DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

Charles E. Harris & Associates
certified public accountants & government consultants

Dave Yost · Auditor of State

Board of Directors
Dayton-Montgomery County Port Authority
8 North Main Street
Dayton, Ohio 45402

We have reviewed the *Independent Auditor's Report* of the Dayton-Montgomery County Port Authority, Montgomery County, prepared by Charles E. Harris & Associates, Inc., 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 Dayton-Montgomery County Port Authority is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

August 28, 2017

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DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY

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INDEPENDENT AUDITOR'S REPORT

Dayton-Montgomery County Port Authority
Montgomery County
8 North Main Street
Dayton, Ohio 45402

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of the Dayton-Montgomery County Port Authority, Montgomery County, Ohio (the Port Authority), as of and for the year ended December 31, 2016, 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 Port Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Dayton-Montgomery County Port Authority, Montgomery County, Ohio, as of December 31,2016, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, 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.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
June 23, 2017

Our discussion and analysis of the Dayton-Montgomery County Port Authority's (the "Port Authority") financial performance provides an overview of the Port Authority's financial activities for the fiscal year ended December 31, 2016. Please review it in conjunction with the basic financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources were less than liabilities and deferred inflows of resources as of December 31, 2016 with the net position of the Port Authority being a deficit of ($8,505,648). This represents a decrease of $491,711 from the previous year. Almost all of this decrease results from depreciation on the two parking garages. The Port Authority has an outstanding SIB loan for the public improvements for the Dog Leg Road Improvements, but does not report a capital asset since the project is not owned by the Port Authority. This accounting treatment results in a total net position reduction of $11,313,656. Montgomery County has entered into intergovernmental agreements with the Port Authority to repay the principal, interest and fees associated with SIB loan for Dog Leg.

- The Port Authority maintains restricted cash and investment balances in the agency fund which, at December 31, 2016 totaled $14,510,647. Of that amount, $9,473,609 is maintained in the Southwest Regional Bond Fund trust accounts and project accounts, as reserves for the Bond Fund and another $3,501,716 in Southwest Regional Bond Fund for Cincinnati Port Authority reserves.

- The Port Authority reflects debt balances of $40.31 million in the agency fund for projects the Port Authority was involved in that are supported with a financing lease receivable. Although the Port Authority reports these debt balances, the Port Authority has no financial responsibility for payment on these debts except for receiving the respective lease payments through the respective bank trustee.

- The Port Authority had operating revenues of $3,069,979 and operating expenses of $1,454,169 resulting in an operating income of $1,615,810 for 2016.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Port Authority's basic financial statements. The following is a list of the basic financial statements included in this report:

Management's Discussion and Analysis
Basic Financial Statements
Statement of Net Position
Statement of Revenues, Expenses and Changes in Net Position
Statement of Cash Flows
Statement of Fiduciary Asset and Liabilities
Notes to the Basic Financial Statements
Required Supplementary Information – Pension Tables

The Port Authority is a single enterprise fund using proprietary fund accounting, which means these statements (non-fiduciary) are presented in a manner similar to private-sector business. The statements are presented using economic resource management focus and the accrual basis of accounting. The statements are designed to provide readers with a broad overview of the Port Authority's finances.

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

Our analysis of the Port Authority as a whole begins here. One of the most important questions asked about the Port Authority's finances is "Is the Port Authority as a whole better off or worse off as a result of the year's activities?" The net position decreased by $0.5 million but the answer is still yes as the Port Authority still has over $0.7 million in operating (non-restricted) cash which only decreased $9,474 from 2015. As stated above, the decrease in net position was caused by depreciation on the two Port Authority owned parking garages.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Port Authority as a whole, other than activity reported on the fiduciary (agency fund) statement, and about its activities in a way that helps answer the question above. These statements include all the assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting.

These two statements report the Port Authority's *net position* and changes in net position. One can think of the Port Authority's net position, the difference between assets and deferred outflows of resources (what the Port Authority owns) and liabilities and deferred inflows of resources (what the Port Authority owes), as one way to measure the Port Authority financial health, or *financial position*. Over time, *increases or decreases* in the Port Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. One will need to consider other nonfinancial factors, however, such as changes in the Port Authority's jurisdiction and the availability of capital projects to assess the overall health of the Port Authority.

Statement of Cash Flows

The Statement of Cash Flows provides information about the Port Authority's cash receipts and cash payments during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing activities, non-capital activities and investing activities.

These financial statements report on all of the functions of the Port Authority that are principally supported by fees.

Statement of Fiduciary Assets and Liabilities

The Statement of Fiduciary Assets and Liabilities reports the restricted cash held in the regional bond fund and the amount of pledged lease payments due from companies with debt issued through the regional bond fund.

These financial statements can be found on pages 12 through 15 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 16-57 of this report.

Required Supplementary Information

The required supplementary information provides additional information about the pension system liabilities and the Port Authority's required contributions. The required supplementary information can be found on pages 58-59 of this report.

FINANCIAL ANALYSIS OF THE PORT AUTHORITY

As stated previously, the Statement of Net Position looks at the Port Authority as a whole without regard to the agency fund. The following table provides a summary of the Port Authority's net position for 2016 compared to 2015.

Net Position (in thousands)

	2015	2016	Change
Current Assets	$15,206	$14,122	($1,084)
Restricted Assets	1,069	1,069	0
Capital Assets	27,490	26,800	(690)
Total Assets	43,765	41,991	(1,774)
Deferred Outflows of Resources	14	49	35
Current Liabilities	2,694	4,834	2,140
Long Term and Other Liabilities	35,180	32,318	(2,862)
Total Liabilities	37,874	37,152	(722)
Deferred Inflows of Resources	13,919	13,394	(525)
Net position:			
Net Investment in Capital Assets	2,816	2,695	(121)
Unrestricted (Deficit)	(10,830)	(11,201)	(371)
Total Net Position	($8,014)	($8,506)	($492)

During 2015, the Port Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revised 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 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 the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the 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 public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the 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.

Unrestricted net position, which is the portion of net position that can be used to finance the day-to-day operations without constraints established by debt covenants or other legal requirements, decreased by $0.37 million in 2016. The majority of the decrease was from the accounts payable.

The current liabilities increased significantly as the Port Authority was able to payoff the outstanding bonds on the Patterson parking with the sale of the building and garage to Caresource on March 1, 2017 which moved the debt from long term in 2015 to current in 2016.

The following tables look at the change in the Port Authority's revenues and expenses from 2015 to 2016.

Changes in Net Position (in thousands)

	2015	2016	Change
Fee revenue	$2,030	$1,999	($31)
Other revenue	74	1,071	997
Total operating revenue	2,104	3,070	966
Salaries and benefits	115	110	(5)
Operating expenses	793	653	(140)
Payments in lieu of real estate taxes	541	0	(541)
Depreciation	691	691	0
Total Operating expense	2,140	1,454	(686)
Tax increment financing – City of Dayton	199	213	14
Capital Grants paid to Developers	(1,475)	(1,010)	465
Capital Grants from County	3,642	1,327	(2,315)
Capital Grants from/to TID	1,210	(923)	(2,133)
Loan Forfeiture	0	(499)	(499)
Interest income	3	1	(2)
Interest expenses	(1,197)	(1,400)	(203)
Total nonoperating revenues and expenses	2,382	(2,291)	(4,673)
Net transfers with agency fund	184	184	0
Change in Net Position	2,530	(492)	($3,022
Beginning Net Position	(10,480)	(8,014)	
Restatement	(64)	0	
Ending Net Position	($8,014)	($8,506)	

The Port Authority saw port fees decrease about $76,000 with limited bond issuances during 2016. The total fee revenue decreased as the parking garage fees did increase some from additional rental space in the Main Street garage and Caresource renting spaces in the Patterson garage. Operating expenses were 17.6% lower than the prior year as the Port Authority saw profession services expenses drop by $86,000. The capital grants from County were the funds used to pay down the Austin Landing SIB loan in 2015. Capital grants from the TID were one time fund used to pay down the Project Walnut SIB loan in 2015 received from Ohio Jobs and Commerce; whereas in 2016 the Port Authority only reimbursed the TID for expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Port Authority reports as capital assets in the enterprise fund the two parking garages (Patterson and Main Street) where the Port Authority holds title and ownership, with an operating agreement in place. See note 3 for additional information on the Port Authority's capital assets.

Debt reported in the enterprise fund

The Port Authority has a long term liability due to the City of Dayton for the debt outstanding on the Main Street Garage. In 2016, the Port Authority paid $985,571 of net garage revenue to the City for this debt, $261,020 of which was paid on the principal owed. The Port Authority's liability for this debt is limited to the net revenues generated from the Main Street Garage. The Port Authority also has two outstanding revenue bonds in relation to the Patterson Parking garage totaling $2,445,000 at December 31, 2016. Debt service on one of the bonds is paid by the income on a guaranteed investment contract. The other bond is paid through tax increment financing revenue. In addition, through 2016, the Port Authority had drawn down $13,085,272 on an authorized SIB loan for Walnut Project's obligations, which are guaranteed and paid by Montgomery County and City of Union. See Notes 4 and 10 for additional information on the Port Authority's debt related to the enterprise fund.

