SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2015-2014

Dave Yost • Auditor of State

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Southeastern Ohio Port Authority
Washington County
710 Colegate Drive
Marietta, Ohio 45750

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Port 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 Port 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 Government's internal control. Accordingly, we express no such 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 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 the Southeastern Ohio Port Authority, Washington County, as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during the year ended December 31, 2015, the Government adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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 September 28, 2016, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Port Authority's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

September 28, 2016

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Southeastern Ohio Port Authority's (Port Authority) financial activities for the years ended December 31, 2015 and 2014. The MD&A should be read in conjunction with the basic financial statements and notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

> The assets and deferred outflows of resources exceeded it liabilities and deferred inflows of resources at the close of the year ended December 31, 2015, by $1,948,598 (net position). Of this amount, $195,252 represents unrestricted net position that may be used to meet the Port Authority's ongoing obligations to citizens and creditors.
>
> Net position increased $5,931 from the total net position at the beginning of 2015.
>
> The Port Authority implemented GASB Statement No. 68 during 2015. (See Note 10)
>
> The Port Authority completed a construction project (the Ingenuity Center) and started receiving rent on this Center during 2015.

Key financial highlights for 2014 are as follows:

> As restated, the assets and deferred outflows of resources exceeded it liabilities and deferred inflows of resources at the close of the year ended December 31, 2013, by $1,942,667 (net position). Of this amount, $145,562 represents unrestricted net position that may be used to meet the Port Authority's ongoing obligations to citizens and creditors.
>
> Net position decreased $85,364 from the total net position at the beginning of 2014.
>
> The Port Authority had a ongoing construction project (the Ingenuity Center) throughout 2014.

Using this Annual Financial Report

The Port Authority's basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the accompanying notes to the basic financial statements. These statements report information about the Port Authority and about its activities. The Port Authority utilizes a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting. In addition to the basic financial statements, the Port Authority presents Required Supplementary Information which discloses information about the Port Authority's net pension liability.

The Statement of Net Position presents the Port Authority's financial position and reports the resources owned by the Port Authority (assets and deferred outflows of resources), obligations owed by the Port Authority (liabilities and deferred inflows of resources), and the Port Authority's net position (the difference between these components). The Statement of Revenues, Expenses and Changes in Net Position presents a summary of how the Port Authority's net position changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statement of Cash Flows provides information about the Port Authority's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing, and financing activities. The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

The Port Authority as a Whole

Recall that the Statement of Net Position looks at the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net position for 2015 and 2014 compared to 2013:

Table 1
Net Position

	2015	2014	2013
Assets			
Current and Other Assets	$263,267	$348,742	$830,628
Capital Assets, Net	2,212,065	2,255,824	2,064,592
Total Assets	2,475,332	2,604,566	2,895,220
Deferred Outflows of Resources			
Pension	5,437	3,783	NA
Liabilities			
Current and Other Liabilities	31,524	163,682	545,588
Long-Term Liabilities:			
Due Within One Year	16,596	0	0
Due in More than One Year:			
Net Pension Liability	30,996	43,281	NA
Other Amounts	442,123	458,719	321,601
Total Liabilities	521,239	665,682	867,189
Deferred Inflows of Resources			
Pension	10,932	0	NA
Net Position			
Net Investment in Capital Assets	1,753,346	1,797,105	1,203,573
Unrestricted	195,252	145,562	824,458
Total Net Position	$1,948,598	$1,942,667	$2,028,031

During 2015, the Port Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Port Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 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 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 new standards required by GASB 68, the net pension liability equals the Port 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 "employment exchange" - that is, the employee is trading his for 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 government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Port 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 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 local government. 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 68, the Port 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 inflows/outflows.

As a result of implementing GASB 68, the Port Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from $1,982,165 to $1,942,667. The information necessary to restate the 2013 beginning balances for the effects of the initial implementation of GASB 68 is not available.

As mentioned previously, for the year ended December 31, 2015, net position of increased $5,931, or less than one percent. Even though there was an immaterial change in net position, assets decreased $129,234. Intergovernmental receivables decreased by $98,741 due to the completion of capital and operating grants during 2015 that were awarded to the Port Authority in previous years. Liabilities decreased by $144,443 due to the finalization of projects that, in the previous year, were accrued as contracts and retainage payables.

