability for unpaid accumulated sick leave since upon separation or retirement; employees do not receive any payment for unused sick time.

J. 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.

K. Deferred Outflows of Resources and Deferred Inflows 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 have been reported for the following two items related the Authority's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Authority's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the Authority reports 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 represent the net difference between projected and actual earnings on pension plan investments related to the Authority's net pension liability.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets is reported net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net position would consist of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements.

The Authority's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Operating Revenues & Expenses

Operating revenues consist primarily of fees for services, rents and charges for use of facilities, and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues include intergovernmental grants and interest from investments. Nonoperating expenses include interest expense on long-term debt and various other nonoperating expenses.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of the Authority are combined to form a pool of cash and investments. The Authority has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Authority to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income. Statutes require the classification of funds held by the Authority into three categories.

Category I consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the Authority. Such funds must be maintained either as cash in the Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

- 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;

- 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;

- Interim deposits in eligible institutions applying for interim funds;

NOTE 2 – POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposit may not be returned. Protection of Authority cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC).

The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, Municipal Corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the Authority's deposits was $1,173,954 and based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures",* as of December 31, 2016, $1,631,983 of the Authority's bank balance of $1,881,983 was exposed to custodial risk as discussed below, while $250,000 was covered by the FDIC.

Investments

The Authority reports a certificate of deposit valued at $5,000,000 with original maturity of more than three months as investments on the Statement of Net Position. In addition, the Authority maintains an overnight repurchase agreement, which has no credit rating, in the amount of $1,846,983. Of the Authority's total investments, 100% was invested in repurchase agreements and a certificate of deposit.

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest in one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Authority's investments, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Authority.

NOTE 3 – LOAN RECEIVABLE

In 2008, the Authority entered into a 10-year lease agreement with the Boeing Company that included a $500,000 loan. Boeing is making monthly installment payments totaling $50,000 over 10 years at 5.0%. The remaining $450,000 of the loan is due at the end of 10 years only if the 10 year lease on the equipment is terminated early. The amount of $215,327 was reported as a loan receivable by the Authority at December 31, 2016.

NOTE 4 – NOTE RECEIVABLE

The Authority entered into a promissory note with the Southgate Company Limited Partnership specific to the sale of land. The principal sum of the promissory note is $100,000 and interest shall accrue on the outstanding principal balance at the rate of 4% per annum. This note is expected to be repaid during 2017.

NOTE 5 - CAPITAL ASSETS

A summary of capital assets at December 31, 2016:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Nondepreciable Capital Assets				
Land	$5,736,893	$3,605,645	$0	$9,342,538
Construction in Progress	8,180,828	406,659	(8,180,828)	406,659
Total Nondepreciable Capital Assets	13,917,721	4,012,304	(8,180,828)	9,749,197
Depreciable Capital Assets				
Buildings and Improvements	21,386,514	7,772,228	(235,503)	28,923,239
Infrastructure	1,455,137	535,656	0	1,990,793
Furniture and Fixtures	710,350	0	(575,129)	135,221
Machinery and Equipment	5,259,000	132,362	(126,234)	5,265,128
Vehicles	90,276	0	(38,500)	51,776
Total at Historical Cost	28,901,277	8,440,246	(975,366)	36,366,157
Less: Accumulated Depreciation				
Buildings and Improvements	(8,972,252)	(705,397)	232,298	(9,445,351)
Infrastructure	(697,317)	(78,246)	0	(775,563)
Furniture and Fixtures	(697,126)	(3,308)	575,129	(125,305)
Machinery and Equipment	(3,061,739)	(296,610)	116,276	(3,242,073)
Vehicles	(59,209)	(5,177)	38,500	(25,886)
Total Accumulated Depreciation	(13,487,643)	(1,088,738)	962,203	(13,614,178)
Depreciable Capital Assets, Net of Accumulated Depreciation	15,413,634	7,351,508	(13,163)	22,751,979
Capital Assets, Net	$29,331,355	$11,363,812	($8,193,991)	$32,501,176

NOTE 6 - DEFINED BENEFIT PENSION PLANS

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 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 the 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. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension 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 (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members 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 plan.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

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 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 a 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:

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

	State and Local
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	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $59,180 for 2016. Of this amount, $6,056 is reported as a component of accrued wages and benefits.