Debt reported in the agency fund

As discussed in the highlights, the Port Authority's long term debt issuances maintained in the agency fund are $40.3 million in non-recourse revenue bonds. The Port Authority only issues non-recourse obligations for which the company maintains the liability for repayment. For more information on the Port Authority's agency fund debt balances see notes 4 and 9 of the financial statements.

ECONOMIC FACTORS

After several years of slowing economics for the community, Montgomery County saw increased development activity in 2016 in the northern and southern portions of the county. The southern portion of the County is benefiting from the newly opened Austin Interchange increasing taxable valuation by $167 million because of developments including Austin Landing, Motoman Enterprises, Miamisburg Industrial Park, and Springboro's Tech Park. The Port Authority's involvement in Project Walnut will also bring a significant amount of valuation increase to the northern portion of the County in the City of Union. There is continued interest in development around the City of Dayton Airport properties. The County has also seen expansion in areas such as Butler Township along the I70/I75 corridor and the City of Huber Heights is working on expansions along their respective interchanges. The Port Authority is heavily involved with the Property Assessed Clean Energy (PACE) bond issues through a partnership with the City of Dayton's created Energy Special Improvement District (ESID). Through 2016, the ESID has issued $4.3 million through three bond funds deals and more to come in fiscal year 2017.

After seeing the unemployment rate for 2009 reach 11.6 percent in the County, the rate declined to 7.0 percent at the end of 2012 but increased slightly in 2013 to 7.1 percent. As of December 2016, the rate was back down to 4.6 percent.

Request for Information

The financial report is designed to provide a general overview of the Port Authority's finances for all those with an interest in the Port Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Dayton-Montgomery County Port Authority, 8 North Main Street, Dayton, Ohio 45402-2400.

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS:		
CURRENT ASSETS:		
Cash and investments	$	721,946
Intergovernmental Receivable		13,391,497
Accounts Receivable		8,578
Total current assets		14,122,021
RESTRICTED ASSETS:		
Restricted cash and investments		444,079
Restricted cash and investments with trustee		625,335
Total restricted assets		1,069,414
CAPITAL ASSETS:		
Land and land improvements		5,943,337
Parking Garages		27,624,319
Total		33,567,656
Less: Accumulated Depreciation		(6,768,219)
Total capital assets, net		26,799,437
TOTAL ASSETS		41,990,872
DEFERRED OUTFLOWS OF RESOURCES:		
Pensions		48,717
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	$	1,153,687
Accrued Interest on SIB Loan		161,819
Current portion of long term debt:		
Relizon project Development Revenue Bonds, Series 2001		1,205,000
Parking garage project Development Revenue Bond, Series 2004A		1,240,000
SIB Loan Payable - Project Walnut		1,073,056
Total current liabilities		4,833,562
LONG TERM AND OTHER LIABILITIES		
Revenue bonds, notes and loans:		
Main Street Garage		21,658,978
SIB Loan Payable - Project Walnut		10,239,600
Net Pension Liabilities		119,343
Reimbursable deposits		300,000
Total long term and other liabilities		32,317,921
TOTAL LIABILITIES		37,151,483
DEFERRED INFLOWS OF RESOURCES:		
Intergovernmental Grant		13,391,497
Pension		2,257
TOTAL DEFERRED INFLOWS OF RESOURCES		13,393,754
NET POSITION:		
Net Investment in Capital Assets		2,695,459
Unrestricted (Deficit)		(11,201,107)
TOTAL NET POSITION	$	(8,505,648)

See accompanying notes to the financial statements

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES:		
Port fees	$	223,332
Parking garage fees		1,775,609
Other revenues		1,071,038
Total Operating Revenues		3,069,979
OPERATING EXPENSES:		
Salaries and benefits		109,752
Operating expenses		133,572
Project related expenses		286,959
Professional Services		232,589
Depreciation		691,297
Total Operating Expenses		1,454,169
OPERATING INCOME		1,615,810
NONOPERATING REVENUES (EXPENSES):		
Tax increment financing provided by City of Dayton		213,319
Capital Grants to Developers		(1,009,805)
Capital Grants from County		1,326,523
Capital Grants from TID		(923,383)
Loan Forfeiture		(498,831)
Interest income		722
Interest and fiscal charges		(1,399,779)
Total Nonoperating Revenues (Expenses)		(2,291,234)
INCOME BEFORE TRANSFERS		(675,424)
TRANSFERS		
Transfers in from Agency Fund		183,713
CHANGE IN NET POSITION		(491,711)
Net Position Beginning of Year		(8,013,937)
Net Position End of Year	$	(8,505,648)

See accompanying notes to the financial statements

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities:		
Cash received from customers	$	2,005,973
Cash payments to employees for services		(101,468)
Cash payments to supplier for goods and services		(920,259)
Cash received from other sources		1,112,881
Net cash provided by operating activities		2,097,127
Cash flows from capital and related financing activities:		
Retirement of debt		(1,535,477)
Interest paid		(1,051,784)
Net cash used for capital and related financing activities		(2,587,261)
Cash flows from noncapital financing activities:		
Transfer In from Agency Fund		183,713
Payment in Lieu of Taxes		213,319
Proceeds from SIB Loan - Project Walnut		923,383
Capital Grants		1,326,523
Capital Distributions to TID - Project Walnut		(1,933,188)
Interest paid		(233,493)
Net cash provided by noncapital financing activities		480,257
Cash flows from investing activities:		
Interest received		722
Net decrease in cash and investments		(9,155)
Cash and investments at beginning of year		1,800,515
Cash and investments at end of year		1,791,360
Reconciliation of operating income to net cash provided by operating activities		
Operating Income		1,615,810
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		691,297
Changes in assets and liabilities:		
Decrease in accounts receivable		48,875
Decrease in accounts payable		(266,905)
Increase in net pension liability and related deferred inflows/outflows		8,050
Net cash provided by operating activities	$	2,097,127

See accompanying notes to the financial statements

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2016

Assets:		
Cash and Cash Equivalents		
in Restricted Accounts	$	14,510,647
Intergovernmental Receivable		3,991,523
Financing Leases Receivable		39,934,941
Total Assets	$	58,437,111
Liabilities :		
Liabilities:		
ODOD Loan Payable	$	1,500,000
Proceeds Held for Bond Fund Reserves		3,625,000
Proceeds Held for Cincinnati Port Authority		3,551,683
Interest and Fees Payable		9,445,791
Revenue Bonds Payable		40,314,637
Total Liabilities	$	58,437,111

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Dayton-Montgomery County Port Authority, Montgomery County, Ohio (the "Port Authority") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority was established in January 2000 pursuant to section 4582.22 of the Ohio Revised Code by resolution of Montgomery County and by ordinance of the City of Dayton. A nine-member Board of Directors directs the Port Authority. Five of the Directors are appointed by the Montgomery County Commissioners and four are appointed by the Mayor of the City of Dayton, with the advice and consent of the Dayton City Commission.

The Port Authority provides services that are enumerated in Sections 4582.31 of the Ohio Revised Code. The services include but are not limited to the power to finance, purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units,* and No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all divisions and operations for which the Port Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on the organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or to impose specific financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Port Authority itself is included in the financial reporting entity.

The purpose of the Port Authority is to facilitate economic and community development in the Dayton Region. The operating policy and practice of the Port Authority has been to be financially self-sustaining. To that end, the Port Authority's policy and practice is, and has been from its inception, to limit its financial exposure to individual projects by utilizing one or more of the following approaches: full financial, operating and legal indemnification by project beneficiary; bond issuances supported by financing leases and/or credit enhancement, wherein the beneficiary/tenant is responsible for all debt service and operating expenses; strict limitation of financial liability to individual project revenues; and guaranty of debt service by another unit of government, with all operating expenses the responsibility of the tenant/beneficiary. In conclusion, the Port Authority never takes credit risk on behalf of a conduit borrower and has no credit risk to Bond Fund borrowers, beyond resources previously pledged in 2004 to the Bond Fund reserves.

Basis of Accounting

The Port Authority's activities, other than activity related to bond financings either through the bond fund issues or other trust activity that are fiduciary in nature and reported in an agency fund, are financed and operated as a single enterprise fund such that the costs and expenses, of providing the services are recovered primarily through administrative fees. The enterprise fund measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, and accountability. The Port Authority's financial transactions are recorded on the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

As defined by GAAP, the fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and agency funds. The Port Authority maintains a fiduciary agency fund for its projects that are issued through the Regional Bond Fund, and other stand alone issuances where the Port Authority has a financing lease receivable. Examples of such projects are Relizon, Burrows, Clopay, STEM School, Renegade, Materion Brush, White Castle, Connor and Fieldstone. The Port Authority's agency fund is custodial in nature and does not involve the measurement of results of operations.

Investments

The Port Authority's investments (including cash equivalents) are recorded at fair value. Money market mutual funds are recorded at share values reported by the mutual fund.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Port Authority considers all highly liquid investments with maturities of less than three months (including restricted assets) to be cash equivalents.

Capital Assets

The Port Authority defines capital assets as follows:

- Land assets will always be capitalized without regard to costs and not depreciated.
- Infrastructure assets will be capitalized if it has a life expectancy of five (5) years or greater and a designated value exceeding $300,000
- Assets other than land or infrastructure will be capitalized if the asset has a useful life of two (2) years or more and a designated value exceeding $5,000.