Also, as mentioned previously, for the year ended December 31, 2014, net position, as restated, decreased by $85,364, or 4.2 percent. Even though there was an immaterial change in net position, assets decreased $290,654. Intergovernmental receivables decreased by $599,715 due to the pending completion of capital and operating grants during 2014 that were awarded to the Port Authority in previous years. Liabilities decreased by $201,507 due to the nearly completed projects that, in the previous year, were accrued as contracts and retainage payables.

Table 2 reflects the changes in net position for 2015 and 2014 as compared to 2013:

(Table 2)

Changes in Net Position

	2015	2014	2013
Operating Revenues			
Donation	$104,375	$90,850	$81,100
Charges for Services	5,163	5,541	59,086
Rent	29,370	0	0
County Contribution	100,000	75,000	90,000
Miscellaneous	9,524	14,360	23,398
Total Operating Revenues	248,432	185,751	253,584
Operating Expenses			
Salaries and Benefits	107,522	151,131	176,139
Contractual Services	107,036	373,134	142,278
Office Expenses, Professional Fees, Travel and Memberships, Marketing and Rent	85,982	62,341	42,817
Insurance and Bonding	2,178	5,517	3,799
Miscellaneous	0	554	16,110
Depreciation	44,589	31,464	204
Total Operating Expenses	347,307	624,141	381,347
Non-Operating Revenues/(Expenses)			
Interest Income	5	5	6
Capital Grants	0	9,611	1,725,360
Operating Grants	107,017	364,468	51,929
Debt Issuance Costs	0	0	(14,020)
Interest and Fiscal Charges	(2,216)	(21,058)	(4,509)
Total Non-Operating Revenues/(Expenses)	104,806	353,026	1,758,766
Change in Net Position	5,931	(85,364)	1,631,003
Net Position Beginning of Year	1,942,667	2,028,031	397,028
Net Position End of Year	$1,948,598	$1,942,667	$2,028,031

The information necessary to restate the 2014 beginning balances amount for the effects of the initial implementation of GASB 68 is not available. However, 2014 expenses were restated to include pension expense of $39,498. The amount of pension expense of $3,783 computed under GASB 27, as restated, is reported as deferred outflows. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $776.

Consequently, in order to compare 2014 total expenses to 2013, the following adjustments are needed:

Total 2014 expenses under GASB 68	$645,199
Pension expense under GASB 68	(39,498)
2014 contractually required contribution	0
Adjusted 2014 expenses	605,701
Total 2013 expenses under GASB 27	399,876
Increase in expenses not related to pension	$205,825

The largest operating revenues are donations and county contributions in the amounts of $104,375 and $100,000, respectively. These amounts collectively represent 82 percent of total operating revenues and demonstrate the reliance the Port Authority has on these revenues from outside sources. During 2015, the Port Authority started receiving rent from a local vendor in turn for the use of one of their buildings. As stated previously, the decrease in capital and operating grants is due to the completion of grant draw-downs that were awarded in previous years.

The decrease in contractual services expense in the amount of $264,398 from 2014 to 2015 is due to the completion of construction projects where the final payments were accrued as contracts and retainage payables in the previous year. The decrease in capital grants of $1,715,749 from 2013 to 2014 is also due the ongoing project phase from initiation to finalization.

Capital Assets and Debt Administration

Capital Assets

At the end of 2015 and 2014, the Port Authority had $2,212,065 and $2,255,824, respectively, invested in capital assets, net of accumulated depreciation. Table 3 shows fiscal year 2015 and 2014 balances compared to 2013.

Table 3
Capital Assets
(Net of Depreciation)

	2015	2014	2013
Land	$124,950	$124,950	$124,950
Buildings and Improvements	2,082,300	2,125,419	0
Machinery and Equipment	4,815	5,455	460
Construction in Progress	0	0	1,939,182
Totals	$2,212,065	$2,255,824	$2,064,592

The total decrease in the Port Authority's capital assets, net of accumulated depreciation, from 2014 to 2015 was $43,759, or less than two percent. This change is the result of depreciation exceeding capitalizations in the current period. The increase of $191,232 from 2013 to 2014 is the result of the additions to construction in progress relating to the new Ingenuity Center.

For additional information on capital assets, see Note 5 to the basic financial statements.

Debt

The Port Authority had outstanding debt of $458,719 at December 31, 2015 and 2014 and $321,601 at December 31, 2013, in the form of a Rural Industrial Park Loan. In addition to this debt instrument, the Port Authority's long-term obligations consist of the net pension liability. For additional information on the Port Authority's long-term obligations, see Note 9 to the basic financial statements.