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 contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	$666,869
Proportion of the Net Pension Liability	.003850%
Pension Expense	$93,701

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$178,803
Authority contributions subsequent to the measurement date	59,180
Total Deferred Outflows of Resources	$237,983
Deferred Inflows of Resources	
Differences between expected and actual experience	$11,755

$59,180 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 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	$40,812
2018	42,907
2019	43,926
2020	39,403
Total	$167,048

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 the 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 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection 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 weighting 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 Benefits 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 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 .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 2015 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 %	5.28 %

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that 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 benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments 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 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 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's proportionate share of the net pension liability	$1,062,446	$666,869	$333,179

NOTE 7 - POSTRETIREMENT BENEFIT PLANS

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/financial/reports.shtml, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

NOTE 7 - POSTRETIREMENT BENEFIT PLANS – (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were $9,866, $9,585, and $4,090, respectively; 77% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as accrued wages on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

NOTE 8 – LONG-TERM DEBT

Long-term debt obligations of the Authority at December 31, 2016 were as follows:

	Balance Outstanding 12/31/15	Additions	Reductions	Balance Outstanding 12/31/16	Amounts Due in One Year
Recovery zone bond	$ 1,830,886	$ -	$ (441,659)	$ 1,389,227	$ 278,125
Horton building interior loan	661,747	-	(82,282)	579,465	89,180
MISTRAS building loan	4,264,110	-	(145,429)	4,118,681	173,173
701 international drive loan	606,577	-	-	606,577	-
Seminary ridge loan	-	1,999,020	-	1,999,020	499,755
Seminary ridge mortgage	-	214,000	(21,400)	192,600	21,400
Net pension liability	453,739	213,130	-	666,869	-
Total long-term obligations	$ 7,817,059	$ 2,426,150	$ (690,770)	$ 9,552,439	$ 1,061,633

NOTE 8 – LONG-TERM DEBT (Continued)

In 2008, the Authority closed on a $1.5 million loan from the State of Ohio for the Boeing Company to make facility improvements. The loan is secured by the property financed under a 10-year lease agreement and is payable solely from the payments on the underlying loan. Upon repayment of the loan, ownership of the acquired facilities transfers to the Boeing Company. The Authority is not obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

The Authority received authorization to secure a Recovery Zone Facility Revenue bond in an amount not to exceed $4,760,000 for the purpose of constructing commercial offices on the Authority Premises. This bond shall initially bear interest at a five year interest rate of 3.98% until the first interest period reset and the maturity shall not exceed 15 years.

The Horton Building Interior loan was approved in 2015 and relates to improvements to the existing Horton Building on the Authority's campus. The Authority was approved up to $1,101,528 for this project at an interest rate of 5%. The value of the building collateralizes the loan.

The MISTRAS Building loan was approved in 2015 and relates the construction of a new speculative building for the MISTRAS Group. MISTRAS is a leading "one source" global provider of technology-enabled asset protection solutions used to evaluate the structural integrity of critical energy, industrial and public infrastructure. The Authority was approved up to $4,300,000 at an interest rate of 4.82% with the building as loan collateral. The Authority will repay the loans in monthly installments of $29,824, including interest, over 18 years.

In 2015 the Authority was approved up to $955,000 for a building construction loan at 701 international drive. The loan's interest rate is 5.08%. The value of the building collateralizes the loan. Once this project has been finalized an amortization schedule will be provided.

In 2016, the Authority entered into two separate loan agreements associated with the purchase 299.902 acres for the purpose of future economic development. The Seminary Ridge loan was for the purchase of land and improvements totaling $1,999,020 at an interest rate of 0% payable in four equal installments of $499,755. This loan payable through 2020. The Seminary Ridge mortgage related to the purchase of an outstanding oil and gas obligation on the property totaling $214,000 at an interest rate of 1.45%. The loan is payable through 2025 with yearly installments of $23,000. The value of the loans are collateralized by the land.