Capital assets are stated at historical cost. Donated capital assets are recorded as estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed and updated for the cost of additions and retirement during the year. Interest incurred during construction is capitalized until substantial completion of the project.

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

- Buildings and Improvements – 40 years
- Infrastructure – 40 years
- Office Equipment – 3 years

Restricted Assets and Related Liabilities

Bond indentures and other agreements require portions of debt proceeds as well as other resources of the Port Authority to be set aside for various purposes. These amounts are reported as restricted assets on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities. The liabilities that relate to the restricted assets are included in other liabilities in the same statement. The Port Authority also reports restricted cash for the balance maintained in the Main Street Garage account of $144,079. The City of Dayton is provided a monthly review of the Port Authority's expenses in that account. The Port Authority received $300,000 from Development Projects, Inc. in September 2007 as a reserve for the Renegade project and reports a restricted asset and liability for the amount.

Budgetary Accounting and Control

The Port Authority's annual budget, as provided by law, is prepared on the cash basis of accounting. The budget includes amounts for current year revenues and expenses.

The Port Authority maintains budgetary control by not permitting total capital expenditures and accounts charges to individual expense categories to exceed their respective appropriations without an amendment of appropriations by the Board of Directors.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from charges for services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority. Revenues and expenses that do not meet these criteria are considered non-operating and reported as such.

Tax Increment Financing from the City of Dayton

As part of the financing agreement between the Port Authority and the City of Dayton related to the Taxable Project Development Mortgage Revenue Bonds for the Patterson Street Parking Garage Facility Project, the City of Dayton makes debt service payments on the bonds from service payments in lieu of taxes received the from adjoining office building. The Port Authority recognizes the debt service payments on the bonds made by the City of Dayton on behalf of the Port Authority as tax increment financing (nonoperating) revenue bonds within the enterprise fund.

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an expense until then. The Port Authority reports deferred outflows of resources on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 5.

Deferred Inflows of Resources

In addition to liabilities, the statements of financial position 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 revenue until that time.

Deferred inflows of resources related to pension and revenues received from the City of Union for debt service payment associated with the SIB loan are reported on the statement of net position The deferred inflows of resources related to pension are explained in Note 5.

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 positon 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.

Net Position

Total net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position - net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowing, or portion of a borrowing, used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Interfund Activity

During the course of normal operations, the Port Authority has numerous transactions between the enterprise and agency funds. These interfund transactions are generally classified as

- "Transfers in" and "Transfers out" in the enterprise funds Statement of Revenues, Expenses, and Changes in Net Position.

Loan Receivable

During 2013 and 2014, the Port Authority provided the National Composite Center with an operational loan using proceeds from a grant Montgomery County provided to the Port Authority. The loan agreement between the Port Authority and National Composite Center provides for no repayment schedule or interest rate associated with the loan. During 2016, the National Composite Center closed operations and the Port's loan was not paid given other liabilities related to the facility. The Port Authority reports an other financing use of $498,831 for the amount forfeited.

Conduit Debt

The Port Authority issues conduit debt on behalf of other entities, whether public entities or private companies, whether taxable or tax exempt. The Port Authority is contractually protected from liability related to these issues. For the purposes of the financial statements, the various conduit debts of the Port Authority are classified in one of two manners, depending on applicable accounting rules. First, a completely “off book” issuance where the Port Authority has issued the debt in name only on behalf of a private company, or organization. These are disclosed in Note 8. Second, bond issuances that involve a lease receivable where the company or organization is responsible for making payments to a trustee for payment of principal, interest and related fees on debt issued in the Port Authority’s name. These are disclosed in Notes 9 and 11 and reported within the Agency Fund statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Monies held by the Port Authority are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those 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 five years from the date of deposit or by savings accounts, including passbook accounts.

Interim monies held by the Port Authority can be deposited or invested in the following securities:

- United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and 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; and

- Bond and other obligations of the State of Ohio;

- Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

- No-load money market mutual funds consisting exclusively of obligations described in division (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; and,

- The State Treasurer's investment pool (STAR Ohio).

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure the Port Authority's deposits may not be returned. Protection of the Port Authority's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the institutions 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 Port Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amount equal to at least 105 percent of the carrying value of all public deposits held by each institution that are not covered by FDIC. Obligations that may be pledged as collateral are limited to obligation of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any 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 December 31, 2016, the carrying amount of the Port Authority's deposits was $1,166,025 and the bank balance was $1,166,026. FDIC insurance covered $250,000 of the bank balance with the remaining balance collateralized by PNC Bank with securities not in the Port Authority's name.

Investments

The Port Authority's investments as of December 31, 2016 reported in the enterprise fund were as follows:

	Fair Value	Fair Value Measuring Unit	Credit Rating	Maturity
U.S Government MM Funds	$625,335	Level 1	AAm	<60 days

The Port Authority's investments as of December 31, 2016 reported in the agency fund were as follows:

	Fair Value	Fair Value Measuring Unit	Credit Rating	Maturity
U.S Government MM Funds	$10,510,647	Level 1	AAm	<60 days
CDC Funding Corporation Guaranteed Investment Contracts (GIC)	4,000,000	Level 3	N/A	5/15/2024
Total Investments	$14,510,647			

Fair Value Measurement
Fair value as defined by GASB Statement No. 72 requires the Port Authority to apply valuation techniques that best represent fair value in the circumstances-market approach, cost approach and income approach. The following are the levels for which inputs can be measured. Level 1 – quoted prices (unadjusted) in active markets for identical assets/liabilities (most reliable); Level 2 – quoted prices for similar assets/liabilities, quoted price for identical assets/liabilities or similar assets/liabilities in markets that are not active, or other quoted prices that are observable; and Level 3 – unobservable inputs (least reliable).

Interest Rate Risk – State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Port Authority, and that an investment must be purchased with the expectation that it will be held to maturity. The Guaranteed Investment Contracts are matched to obligations within the Bond Fund Program.

Concentration of Credit Risk – The Port Authority places no limit on the amount the Port Authority may invest in one issuer. As of December 31, 2016, of the Port Authority's total Enterprise Fund investments were in U.S Government Money Market Funds. As of December 31, 2016 and 72.43 percent of the Port Authority's total Agency Fund investments were in U.S Government Money Market Funds and the remaining 27.57 percent were in Guaranteed Investment Contracts.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The CDC Funding Corporation Guaranteed Investment Contracts is considered a direct contractual investment and not considered securities exposed to custodial risk. The Port Authority has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investment to the Port Authority or qualified trustee.

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2016, was as follows:

	Balance 12/31/2015	Increases	Decreases	Balance 12/31/2016
Cost				
Land and Improvements	5,943,337	$0	$0	5,943,337
Parking Garages	27,624,319	0	0	27,624,319
Total Cost	33,567,656	0	0	33,567,656
Accumulated depreciation				
Parking Garages	(6,076,922)	(691,297)	0	(6,768,219)
Net Capital Assets	$27,490,734	($691,297)	$0	$26,799,437

The Port Authority reports a significant amount of capital assets within the enterprise fund. The parking garages in the name of the Port Authority will remain with the Port Authority after final payment on the respective debt obligation.

4. PROJECTS

Relizon (Workflow One) Company Headquarters Project (Agency Fund reported)

During 2001, the Port Authority financed the construction of a commercial office building for the headquarters of the Relizon Company. Land for the project was granted to the Port Authority by the City of Dayton with a value of $1,833,000. The Port Authority issued a $6,540,000 Taxable State Loan Revenue Note dated May 1, 2001 payable to the Ohio Department of Development and $7,250,000 of Taxable Project Development Revenues Bonds, Series 2001, dated May 18, 2001.

The Port Authority is to make monthly principal payments to the Taxable State Loan Revenue Note in varying monthly amounts ranging from $30,984 beginning on January 1, 2017 to $30,839 on February 1, 2017. A balloon payment of $2,000,000 is also due on March 1, 2017. The note carried no interest through March 31, 2007. Effective April 1, 2008, the notes carried a rate of 2.5 percent. The note is secured by the property and rental payments to be received under the lease with Relizon (now Care Source) as well as a residual value insurance contract covering balloon payments due on the debt as discussed below.

Annual debt service requirements to maturity for note are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$2,061,824	$8,526

The Port Authority is to make two monthly principal payments on the Taxable Project Development Revenue Bonds of $40,000 on January 1 and February 1, 2017. A balloon payment of $3,000,000 is also due on March 1, 2017. The bonds bear an interest rate of 8.75 percent and are secured by the property and rental payments to be received under the lease with Relizon (now Care Source) as well as residual value insurance contract covering balloon payments due on the debt as discussed below.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$3,080,000	$48,682

The Port Authority entered into a lease agreement, dated May 18, 2001, with the Relizon Company for use of the office building facility. The timing and amount of payments due from Relizon under the lease are scheduled to meet the debt service requirements of the Port Authority and other costs and expenses incurred in connection with the project through March 1, 2017. The term of the lease provides for various options at the end of the lease, including Relizon's option to purchase the property, the continuation of the lease with the refinancing of the $5,000,000 of balloon payments due on the related debts or the vacating of the property by Relizon. The Port Authority has acquired a residual value insurance policy to guarantee funding for balloon payment amounts when they become due should Relizon vacate the property at lease end. This lease was assigned to Workflow One as of January 21, 2011. Workflow One assigned the lease over to the CareSource Management Group on April 1, 2014.