Contacting the Port Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Port Authority's finances and to reflect the Port Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jim Black, Executive Director, Southeastern Ohio Port Authority, 710 Colegate Drive, Marietta, Ohio 45750.

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
Assets		
Current Assets:		
Cash and Cash Equivalents	$219,005	$209,588
Accounts Receivable	1,852	500
Intergovernmental Receivable	36,400	135,141
Prepaid Items	6,010	3,513
Total Current Assets	263,267	348,742
Noncurrent Assets:		
Non-Depreciable Capital Assets	124,950	124,950
Depreciable Capital Assets, Net	2,087,115	2,130,874
Total Noncurrent Assets	2,212,065	2,255,824
Total Assets	2,475,332	2,604,566
Deferred Outlows of Resources		
Pension	5,437	3,783
Liabilities		
Current Liabilities:		
Accounts Payable	1,015	38,891
Intergovernmental Payable	27,844	95,472
Accrued Interest Payable	1,069	26,959
Accrued Leave Benefits Payable	1,596	2,360
Current Portion of Loan Payable	16,596	0
Total Current Liabilities	48,120	163,682
Long-Term Liabilities:		
Loan Payable	442,123	458,719
Net Pension Liability	30,996	43,281
Total Long-Term Liabilities	473,119	502,000
Total Liabilities	521,239	665,682
Deferred Inlows of Resources		
Pension	10,932	0
Net Position		
Net Investment in Capital Assets	1,753,346	1,797,105
Unrestricted	195,252	145,562
Total Net Position	$1,948,598	$1,942,667

See accompanying notes to the basic financial statements.

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Operating Revenues		
Donations	$104,375	$90,850
Charges for Services	5,163	5,541
Rent	29,370	0
County Contribution	100,000	75,000
Miscellaneous	9,524	14,360
Total Operating Revenues	248,432	185,751
Operating Expenses		
Salaries and Benefits	107,522	151,131
Contractual Services	107,036	371,434
Office Expenses	9,039	13,468
Professional Fees	63,922	35,538
Travel and Memberships	9,714	6,996
Marketing	3,307	6,339
Rent	0	1,700
Insurance and Bonding	2,178	5,517
Miscellaneous	0	554
Principal Paid on Debt	44,589	31,464
Total Operating Expenses	347,307	624,141
Operating Loss	(98,875)	(438,390)
Non-Operating Revenues/(Expenses)		
Interest Income	5	5
Capital Grants	0	9,611
Operating Grants	107,017	364,468
Interest and Fiscal Charges	(2,216)	(21,058)
Total Non-Operating Revenues/(Expenses)	104,806	353,026
Change in Net Position	5,931	(85,364)
Net Position Beginning of Year (2014 Restated - See Note 10)	1,942,667	2,028,031
Net Position End of Year	$1,948,598	$1,942,667

See accompanying notes to the basic financial statements.

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Donors	$203,875	$168,700
Cash Received from Customers	5,163	5,541
Cash Received from Rent	29,370	0
Cash Payments for Employee Services and Benefits	(113,270)	(113,684)
Cash Payments for Goods and Services	(329,031)	(283,664)
Other Operating Revenues	9,524	14,360
Other Operating Expenses	0	(554)
Net Cash Used for Operating Activities	(194,369)	(209,301)
Cash Flows from Noncapital Financing Activities		
Grants Available for Operating Purposes	205,758	229,824
Cash Flows from Capital and Related Financing Activities		
Capital Grants	0	743,970
Payments for Capital Acquistions	(830)	(762,114)
Proceeds from Loans	0	1,191,765
Principal Paid on Debt	0	(1,054,647)
Interest Paid on Debt	(1,147)	(21,058)
Net Cash Used for Capital and Related Financing Activities	(1,977)	97,916
Cash Flows from Investing Activities		
Interest Earned from Bank Accounts	5	5
Net Increase in Cash and Cash Equivalents	9,417	118,444
Cash and Cash Equivalents Beginning of Year	209,588	91,144
Cash and Cash Equivalents End of Year	$219,005	$209,588
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	($98,875)	($438,390)
Depreciation	44,589	31,464
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,352)	2,850
Increase in Prepaid Items	(2,497)	(2,235)
Increase in Deferred Outflows of Resources - Pension	(1,654)	0
Increase (Decrease) in Accounts Payable	(37,876)	38,863
Increase (Decrease) in Contracts Payable	(95,472)	95,472
Increase in Intergovernmental Payables	885	22,915
Increase (Decrease) in Accrued Leave Benefits Payable	(764)	262
Increase (Decrease) in Net Pension Liability	(12,285)	39,498
Increase in Deferred Inflows of Resources - Pension	10,932	0
Net Cash Used for Operating Activities	($194,369)	($209,301)

See accompanying notes to the basic financial statements.