The total principal and interest requirements to retire the Authority's outstanding debt:

NOTE 8 – LONG-TERM DEBT (Continued)

Year Ending December 31,	Recovery Zone Facility Bond Principal	Recovery Zone Facility Bond Interest	Recovery Zone Facility Bond Total	MISTRAS Building Loan Principal	MISTRAS Building Loan Interest	MISTRAS Building Loan Total
2017	$ 278,125	$ 46,253	$ 324,378	$ 173,173	$ 184,712	$ 357,885
2018	284,778	39,600	324,378	171,477	186,408	357,885
2019	296,484	27,894	324,378	179,927	177,958	357,885
2020	308,617	15,761	324,378	188,306	169,579	357,885
2021	221,223	3,479	224,702	198,073	159,812	357,885
2022-2026	-	-	-	1,146,348	643,077	1,789,425
2027-2031	-	-	-	1,458,183	331,242	1,789,425
2032-2033	-	-	-	603,194	27,241	630,435
Total	$ 1,389,227	$ 132,987	$ 1,522,214	$ 4,118,681	$ 1,880,029	$ 5,998,710

Year Ending December 31,	Horton Building Interior Loan Principal	Horton Building Interior Loan Interest	Horton Building Interior Loan Total	Seminary Ridge Loan Principal	Seminary Ridge Loan Interest	Seminary Ridge Loan Total
2017	$ 89,180	$ 24,848	$ 114,028	$ 499,755	$ -	$ 499,755
2018	91,278	22,750	114,028	499,755	-	499,755
2019	96,015	18,013	114,028	499,755	-	499,755
2020	100,956	13,072	114,028	499,755	-	499,755
2021	106,235	7,793	114,028	-	-	-
2022-2026	95,801	2,307	98,108	-	-	-
Total	$ 579,465	$ 88,783	$ 668,248	$ 1,999,020	$ -	$ 1,999,020

Year Ending December 31,	Seminary Ridge Mortgage Principal	Seminary Ridge Mortgage Interest	Seminary Ridge Mortgage Total
2017	$ 21,400	$ 1,600	$ 23,000
2018	21,400	1,600	23,000
2019	21,400	1,600	23,000
2020	21,400	1,600	23,000
2021	21,400	1,600	23,000
2022-2026	85,600	6,400	92,000
Total	$ 192,600	$ 14,400	$ 207,000

NOTE 9 - RISK MANAGEMENT – RISK POOL MEMBERSHIP

The Authority belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first $250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first $250,000 casualty treaty and 10% of the first $1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan. Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	2015	2014
Assets	$14,643,667	$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	$5,531,637	$5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

NOTE 10 - CONDUIT DEBT

From time to time, the Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The tax-exempt bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

The Authority, the State of Ohio, or any political subdivision thereof is obligated in any manner for repayment on the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements.

As of December 31, 2016, there were three series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of $144,796,864.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLES

For 2016, the Authority has implemented GASB Statement No. 72, *"Fair Value Measurement and Application"*, GASB Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, GASB Statement No. 77, "*Tax Abatement Disclosures"*, and GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants"*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance 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. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Authority.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Authority.

GASB Statement No. 77 requires certain tax abatement disclosure information about the government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Authority.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Authority.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO YEARS

	2015	2014
Authority's Proportion of the Net Pension Liability - Traditional Plan	0.003850%	0.0037620%
Authority's Proportionate Share of the Net Pension Liability - Traditional Plan	$ 666,869	$ 453,739
Authority's Covered-Employee Payroll	$ 479,250	$ 327,342
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.15%	138.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Traditional Plan	81.08%	86.45%

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE YEARS

	2016	2015	2014
Contractually Required Contribution	$ 59,180	$ 57,510	$ 39,281
Contributions in Relation to the Contractually Required Contribution	(59,180)	(57,510)	(39,281)
Contribution Deficiency (Excess)	$0	$0	$0
Authority's Covered-Employee Payroll	$ 493,167	$ 479,250	$ 327,342
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%

313 Second St.
Marietta, OH 45750
740.373.0056

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Vienna, WV 26105
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

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

June 9, 2017

Heath-Newark-Licking County Port Authority
Licking County
851 Irving-Wick Drive West
Heath, OH 43056-6114

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 **Heath-Newark-Licking County Port Authority**, Licking County, (the "Authority") 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 and have issued our report thereon dated June 9, 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 9, 2017.

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.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

HEATH – NEWARK – LICKING COUNTY PORT AUTHORITY

LICKING 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
OCTOBER 3, 2017