The Port Authority accounts for the lease as a financing lease. The term of the lease commenced on May 1, 2001 and expires, unless sooner terminated in accordance with the terms of the lease, on February 28, 2017.

The future lease payments to be received, including proceeds from the residual value insurance contract, and the Port Authority's net investment in the lease are as follows:

Fiscal Year Ending December 31,	Total
2017	$5,030,389

Patterson Street Parking Garage Facility Project (Enterprise Fund reported)

During 2001, the Port Authority financed the acquisition and construction of a parking garage facility located adjacent to the Relizon Company Headquarters Project. The Port Authority owns the parking facility.

Land for the project was granted to the Port Authority by the City of Dayton with a value of $1,725,000. The Port Authority issued $3,225,000 in Taxable Project Development Mortgage Revenue Bonds, Series 2001, dated May 1, 2001 payable to the City of Dayton and a $2,000,000 Project Development Revenue Bond Anticipation Note (BAN), Series 2001 dated May 16, 2001, which were reissued as $2,235,000 Development Revenue Bond Series 2004A as described below.

On July 14, 2004 the Port Authority issued $2,235,000 of twenty year Project Development Revenue Bonds, Series 2004A, to fund appropriate reserves, pay the cost of issuance and refund the Bond Anticipation Note. The Port Authority is to make principal payments on the Project Development Revenue Bonds, Series 2004A, in semi-annual amounts ranging from $55,000 on May 15, 2017 to $305,000 on May 15, 2024. The bonds bear interest rates ranging from 5 to 6.125 percent.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$1,240,000	$73,338

Principal payments on the Taxable Project Development Mortgage Revenue Bonds, Series 2001, are due on December 1, in varying amounts ranging from $215,000 in 2017 to $270,000 in 2021. Interest at a rate of 5.81 percent was effective until November 30, 2003. Thereafter, the interest rate is variable and was reset on December 1, 2003 and is to be reset every third year thereafter, based on the weighted average interest rate on all investment in the City of Dayton's investment portfolio on those dates. See previously described tax increment financing from the City of Dayton. This bond was paid off as part of the March 1, 2017 purchase by CareSource.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$1,205,000	$7,049

Burrows Paper Corporation Project (Agency Fund reported)

During 2003, the Port Authority financed the construction of a 275,000 square foot manufacturing building in Franklin, Ohio for the Burrows Paper Corporation and the Port Authority owns the building. Construction costs were funded by proceeds of a $9,000,000 Ohio Department of Development Taxable State Loan dated June 1, 2003. The Ohio Department of Development Loan was funded by the issuance of $9,000,000 State Economic Development Revenue Bonds, Ohio Enterprise Bond Fund (OEBF) Series 2003-4.

On December 14, 2016, Burrows deposited $1,390,560 to current refund their remaining debt obligations.

Main Street Parking Garage (Enterprise Fund reported)

In conjunction with the CareSource Management Group project, during 2007 the Port Authority began construction of a seven story parking garage in downtown Dayton to be owned and operated by the Port Authority. CareSource Management Group agreed to rent 900 spaces for 20 years with an option to re-negotiate rental rates after 10 years. The number of spaces leased to Caresource has since increased to 1050.

As of December 31, 2016, $24,638,779 of cost has been capitalized, including $4,218,338 of land and $20,420,441 of construction costs. Funding of $20,100,000 under the financing arrangement has been provided by the City of Dayton as of December 31, 2016. The amount funded is reflected on the statement of net position as a payable to the City of Dayton less the amount repaid against the obligation plus accrued interest added to the principal. Construction of the garage was completed in December 2008.

During January 2008, the City of Dayton issued economic development revenue bonds and entered into a loan agreement with the Port Authority for the permanent funding of the project. The City of Dayton and Port Authority agreed to repay the loan from garage net revenues. For 2016, the Port Authority paid $985,570 to the City of Dayton in net revenues. $261,020 of this amount was applied towards principal payments.

The Port Authority is not paying the full principal payments to the City of Dayton in connection with the Main Street Garage Project. Per the loan agreement between the City of Dayton and Port Authority, dated January 10, 2008, the City of Dayton could declare all loan payments due in the event of default. During 2016, the City of Dayton has waived this covenant. If the City of Dayton rescinds the waiver of this covenant violation, then the full balance of the loan may be due at that time. The amount outstanding at December 31, 2016 is $21,658,978.

The Port Authority's obligation for this payable is limited to its revenues from the garage, net of operating and additional construction expenses.

Austin Landing Parking Garage (Partially conduit not reported on the financial statements, Partially Enterprise Fund reported)

The Port Authority received a loan from the State Infrastructure Bank for $3,610,000 as a partial funding source to pay off the parking garage being constructed by RG Properties at the Austin Landing project. During 2012, the Port Authority received $3,600,000 and provided the proceeds to RG Properties as a grant. The Port Authority entered into an intergovernmental agreement with Montgomery County to provide the Port Authority all necessary funds to repay the SIB loan together with any interest. During 2015, Montgomery County provided a payment to the Port Authority to retire the outstanding principal due on the loan. The Port Authority was also involved in the issuance of $800,000 Recovery Zone Bonds and $1,500,000 Recovery Zone Bond both purchased by PNC Bank and loaned to RG Properties in relation to the Parking Garage and retail development. These bonds are conduit in nature with RG Properties making payments directly to the bank.

Connor Group (Agency Fund reported)

During 2012, the Port Authority borrowed on behalf of The Connor Group, A Real Estate Investment Firm, LLC $8,350,000 in State Economic Development Revenue Bonds. The bonds are being used to finance a portion of the costs of constructing, equipping and furnishing an approximately 39,000 square foot office facility located in Miami Township, Ohio just south of the City of Dayton. The Connor Group entered into a financing lease with the Port Authority to service the respective debt obligations on this project. The initial principal payments started in September 2014 and terminate in May 2027.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$555,000	$293,944
2018	580,000	270,076
2019	605,000	245,313
2020	630,000	219,443
2021	655,000	192,467
2022-2026	3,735,000	515,547
2027	420,000	6,639
Total	$7,180,000	$1,743,429

The future lease payments to be received (less cash on hand) and the Port Authority's net investment in the lease are as follows:

Year	Total
2017	$866,336
2018	864,606
2019	863,605
2020	861,435
2021	859,554
2022-2026	4,279,965
2027	282,921
Total	$8,878,422

White Castle (Partially conduit not reported on the financial statements, Partially Agency Fund reported)

On October 31, 2012, the Port Authority borrowed on behalf of White Castle Distributing LLC $9,850,000 in State Economic Development Revenue Bonds at a variable interest rate ranging from 1.125 – 4.0% with a final maturity of December 1, 2027. The Port Authority received a $2,000,000 State of Ohio 166 loan at a 3% interest rate with a final maturity of November 15, 2027. The loan is conduit in nature with White Castle making payments directly to the State. The proceeds from the bonds and loan are being used to finance a portion of the costs of acquisition and constructing an approximately 74,000 square foot frozen food manufacturing facility located in Vandalia, Ohio just north of the City of Dayton. White Castle entered into a financing lease with the Port Authority to service the respective debt obligations on this project. The initial principal payments on the bonds started in June 2014 and terminate in December 2027.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$620,000	$256,731
2018	630,000	245,838
2019	650,000	230,675
2020	675,000	204,375
2021	700,000	177,175
2022-2026	3,900,000	491,166
2027	805,000	20,841
Total	$7,980,000	$1,626,800

The future lease payments to be received (less cash on hand) and the Port Authority's net investment in the lease are as follows:

Year	Total
2017	$894,318
2018	892,034
2019	895,453
2020	892,685
2021	888,966
2022-2026	4,432,875
2027	1,632,601
Total	$9,639,966

Sherman Dixie (Conduit not reported on financial statements)

In 2005, the Port Authority issued $3,500,000 Facilities Revenue Bonds and loaned the proceeds to Sherman-Dixie, a concrete products manufacturer who purchased a plant in Dayton and proposed to use the fund to renovate and update the facility. The bonds have a twenty year term and payable as a bullet payment with the final payment in December 2025.

STEM School (Agency Fund reported)

The Port Authority issued $5,000,000 in qualified school construction bonds designated as Taxable Development Revenue Bonds (Dayton Regional Bond Fund) Series 2011A (Dayton Regional STEM School) (the "Dayton Bonds"). The proceeds of the Bonds were used for the acquisition, construction, equipping, improvement, and installation of "port authority facilities" as defined in Sections 4582.01 and 4582.22, Ohio Revised Code, and consistent with the intended purposes pursuant to Section 54F of the Internal Revenue Code. Specifically, the facilities consist of a school facility owned by the Port Authority, leased to the Dayton Regional STEM Schools, Inc., and located in Kettering, Ohio.