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NOTE 1 - REPORTING ENTITY

The Southeastern Ohio Port Authority, Washington County (the Port Authority), was created during 2003 by the Washington County Commissioners pursuant to Sections §§ 4582.202 through 4582.58, inclusive of the Ohio Revised Code, for the purpose of promoting the manufacturing, commerce, distribution, research, and development interests of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region. Other purposes include to induce the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities to purchase, subdivide, sell, and lease real property in Southeastern Ohio. The Port Authority also strives to erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Washington County Commissioners. As such, it is considered a discretely presented component unit of Washington County. Currently, seventeen (17) Directors serve on the Board.

The Port Authority's management believes these financial statements present all activities for which the Southeastern Ohio Port Authority is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Port Authority's accounting policies are described below.

A. Basis of Presentation

The Port Authority's financial statements consist of government-wide statements, including the statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows.

B. Measurement Focus

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the Statement of Net Assets.

The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the Port Authority finances and meets the cash flow needs of its business-type activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Revenues - Exchange and Non-exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Port Authority receives value without directly giving equal value in return, include grants and donations. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Port Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Port Authority on a reimbursement basis.

Expenses: On the accrual basis of accounting, expenses are recognized at the time they are incurred.

D. Budgetary Process

The Ohio Revised Code requires that the Port Authority Board of Directors prepare an annual budget.

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments.

Estimated Resources: Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

Encumbrances: The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

E. Cash

Cash assets are maintained in non-interest bearing and interest bearing checking, savings and money market accounts.

The Port Authority had no investments during the year or at year end.

F. Receivables and Payables

Receivables and payables are recorded on the Port Authority's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and, in the case of receivables, collectability.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015 and 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. All capital assets are depreciated, except for land and construction in progress. Depreciation is computed using the straight-line method over five years of the useful lives for Machinery and Equipment.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "accrued leave benefits payable". The balances are to be used by employees in the year following the year in which the benefit was earned.

J. Pension

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

K. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and liabilities 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. The Port Authority does not have restricted net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Port Authority. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority. Revenues and expenses not meeting these definitions are reported as non-operating.

M. Estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The Port Authority did not have any extraordinary or special items in 2013.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

1. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or that can be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that the Port 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.
3. Interim deposits are deposits of interim monies. Interim monies are those monies 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.

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

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

1. United States Treasury Bills, Bonds, Notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Investment may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the Port Authority's bank balances of $222,215 for 2015 and $212,744 for 2014 were covered by the FDIC. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Port Authority to a successful claim by the FDIC.

The Port Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Port Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

NOTE 4 - RECEIVABLES

Receivables at December 31, 2015 and 2014 consisted of accounts and intergovernmental receivables. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables arising from grants awarded to the Port Authority follows:

	2015	2014
Local Government Innovation Fund	$36,400	
Clean Ohio Assistance Grant		$95,472
Third Frontier Grant		39,669
Total Interngovernmental Receivable	$36,400	$135,141

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was a follows:

	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
Non-Depreciable Capital Assets:				
Land	$124,950	$0	$0	$124,950
Depreciable Capital Assets:				
Buildings	2,155,962	0	0	2,155,962
Machinery and Equipment	13,426	830	0	14,256
Total Depreciable Capital Assets	2,169,388	830	0	2,170,218
Accumulated Depreciation:				
Buildings	(30,543)	(43,119)	0	(73,662)
Machinery and Equipment	(7,971)	(1,470)	0	(9,441)
Total Accumulated Depreciation	(38,514)	(44,589)	0	(83,103)
Total Depreciable Capital Assets, Net	2,130,874	(43,759)	0	2,087,115
Capital Assets, Net	$2,255,824	($43,759)	$0	$2,212,065

Capital asset activity for the year ended December 31, 2014, was a follows:

	Balance at 12/31/2013	Additions	Deletions	Balance at 12/31/2014
Non-Depreciable Capital Assets:				
Land	$124,950	$0	$0	$124,950
Construction in Progress	1,939,182	216,780	(2,155,962)	0
Total Depreciable Capital Assets	2,064,132	216,780	(2,155,962)	124,950
Depreciable Capital Assets:				
Buildings	0	2,155,962	0	2,155,962
Machinery and Equipment	7,510	5,916	0	13,426
Total Depreciable Capital Assets	7,510	2,161,878	0	2,169,388
Accumulated Depreciation:				
Buildings	0	(30,543)	0	(30,543)
Machinery and Equipment	(7,050)	(921)	0	(7,971)
Total Accumulated Depreciation	(7,050)	(31,464)	0	(38,514)
Total Depreciable Capital Assets, Net	460	2,130,414	0	2,130,874
Capital Assets, Net	$2,064,592	$2,347,194	($2,155,962)	$2,255,824

NOTE 6 - RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port Authority contracts with Peoples Insurance Agency who, on behalf of the Port Authority, negotiates property and casualty insurance coverage with Cincinnati Insurance Company and CAN Insurance Company for management and professional insurance coverage.

NOTE 6 - RISK MANAGEMENT (Continued)

The following lists the coverage limits and deductibles:

Property ($500 deductible):	
Building	$2,250,000
Contents	50,000
Crime ($250 Deductible):	
Employee Dishonesty / Forgery or Alteration	50,000
General Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Products-Completed Operations Aggregate Limit	2,000,000
Personal & Advertising Injury Limit	1,000,000
Damage to Rented Premises	100,000
Medical Expense Limit	5,000
Directors & Officers Liability:	
Each Occurrence	1,000,000
Scheduled Retention	2,500/5,000

Bond Coverage for the Secretary/Treasurer is included in Non-Profit Organization and Management Liability Insurance Policy.

There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years.

The Port Authority pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 7 - 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 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 Port Authority's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the 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 Port Authority's obligation for this liability to annually required payments. The Port Authority cannot control benefit terms or the manner in which pensions are financed; however, the Port Authority does receive the benefit of employees' services in exchange for compensation including pension.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

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 the 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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Port Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administer 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. Port Authority employees) may elect the member-directed plan and the combined plan, one employee member is 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. 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

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

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:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2015 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 Port Authority's contractually required contribution was $3,783 for 2015. Of this amount, $389 is reported as an intergovernmental 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, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that measurement date. The Port Authority's proportion of the net pension liability was based on the Port 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:

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Proportion of the Net Pension Liability - Prior Measurement Date	0.036714%
Proportion of the Net Pension Liability - Current Measurement Date	0.025700%
Change in Proportionate Share	0.011014%
Proportional Share of Net Pension Liability	$30,996
Pension Expense	$776

At December 31, 2015, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$1,654
Port Authority contributions subsequent to the measurement date	3,783
Total Deferred Outflows of Resources	$5,437
Deferred Inflows of Resources	
Change in Proportionate Share	$10,387
Differences between expected and actual experience	545
Total Deferred Inflows of Resources	$10,932

The $3,783 reported as deferred outflows of resources related to pension resulting from Port Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. 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:	
2016	($2,435)
2017	(2,435)
2018	(2,227)
2019	(2,181)
Total	($9,278)

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.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

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, 2014, 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

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 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 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 6.95 percent for 2014.

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	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other investments	18.00%	4.59%
Total	100.00%	5.28%

NOTE 7 - DEFINED BENEFIT PENSION PLAN (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 Port Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Port 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 Port 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%)
Port Authority's proportionate share of the net pension liability	$57,026	$30,996	$9,075

NOTE 8 - POSTEMPLOYMENT BENEFITS

Plan Description - The 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 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 post-employment health care coverage, age-and-service retirees under the Traditional and Combined Plans must have ten 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 45. See OPERS' CAFR referenced below for additional information.

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.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local government employers contributed at a rate of 14 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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 a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contributions 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 the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the Port Authority’s contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was $686, $1,196, and $1,194, respectively. For 2015, 92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

NOTE 9 - LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS

Changes in the Port Authority’s long-term obligations during the year consisted of the following:

	Principal Outstanding 12/31/2014	Additions	Deductions	Principal Outstanding 12/31/2015	Amounts Due within One Year
Rural Industrial Development Loan - 3%	$458,719	$0	$0	$458,719	$16,596
Net Pension Liability - OPERS	43,281	0	12,285	30,996	0
Total Long-Term Obligations	$502,000	$0	$12,285	$489,715	$16,596