The Port Authority is to make monthly principal payments on the Bonds, Series 2011A, in varying monthly amounts ranging from $130,000 beginning on May 15, 2017 to $1,425,000 on November 15, 2025. The bonds bear an interest rate of 5.5 percent and are secured by the property and rental payments to be received under the lease with the Dayton Regional STEM Schools through November 15, 2025. The Port Authority is receiving an interest subsidy of 5.41 percent from the U.S Treasury.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$260,000	$205,700
2018	260,000	191,400
2019	260,000	177,100
2020	265,000	162,800
2021	290,000	147,812
2022-2025	2,470,000	429,413
Total	$3,805,000	$1,314,225

The future lease payments to be received (less cash on hand) and the Port Authority's net investment in the lease are as follows:

Year	Total
2017	$486,236
2018	470,324
2019	454,412
2020	448,449
2021	451,517
2022-2025	2,273,255
Total	$4,584,193

Renegade (Agency Fund reported)

On September 1, 2007 the Port Authority issued Development Revenue Bonds from the Regional Bond Fund for acquisition and construction of a facility guaranteed by Maverick. The Port Authority is to make monthly principal payments on the Bonds in varying monthly amounts ranging from $95,000 beginning in May 15, 2017 to $125,000 on May 15, 2022. The bonds were issued at a 5.125% interest rate with a final maturity on May 15, 2022 and secured by the property and rental payments to be received under the lease with Renegade through May 1, 2022.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$195,000	$59,834
2018	205,000	49,712
2019	215,000	39,078
2020	230,000	27,803
2021	245,000	15,888
2022	125,000	3,203
Total	$1,215,000	$195,519

The future lease payments to be received (less cash on hand) and the Port Authority's net investment in the lease are as follows:

Year	Total
2017	$260,690
2018	259,732
2019	259,055
2020	260,998
2021	263,083
2022	75,884
Total	$1,379,442

Clopay (Agency Fund reported)

On October 25, 2006 the Port Authority issued a $1,500,000 Taxable Development Revenue Bond at 6.25% interest rate from the Regional Bond fund for the acquisition/rehabilitation of the former Panasonic facility for expansion and consolidation of Clopay manufacturing capacity. The final maturity on the bond is November 15, 2021. The Port Authority also received an Ohio Enterprise Bond Fund loan of $7,790,000 at approximately 5.89% interest rate with a final maturity of December 1, 2021 and a State of Ohio 166 loan of $5,000,000 at a 1-3% variable interest rate with a final maturity of October 15, 2021 for the project. The various bonds/loans are secured by the property and rental payments to be received under the lease with Clopay through November 15, 2021 and further are guaranteed by Griffin Corporation.

Annual debt service requirements to maturity for revenue bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$120,000	$42,188
2018	130,000	34,531
2019	140,000	26,250
2020	150,000	17,344
2021	167,500	7,812
Total	$707,500	$128,125

Annual debt service requirements to maturity for taxable bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$630,000	$194,444
2018	660,000	156,748
2019	700,000	116,990
2020	750,000	74,582
2021	788,333	29,524
Total	$3,528,333	$572,288

Annual debt service requirements to maturity for loans are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$377,100	$52,802
2018	388,570	41,332
2019	400,389	29,514
2020	412,567	17,335
2021	353,354	4,877
Total	$1,931,980	$145,860

The future lease payments to be received (less cash on hand) and the Port Authority's net investment in the lease are as follows:

Year	Total
2017	$1,427,681
2018	1,421,266
2019	1,421,998
2020	1,425,931
2021	1,243,096
Total	$6,939,972

Materion Brush (Agency Fund reported)

On April 9, 2011, the Port Authority issued a $2,000,000 Taxable Development Revenue Bond, at an interest rate of 4.9%, with a 10 year maturity. At the same time, the Toledo Lucas County Port Authority (TLCPA) issued an $8,000,000 bond of the same type, on the same terms. $2,000,000 of the TLCPA issuance was then used to purchase (Dayton) Port Authority’s issuance. The remaining proceeds of the TLCPA issuance, and the proceeds of the Port Authority issuance, $8,000,000 in total, were then lent on identical terms, parri passu, to Materion Brush for an expansion and upgrade of its operating capacity. The Port Authority is to make monthly principal payments on the Bonds in varying monthly amounts ranging from $95,000 beginning in May 15, 2017 to $310,000 on May 15, 2021. The Bonds are secured by the property and rental payments to be received under the lease with Materion Brush through May 1, 2021.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$190,000	$52,798
2018	195,000	43,488
2019	210,000	33,688
2020	220,000	23,275
2021	310,000	7,595
Total	$1,125,000	$160,844

The future lease payments to be received (less cash on hand) and the Port Authority's net investment in the lease are as follows:

Year	Total
2017	$254,553
2018	249,874
2019	252,049
2020	248,690
2021	100,317
Total	$1,105,483

Penn National Gaming (Conduit not reported on financial statements)

During 2013, the Port Authority entered into agreement with Penn National Gaming to finance the construction, installation and equipping of a racing and video lottery terminal, including a one (1) mile thoroughbred horse race track. The Port Authority agreed to issue up to $55 million in conduit bonds for the project that will be purchased by Penn National Gaming or its assignee. Penn National Gaming has deposited and withdrawn amounts necessary for all of the construction by the end of 2014 with the trustee. Penn National Gaming or its subsidiaries will deposit the necessary funds required to reimburse construction expenses as needed. As of December 31, 2016, $28,272,111 was the outstanding balance.

Malt Products (Conduit not reported on financial statements)

During 2013, the Port Authority entered into agreement with Malt Products to assist with the construction of a 30,000 square foot facility on 42 acres within Montgomery County through a conduit capital lease structure. The Port Authority agreed to issue up to $11 million in conduit bonds for the project that will be purchased by a subsidiary of Malt Products. Malt Products had deposited and withdrawn the amount necessary for construction fees by the end of 2014 with the trustee. Malt Products or its subsidiaries will deposit the necessary funds required to reimburse construction expenses as needed. As of December 31, 2016, $58,000 was the outstanding balance.

Fieldstone (Agency Fund reported)

On December 20, 2013, the Port Authority issued Development Revenue Bonds from the Regional Bond Fund for acquisition and construction of an extend care facility in Tipp City using tax incremental financing (TIF) revenues from Tipp City with a secondary pledge from the Granger company being the guarantor of minimum service payments on the TIF bond through a letter of credit with PNC. The bonds were issued at a 4.25% interest rate with a final maturity on November 15, 2042.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$30,000	$58,119
2018	30,000	56,844
2019	30,000	55,569
2020	30,000	54,294
2021	30,000	53,019
2022-2026	190,000	242,994
2027-2031	240,000	197,838
2032-2036	310,000	140,888
2037-2041	395,000	67,256
2042	90,000	2,869
Total	$1,375,000	$929,688

The future lease payments to be received (less cash on hand) and the Port Authority's net investment in the lease are as follows:

Year	Total
2017	$98,375
2018	96,875
2019	95,375
2020	93,875
2021	92,375
2022-2026	475,875
2027-2031	472,750
2032-2036	475,750
2037-2041	474,125
2042	1,699
Total	$2,377,074

National Composite Center (Enterprise fund reported)

Montgomery County requested that the Port Authority assist the County and National Composite Center in providing grant funding to help the National Composite Center further project development that substantially benefits the County and State of Ohio. During 2013, Montgomery County granted $500,000 to the Port Authority to distribute to the National Composite Center as requested. As December 31, 2016, there was $0 of restricted cash and cash equivalents remaining on the Port Authority’s statements for this grant. The National Composite Center received $498,831 as of December 31, 2019 that constitutes a loan receivable under the terms of the agreement. There is no repayment schedule or interest rate in the agreement. There is additional wording within the agreement that could make the loan forgivable if certain economic development aspects are reached with the National Composite Center’s work plan. The remaining $1,169 is related to expenses associated with the bank. During 2016, the National Composite Center closed operations. The loan was forfeited for collection by the Port Authority and $0 is reported on the Statement of Net Position as of December 31, 2016.

Project Walnut (Enterprise fund reported)

The Port Authority and Montgomery County Transportation Improvement District (the "TID") are working together with the City of Union and Montgomery County on the logistic park (referred to locally as Project Walnut) to provide infrastructure needs to support a larger manufacturing facility. The Port Authority applied to the State Infrastructure Bank (the "SIB") for a loan to provide local funding for the Project. The TID is the construction agent handling the infrastructure improvements and submits the project invoices to the Port Authority for approval and submission to the SIB. The loan is guaranteed through an intergovernmental agreement with the City of Union to provide tax increment financing revenues to cover the debt service payments. As of December 31, 2016, $13,075,272 of the authorized $14,500,000 loan was drawn down. The debt service is expected to change during fiscal year 2016.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$1,073,056	$602,010
2018	1,105,490	544,677
2019	1,138,903	485,611
2020	1,173,327	424,759
2021	1,208,791	362,069
2022-2025	5,613,089	782,605
Total	$11,312,656	$3,201,730

Project Walnut (Agency fund reported)

As part of the project where the Port Authority and Montgomery County Transportation Improvement District (the "TID") are working together with the City of Union and Montgomery County on the logistic park (referred to locally as Project Walnut) to provide infrastructure needs to support a larger manufacturing facility, Montgomery County initially provided funding to write down the land cost for the developer. During fiscal year 2015, the City of Union borrowed $790,000 through the Bond Fund to repay Montgomery County for the funds. The bond is guaranteed through an intergovernmental agreement with the City of Union to provide tax increment financing revenues to cover the debt service payments at the same time of the State Infrastructure Bank Loan.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$70,000	$34,081
2018	70,000	30,757
2019	70,000	27,431
2020	80,000	23,988
2021	80,000	20,188
2022-2025	365,000	40,136
Total	$735,000	$176,581

Property Assessed Clean Energy Program (PACE) Kettering Tower (Agency fund reported)

The Port Authority was authorized by the State of Ohio as an authorized participant in the State of Ohio Property Assessed Clean Energy Program (PACE). As part of this program, the Port Authority received $125,000 from the State of Ohio as additional bond fund reserves to help secure these projects. During 2016, the State of Ohio deposited another $1,000,000 in bond fund reserves for the energy projects. The first PACE project for the Port Authority is related to the improvements to the Kettering Tower. The Port Authority and Toledo Port Authority issued PACE bonds through their respective bond funds to allow the owner to make energy improvements. The City of Dayton created a Dayton Regional Energy Special Improvement District on June 24, 2015 when the Kettering Tower petitioned the City to participate in this program. The owner will be assessed through the real estate taxation process to repay the Port Authority bonds. The Port Authority has reported an intergovernmental receivable for the principal and interest less the project cash reserve held at the Port Authority.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$20,000	$9,787
2018	20,000	8,917
2019	20,000	8,048
2020	20,000	7,177
2021	20,000	6,308
2022-2025	120,000	15,442
Total	$230,000	$55,679

PACE – Top of the Market i.e 32 Webster Street (Agency fund reported)

On August 14, 2015, 32 Webster Street petition the City of Dayton to be added to the PACE program. The Port Authority and Toledo Port Authority issued PACE bonds through their respective bond funds to allow the owner to make energy improvements. The owner will be assessed through the real estate taxation process to repay the Port Authority bonds. The Port Authority has reported an intergovernmental receivable for the principal and interest less the project cash reserve held at the Port Authority.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$10,000	$10,331
2018	10,000	9,896
2019	10,000	9,461
2020	10,000	9,026
2021	10,000	8,591
2022-2026	85,000	33,148
2027-2030	105,000	12,181
Total	$240,000	$93,634

PACE – Delco Rehabilitation Project (Agency fund reported)

On July 26, 2016, Delco petition the City of Dayton to be added to the PACE program. The Port Authority issued PACE bonds through the bond fund to allow the owner to make energy improvements. The owner will be assessed through the real estate taxation process to repay the Port Authority bonds. The Port Authority has reported an intergovernmental receivable for the principal and interest less the project cash reserve held at the Port Authority.

Annual debt service requirements to maturity for bonds are as follows:

	Annual Payments	
Year	Principal	Interest
2017	$0	$154,305
2018	180,000	152,482
2019	190,000	145,091
2020	200,000	137,295
2021	205,000	129,195
2022-2026	1,195,000	510,908
2027-2031	1,495,000	228,352
2032	345,000	10,440
Total	$3,810,000	$1,468,068

YMCA of Greater Dayton (Conduit not reported on financial statements)

During 2014, the Port Authority entered into agreement with the YMCA of Greater Dayton to refinance four existing borrowings through refunding bonds. The Port Authority agreed to issue up to $9 million in economic development revenue refundings bonds for the project that were purchased by PNC Bank. The issuance was down through two series. Series A was issued for $2,596,250 ranging in payments of $28,934 on January 2, 2017 to a final maturity of $37,872 on June 2, 2021. Series B was issued for $6,110,500 ranging in payments of $14,303 on January 2, 2016 to a final maturity of $43,942 on June 2, 2034. Both series have a variable interest rate based the LIBOR multiplied by an interest factor plus 108 basis points.

Storypoint of Troy (Conduit not reported on financial statements)

During 2015, the Port Authority entered into agreement with the Storypoint of Troy to finance the acquisition, construction, improvement, installation and equipping of a facility constituting a residential supportive senior living facility. The Port Authority agreed to issue up to $32.26 million in project revenue bonds Series 2015-1 and $1.47 million in project revenue bonds taxable Series 2015-2. Series 2015-1 was issued as three separate term bonds: $1.23 million due January 15, 2025 at 6.125%; $11.79 million due January 15, 2040 at 7%; and $19.24 million due January 15, 2050 at 7.125%. Series 2015-2 was issued as a term bond due on January 15, 2027 at 8%.

Chaminade-Julienne High School (Conduit not reported on financial statements)

In 2015, the Port Authority issued $6,000,000 Facilities Revenue Bonds and loaned the proceeds to Chaminade-Julienne High School, a school who proposed to use the fund to renovate and update the facility. The bonds have a twenty year term and payable as a bullet payment with the final payment in December 2035.

St. Vincent De Paul (Conduit not reported on financial statements)

In 2015, the Port Authority issued $11,000,000 refinance existing borrowings through refunding bonds. The Port Authority agreed to issue up to $11 million in economic development revenue refundings bonds for the project that were purchased by PNC Bank. The bonds have a twenty year term and payable as a bullet payment with the final payment in December 2035.

Goodwill Easter Seals (Conduit not reported on financial statements)

In 2015, the Port Authority issued $10,200,000 refinance existing borrowings through refunding bonds. The Port Authority agreed to issue up to $10.2 million in economic development revenue refundings bonds for the project that were purchased by PNC Bank. The bonds have a twenty year term and payable as a bullet payment with the final payment in December 2035.

Northpointe (Conduit not reported on financial statements)

In 2016, the Port Authority issued $17,400,000 in lease revenue bonds for the construction of a manufacturing facility around the Dayton Internal Airport. The bonds were purchased by Regions Bank. The bond have a twenty-five year term payable as a bullet with the final payment in February 2038.

5. 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 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.

The 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.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - 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. Port Authority employees) may elect the member-directed plan and the combined plan, the Port Authority 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

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
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 Port Authority's contractually required contribution was $10,296 for 2016.

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 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:

	OPERS
Proportionate Share of the Net Pension Liability	$119,343
Proportion of the Net Pension Liability	0.000689%
Pension Expense	$16,769

At December 31, 2016, 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	
Net difference between projected and actual earnings on pension plan investments	$34,872
Changes in proportion share	3,549
Contributions subsequent to the measurement date	10,296
Total Deferred Outflows of Resources	$48,717
Deferred Inflows of Resources	
Differences between expected and actual experience	$2,257

$10,296 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, 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	($9,282)
2018	(9,808)
2019	(9,134)
2020	(7,940)
Total	($36,164)

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

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 0.40 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 %

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	$190,145	$119,343	$59,627

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

6. OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Tradition Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Tradition Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefits 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2016. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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 the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report that may be obtained by writing to the Public Employers Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-PERS (7377).

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14% of earnable salary. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

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 contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 remained at 2.0% 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 2016 was 4.5%.

The Port Authority's actual contributions that were used to fund post employment benefits for 2016, 2015, and 2014 were $1,716, $1,716, and $2,066 respectively with 100% for 2016, 2015 and 2014.

7. 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, and natural disasters. The Port Authority has obtained commercial insurance for comprehensive property and general liability, employee bonding, auto insurance and specific property insurance for the Main Street and Patterson Street Parking Garages. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the last three years. There has not been a significant reduction in coverage from the prior year.

8. CONDUIT DEBT (NOT INCLUDED IN FINANCIAL STATEMENTS)

The following table provides the latest available information for the Port Authority's conduit (non-recourse full indemnification) debt outstanding:

	Issue		Maturity	12/31/2016
Issue Name	Amount	Date	Date	Balance
Sherman Dixie	$3,500,000	10/31/2005	12/01/2025	$3,500,000
Austin Landing Recovery Zone Bonds (parking garage)	800,000	12/13/2010	12/01/2020	563,334
Austin Landing Recovery Zone Bonds (retail)	1,500,000	12/13/2010	12/01/2020	1,056,250
White Castle 166 loan	2,000,000	10/31/2012	11/15/2027	1,626,401
Penn National Gaming	28,272,111	12/23/2013	11/01/2023	28,272,111
Malt Products	58,000	08/01/2013	8/01/2023	58,000
YMCA Refinancing Project	8,706,750	07/01/2014	06/02/2034	7,655,546
Storypoint of Troy	33,730,000	10/07/2015	01/15/2050	33,730,000
Chaminade-Julienne HS	6,000,000	09/01/2015	12/01/2035	6,000,000
St. Vincent De Paul	11,000,000	11/01/2015	12/01/2035	11,000,000
Goodwill Easter Seal	10,200,000	12/01/2015	12/01/2035	10,200,000
CJ McLin Apartments	3,710,000	03/01/2016	03/01/2051	3,710,000
Northpointe	17,400,000	07/01/2016	02/01/2038	17,400,000

9. AGENCY FUND

Financing Leases Receivable

The Port Authority enters into various financing arrangements for the purpose of funding the construction of facilities that are leased to private and public companies. Financing lease agreements with the companies provide for leasing payments sufficient to fund the related debt issued by the Port Authority and other costs and expenses related to the project. The leases are non-cancelable until the underlying debt and any related charges are paid in full. Lease payments cover a minimum of the principal and interest payments on the debt as they become due. Lease arrangements allow the lessee an option to purchase the leased facility at the termination of the lease. All expenses related to the debt and operation and maintenance of the leased facilities are the responsibility of the lessee. The Port Authority has no responsibility for the repayment of any of the debt issued for the construction of the leased facilities if the resources provided by the underlying lease are insufficient to pay the obligation. All lease payments and debt retirement payments are administered and flow through accounts of the Port Authority and are recognized in the accompanying statements.