On April 1, 2014, the Port Authority received a $484,970 Rural Industrial Park Loan from the Ohio Department of Development for completion of the Ingenuity Center located at 300 Commerce Drive in Marietta, Ohio. Only $458,719 was needed and received. Under the agreement, principal and interest payments were not required until September 1, 2019, unless the Center was rented before that date. During 2015, the Center started collecting rent and a new amortization schedule was created. Principal and interest payments required to retire the debt are as follows:

NOTE 9 - LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS (Continued)

Year	Principal	Interest
2016	$16,596	$9,040
2017	29,133	13,937
2018	30,019	12,977
2019	30,932	11,988
2020	31,873	10,969
2021-2025	174,511	38,439
2026-2029	145,655	9,034
	$458,719	$106,384

Conduit Debt

Pursuant to State statue, the Port Authority has issued revenue bonds, hospital revenue bonds, and obtained an Ohio Water Development Authority (OWDA) loan to provide financial assistance to private sector entities for new construction or improvements. Neither the Port Authority, the State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

As of December 31, 2015, there are $138,935,000 of 2012 Hospital Facilities Revenue Refunding and Improvement Bonds outstanding. These Bonds mature in various annual amounts through 2042; interest is due semiannually at rates ranging from 3% to 6%.

The Southeastern Ohio Port Authority entered into a private/public partnership with Eramet Marietta, LLC, Americas Styrenics, Solvay Advanced Polymers, and Energizer for the construction and rent of Good River Distribution, LLC. Good River Distribution, LLC, is a water production facility located across from the aforementioned industries on the banks of the Ohio River. The Good River Distribution, LLC, water production facility provides process water and fire water to the partner industries. Good River Distribution, LLC, is owned by the Southeastern Ohio Port Authority until such time as the rent is complete.

During 2012, Southeastern Ohio Port Authority obtained a state assistance Revenue Bond, Series 2012 in the amount of $4,175,000 to acquire, install, and construct a water screening, service water supply, and pumping system. The interest rate is 4.375% and the maturity date is June, 2027. As of December 31, 2015, $3,530,000 of the revenue bond is outstanding.

During 2012, Southeastern Ohio Port Authority obtained a loan in the amount of $6,000,000 from the OWDA for construction, maintenance, and operation of Good River Distribution, LLC. The loan will be repaid solely by rent received from members of Good River Distribution, LLC. The maturity date is January, 2028. As of December 31, 2015, $4,877,034 remains on the loan.

During 2015, the Southeastern Ohio Port Authority and Marietta Area Health Care issued $60,000,000 in Hospital Facilities Improvement Bonds. The bonds were issued for the purpose of acquisition, construction, renovation, equipping, and installation of electronic medical records system as well as various improvements to the health care facilities. As of December 31, 2015, $60,000,000 of the revenue bond is outstanding.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2015, the Port Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31,
2014:

Net Position December 31, 2014	$1,982,165
Adjustments:	
Net Pension Liability	(43,281)
Deferred Outflows - Payments Subsequent to Measurement Date	3,783
Restated Net Position December 31, 2014	$1,942,667

The Port Authority restated for employer contributions subsequent to the measurement date. The Port Authority made no restatement for its proportionate share of the collective deferred outflows/inflows of resources related to OPERS as the information needed to generate these restatements was not available.

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

Required Supplementary Information
Schedule of the Port Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Two Years (1)

	2014	2013
Port Authority's Proportion of the Net Pension Liability	0.00025700%	0.00036714%
Port Authority's Proportionate Share of the Net Pension Liability	$30,996	$43,281
Port Authority's Covered-Employee Payroll	$31,529	$71,677
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.31%	60.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

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

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY
Required Supplementary Information
Schedule of Port Authority Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years (1)

	2015	2014	2013
Contractually Required Contribution	$3,783	$3,783	$9,318
Contributions in Relation to the Contractually Required Contribution	(3,783)	(3,783)	(9,318)
Contribution Deficiency (Excess)	$0	$0	$0
Port Authority Covered-Employee Payroll	$31,529	$31,529	$71,677
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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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*

Southeastern Ohio Port Authority
Washington County
710 Colegate Drive
Marietta, Ohio 45750

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 basic financial statements of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated September 28, 2016, wherein we noted the Port Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*..

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Port 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 Port 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 Port 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 Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

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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*.

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 Port Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

September 28, 2016

SOUTHEASTERN OHIO PORT AUTHORITY

WASHINGTON 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 18, 2016

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