Regional Bond Fund

The Port Authority has established a Bond Fund Program to provide long-term, fixed interest rate financing for qualified industrial, commercial and public projects. The primary objective of the Bond Fund program is to further economic development efforts in the Dayton region. The Bond Fund Program is designed to provide a secondary source of repayment and credit enhancement for debt issued through the Bond Fund but does not represent a liability to the Port Authority and is reported as an agency fund on the Port Authority's financial statements.

The State of Ohio Department of Development (ODOD) awarded the Port Authority a grant of $4,000,000 during 2000 to establish the Bond Fund Program. Amounts held in the Port Authority's Bond Fund Program Reserve are included in restricted assets and as a liability on the accompanying statement of fiduciary assets and liabilities, due to the nature of the grant that restricts the use of the funds solely to the Bond Fund Program activities. Under the Program, debt service requirements on each bond issue are to be secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financed facilities, as well a lien on related assets. In addition, all borrowers are required to provide a letter of credit or cash as additional security for the related bonds. As of December 31, 2016, the Port Authority had used $1,022,205 for principal and interest payments on the Dayton Legal Blank obligation. There was nothing added during fiscal year 2016.

During 2003, the Port Authority obtained an additional $2,000,000 grant/loan from ODOD to further increase the funds of the Bond Fund Program. The terms of the grant/loan allow the Port Authority to use the funds for the Bond Fund Program and for any purpose approved by the Board for economic development purposes.

The conditional grant/loan was initially for a 20-year term, with 25 percent of the interest earned on the fund remitted back to ODOD through December 2017 and then, beginning 2018 and continuing through December 2022, 100 percent of the interest earned was required to be remitted back to ODOD. In addition to the interest repayment requirements, the Port Authority was to make a $1,000,000 repayment of principal on December 31, 2022. During May 2004 the terms were renegotiated whereby the Port Authority is to make annual interest payments of $25,000 over 20 years on the loan portion and a final repayment in 2024 totaling $1,500,000, representing the original $1,000,000 of loan principal and $500,000 in accumulated interest if the funds are not in reserves. As of December 31, 2016 the Port Authority has accrued interest payments owed to ODOD totaling $25,000.

In addition, the Port Authority has obtained a $5,000,000 letter of credit with a commercial bank for additional reserves. As of December 31, 2016, no amounts of this line of credit have been utilized. The letter of credit is to be accessed only in the event the other reserves of the Regional Bond Fund have been exhausted.

On March 16, 2015, the Port Authority approved the creation of the Southwest Ohio Regional Bond Fund (the "SWORBF"). The SWORBF is the combination of the Dayton Montgomery County Port Authority and Cincinnati Port Authority for the purpose of an expanded scope and reserves of the Dayton Regional Bond Fund. Each port authority continues to operate as separate port authorities for every other purpose. The Cincinnati Port Authority added $3,500,000 in bond fund reserves that are reported within the Agency Fund as restricted cash and also as proceeds held for the Cincinnati Port Authority. During 2016, the Cincinnati Port Authority, in connection with the Dayton Port, authorized a bond fund deal for land acquisition that increased the cash balance held on behalf of the Cincinnati Port by $49,969 at December 31, 2016.

For agency fund Dayton only projects, the table below reflects bond principal balance, as well as the gross lease receivable (which includes interest expenses and other fees reported on the Statement of Fiduciary Assets and Liabilities of $9,669,586.)

	Bond Balance At 12/31/2016	Lease Receivable at 12/31/2016
Bond Fund Projects		
STEM	$3,805,000	$4,584,193
Materion Brush	1,125,000	1,105,483
Renegade	1,215,000	1,379,442
Clopay Revenue Bonds	707,500	833,125
Fieldstone	1,375,000	2,377,074
Project Walnut - Union	735,000	0
PACE – Kettering	230,000	0
PACE – Top of the Market	240,000	0
PACE – Delco	3,810,000	0
Subtotal Bond Fund Projects	13,242,500	10,279,317
Other Agency Projects		
Clopay Taxable Bonds	3,528,333	4,016,854
Clopay 166 State Loan	1,931,980	2,089,993
Relizon State Note	2,061,824	2,070,350
2001 Relizon Bond	3,080,000	2,960,039
Burrows State Loan	1,310,000	0
Connor Group	7,180,000	8,878,422
White Castle	7,980,000	9,639,966
Subtotal Other Trust Projects	27,072,137	29,655,624
Total	$40,314,637	$39,934,941

The Port Authority has $11,676,491 in restricted cash and cash equivalents maintained in the regional bond fund. Of that amount, $1,162,507 is related to the projects listed above which is used to reduce the lease receivable due from the companies.

10. PROJECT RELATED DEBT OBLIGATIONS

For the year ended December 31, 2016, changes in Port Authority's project related debt were as follows:

	Balance at January 1, 2016	Additions	Payments/ Deletions	Balance at December 31, 2016	Due Within One Year
Patterson Parking Garage					
Taxable Development					
Mortgage Revenue Bonds,					
Series 2001 (variable)	$1,410,000	0	($205,000)	$1,205,000	$1,205,000
Development Revenue Bonds					
Series 2004 5.0-6.125%	1,345,000	0	(105,000)	1,240,000	1,240,000
Main Street Parking Garage					
City of Dayton	21,919,998	0	(261,020)	21,658,978	0
Project Walnut					
SIB Loan	11,353,730	923,383	(964,457)	11,312,656	1,073,056
Net Pension Liability	77,915	41,428	0	119,343	0
Total Debt Obligations	$36,106,643	$964,811	($1,535,477)	$35,535,977	$3,518,056

11. FINANCING LEASES

For the year ended December 31, 2016, changes in Port Authority's financing leases were as follows:

	Balance at January 1, 2016	Additions	Payments/ Deletions	Balance at December 31, 2016
STEM	$5,062,022	$0	$477,829	$4,584,193
Materion Brush	1,362,418	0	256,935	1,105,483
Renegade	1,672,218	0	292,776	1,379,442
Clopay Revenue Bonds	997,656	0	164,531	833,125
Fieldstone Revenue Bonds	2,422,464	0	45,390	2,377,074
Clopay Taxable Bonds	4,891,345	0	874,491	4,016,854
Clopay 166 State Loan	2,525,224	0	435,231	2,089,993
Relizon State Note	2,487,423	0	417,073	2,070,350
2001 Relizon Bond	3,853,514	0	893,475	2,960,039
Burrows State Loan	2,212,561	0	2,212,561	0
Connor Group	9,819,635	0	941,213	8,878,422
White Castle	11,514,024	0	1,874,058	9,639,966
	$48,820,504	$0	$8,885,563	$39,934,941

12. TRANSFERS

Following is a summary of transfers in and out for all funds for 2016:

Fund	Enterprise	Agency
Transfer-In from Agency Fund for Debt Service Payment	$183,713	$0
Transfer-Out to Enterprise Fund for Debt Service Payment	0	(183,713)
Total All Funds	$183,713	($183,713)

13. RELATED PARTY DISCLOSURE

City of Dayton

The Port Authority has board members selected by the City of Dayton who have authority to authorize various bond issuances of the Port Authority. In prior years, the Port Authority has approved bond issuances in relation to the City of Dayton for the Patterson and Main Street parking garages. The City of Dayton has issued bond debt through their investment portfolio and required payment from the Port Authority. The Port Authority makes monthly payments to the City of Dayton of the net revenues for the Main Street garage.

Montgomery County

The Port Authority has board members selected by Montgomery County who have authority to authorize various financial transaction involving Montgomery County and the Port Authority. During the current year, the Port Authority issued bonds in relation to Project Walnut and Montgomery County has guaranteed the debt payments by providing an intergovernmental receivable to the Port Authority. In the previous year, Montgomery County has guaranteed payments for the Austin Landing Parking Garage.

14. NON-COMPLIANCE

The Port Authority did not certify expenditures in accordance with requirements of Ohio Revised Code Section 5704.41(D).

Ohio Revised Code Section 135.14(B) does not allow the Port Authority to invest in guaranteed investment contracts (GIC).

15. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2016, the Port Authority implemented the following Governmental Accounting Standards Board (GASB) Statements that no impact of the beginning net position:

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 77, *Tax Abatements Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units — an amendment of GASB Statement No. 14*

16. SUBSEQUENT EVENT

On March 1, 2017, the Port Authority closed on the sale of the Patterson Street Parking Garage and former Relizon Office Building. The properties, along with two surface lots, were sold to Caresource allowing the Port Authority to retire the outstanding bonds and loans while also repaying the outstanding property taxes on the garage parcel.

During March 2017, the Port Authority was involved in the sale of the Montgomery County Agricultural Society's property (aka Fairgrounds) to a private developer. The Port Authority received approximately $2.5M from the sale of the land that was provided to Premier Health and University of Dayton which entered into a partnership to develop the site in the future. The Port Authority also received an additional $2.5 million from the State of Ohio as an economic development incentive for the property.

On March 31, 2017, the Port Authority issued $3,090,000 in PACE bonds for the 250 West Social Row project. The bonds carry a 5% interest rate and mature on November 15, 2032. The bonds are repaid with the energy savings on the project.

DAYTON MONTGOMERY COUNTY PORT AUTHORITY

SCHEDULE OF THE PORT AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PENSION PLAN
LAST THREE FISCAL YEARS (1)

	2015	2014	2013
The Port Authority's Proportion of the Net Pension Liability	0.000689%	0.000646%	0.000646%
The Port Authority's Proportion Share of the Net Pension Liability	$ 119,343	$ 77,915	$ 76,155
The Port Authority's Covered-Employee Payroll	$ 85,783	$ 101,233	$ 86,154
The Port Authority's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.12%	76.97%	88.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available

DAYTON MONTGOMERY COUNTY PORT AUTHORITY
SCHEDULE OF PORT AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PENSION PLAN
LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contributions	$ 10,297	$ 10,294	$ 12,148	$ 11,200	$ 5,808	$ 4,998	$ 3,431	$ 4,096	$ 9,165	$ 13,725
Contributions in Relation to the Contractually Required Contribution	(10,297)	(10,294)	(12,148)	(11,200)	(5,808)	(4,998)	(3,431)	(4,096)	(9,165)	(13,725)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Port Authority Covered-Employee Payroll	$ 85,808	$ 85,783	$ 101,233	$ 86,154	$ 58,080	$ 49,980	$ 39,528	$ 50,412	$ 130,929	$ 161,471
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.68%	8.13%	7.00%	8.50%

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

Dayton-Montgomery County Port Authority
Montgomery County
8 North Main Street
Dayton, Ohio 45402

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the aggregate remaining fund information of the Dayton-Montgomery County Port Authority, Montgomery County, (the Port Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated June 23, 2017.

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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

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. 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 several instances of noncompliance or other matters we must report under *Government Auditing Standards,* which are described in the accompanying schedule of findings as items 2016-001 through 2016-003.

Port Authority's Responses to Findings

The Port Authority's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the Port Authority's responses and, accordingly, we express no opinion on them.

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.

Charles E. Harris & Associates, Inc.
June 23, 2017

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

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

FINDING NUMBER 2016-001 - NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

A public body must keep full and accurate minutes of its meetings in accordance with Ohio Rev. Code Sections 121.22 and 149.43. Those minutes are not required to be a verbatim transcript of the proceedings, but must include enough facts and information to permit the public to understand and appreciate the rationale behind the public body's decisions. The Ohio Supreme Court has held that minutes must include more than a roll call votes, and that minutes are inadequate when they contain inaccuracies that are not corrected. See White v. Clinton County Board of Commissioners et al., 76 Ohio St. 3d 416 (1996). A public body cannot rely on sources other than its approved minutes to argue that its minutes contain a full and accurate record of their proceedings. See id.

Ohio Rev. Code § 121.22(C) states, in part, that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes for May, July, August, and September 2015 were not prepared until requested by auditors. The May and July 2015 meeting minutes were made available on July 13, 2016, August 2015 minutes were made available on August 17, 2016, September 2015 minutes were made available on September 20, 2016 and the Board meeting minutes for the March, October, November, and December 2015 meetings were not prepared or provided to the auditors.

Additionally, Ohio Rev. Code § 121.22(H) states, in part that a resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body. The annual compensation bonus for the Executive Director was approved via emails between select Board members. The bonus payment was subsequently approved during an open meeting. Due care should be taken by the Board to verify that all actions of the Board are approved in open board meetings, failure to do so could result in a court ruling that actions of the Board were impermissible.

The Authority should establish and implement procedures to verify that all Board meeting minutes are promptly prepared and are filed with the Board at the next regular meeting. Additionally, all resolutions, rule, or formal action should take place only during regular or special meetings open to the public during which a quorum is present. Failure to do so could result in the Authority being subject to legal proceedings and fines and penalties being assessed against the Authority. Additionally, due to the nature of Port Authority's operations, lack of Board minutes increases the likelihood of material debt issuances going unreported on the financial statements.

Management Response:

See Corrective Action Plan.

FINDING NUMBER 2016-002 - NONCOMPLIANCE

Ohio Rev. Code § 5705.28 (B)(2)(a) states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

Further Ohio Rev. Code § 5705.28 (B) (2)(b) states that except for this section and sections 5705.36 , 5705.38 , 5705.40 , 5705.41 , 5705.43 , 5705.44 , and 5705.45 of the Revised Code, a taxing unit that does not levy a tax is not a taxing unit for purposes of Chapter 5705 of the Revised Code. Documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

Ohio Rev. Code § 5705.41(D)(1) states that except as otherwise provided in division (D)(2) of this section and section 5705.44 of the Revised Code, no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. If no certificate is furnished as required, upon receipt by the taxing authority of the subdivision or taxing unit of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, such taxing authority may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution or ordinance shall be passed within thirty days after the taxing authority receives such certificate; provided that, if the amount involved is less than one hundred dollars in the case of counties or three thousand dollars in the case of all other subdivisions or taxing units, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

The Port Authority approved the 2016 budget on July 18, 2015, which was after the required date of July 16, 2015. Additionally, the Port Authority did not utilize fiscal officer certificates, blanket certificates, super blanket certificates or then and now certificates in accordance with Ohio Rev. Code § 5705.41(D).

The Port Authority should establish and implement policies and procedures to verify that fiscal officer certificates are utilized properly for all purchases and that operating budgets are approved in a timely manner to verify that the Port Authority has appropriate time to adapt to any anticipated changes in the ensuing fiscal year.

FINDING NUMBER 2016-002 - Continued

Failure to properly certify the availability of funds could result in misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. The Treasurer should certify that the funds are or will be available prior to the obligation by the Port Authority to improve controls over disbursements and to help reduce the possibility that purchases would exceed budgetary spending limitations. When prior certification is not possible, "then and now" certification should be used. The Port Authority should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification prior to the Port Authority incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should also post approved purchase commitments to the proper appropriation code to reduce the available appropriation

Management Response:

See Corrective Action Plan.

FINDING NUMBER 2016-003 - NONCOMPLIANCE

Ohio Rev Code § 135.14 (B) states that the treasurer or governing board may invest or deposit any part or all of the interim moneys. The following classifications of obligations shall be eligible for such investment or deposit:

(1) United States treasury bills, notes, bonds, 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.

Nothing in the classification of eligible obligations set forth in division (B)(1) of this section or in the classifications of eligible obligations set forth in divisions (B)(2) to (7) of this section shall be construed to authorize any investment in stripped principal or interest obligations of such eligible obligations.

(2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

(3) Interim deposits in the eligible institutions applying for interim moneys as provided in section 135.08 of the Revised Code. The award of interim deposits shall be made in accordance with section 135.09 of the Revised Code and the treasurer or the governing board shall determine the periods for which such interim deposits are to be made and shall award such interim deposits for such periods, provided that any eligible institution receiving an interim deposit award may, upon notification that the award has been made, decline to accept the interim deposit in which event the award shall be made as though the institution had not applied for such interim deposit.

FINDING NUMBER 2016-003 - Continued

(4) Bonds and other obligations of this state;

(5) No-load money market mutual funds consisting exclusively of obligations described in division (B)(1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code;

(6) The Ohio subdivision's fund as provided in section 135.45 of the Revised Code;

(7) Up to twenty-five per cent of interim moneys available for investment in either of the following:

a. (a) Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Revised Code and that has assets exceeding five hundred million dollars, to which notes all of the following apply:
   (i) The notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services.
   (ii) The aggregate value of the notes does not exceed ten per cent of the aggregate value of the outstanding commercial paper of the issuing corporation.
   (iii) The notes mature not later than one hundred eighty days after purchase.

b. Bankers acceptances of banks that are insured by the federal deposit insurance corporation and to which both of the following apply:
   (i) The obligations are eligible for purchase by the federal reserve system.
   (ii) The obligations mature not later than one hundred eighty days after purchase.

During 2016, the Port Authority had $4,000,000 in Guaranteed Investment Contract (GIC) invested through a private company. The GICs were not backed by the full faith and credit of the United States or otherwise listed as an allowable investment.

The Port Authority should establish and implement policies and procedures to verify that the Port Authority only invests in allowable investments to reduce the risk of loss of public funds in high risk investments.

Management Response:

See Corrective Action Plan.

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2015-001	Ohio Rev. Code § 121.22 (C) – Board minutes were not prepared and made available in a timely manner	Finding not corrected	Repeated as finding number 2016-001
2015-002	Ohio Rev. Code § 5705.28 (B)(2)(a) and Ohio Rev. Code § 5705.41(D)(1) – approving budget and utilizing fiscal officer certificate for encumbering expenditures	Finding not corrected	Repeated as finding number 2016-002
2015-003	Ohio Rev. Code § 135.14 (B) – Unallowable investments	Finding not corrected	Repeated as finding number 2016-003
2015-004	Financial Statement Misstatements	Finding fully corrected	

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DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNY

CORRECTIVE ACTION PLAN
December 31, 2016

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2016-001	Legal Staff will prepare and present board minutes at the following meeting for approval.	Immediately	Sean Fraunfelter, Contract Accountant
2016-002	2018 Budget has been prepared and will be presented on July 17, 2017 to the Board which is the due date. Due to the limited nature of staff PO process is not time efficient.	Immediately	Sean Fraunfelter, Contract Accountant
2016-003	This has been terminated as of March 2017.	Immediately	Sean Fraunfelter, Contract Accountant

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Dave Yost • Auditor of State

DAYTON – MONTGOMERY COUNTY PORT AUTHORITY

MONTGOMERY 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
SEPTEMBER 7, 2017

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