SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2017

Dave Yost • Auditor of State

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the year ended December 31, 2017, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southeastern Ohio Port Authority, Washington County, as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2018, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

August 1, 2018

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Southeastern Ohio Port Authority's (Port Authority) financial activities for the year ended December 31, 2017. The MD&A should be read in conjunction with the basic financial statements and notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

> The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources at the close of the year ended December 31, 2017, by $1,912,561 (net position). Of this amount, $200,519 represents unrestricted net position that may be used to meet the Port Authority's ongoing obligations to citizens and creditors.
>
> Net position increased $72,614 from the total net position at the beginning of 2017.

Using this Annual Financial Report

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

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

The Port Authority as a Whole

Recall that the Statement of Net Position looks at the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net position for 2017 compared to 2016:

Table 1
Net Position

	2017	2016	Change
Assets			
Current and Other Assets	$286,036	$188,057	$97,979
Capital Assets, Net	2,125,032	2,169,253	(44,221)
Total Assets	2,411,068	2,357,310	53,758
Deferred Outflows of Resources			
Pension	22,074	16,664	5,410
Liabilities			
Current and Other Liabilities	44,026	39,127	4,899
Long-Term Liabilities:			
Due Within One Year	30,019	29,133	886
Due in More than One Year:			
Net Pension Liability	55,408	43,822	11,586
Other Amounts	384,669	412,990	(28,321)
Total Liabilities	514,122	525,072	(10,950)
Deferred Inflows of Resources			
Pension	6,459	8,955	(2,496)
Net Position			
Net Investment in Capital Assets	1,712,042	1,727,130	(15,088)
Unrestricted	200,519	112,817	87,702
Total Net Position	$1,912,561	$1,839,947	$72,614

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." 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.

GASB 68 requires the net pension liability to equal 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 mentioned previously, net position increased $72,614, or less than four percent. Even though there was an immaterial change in net position, assets increased $53,758. Accounts receivable increased by $33,730 due to the reimbursement of property taxes for the Ingenuity Center from the lessors. Liabilities decreased by $10,950 due to payments made on the Rural Industrial Park Loan. Liabilities due in more than one year decreased by $28,321 while intergovernmental payables and pension due in more than one year increased by $11,088 and $11,586, respectively.

Table 2 reflects the changes in net position for 2017 as compared to 2016:

Table 2
Changes in Net Position

	2017	2016	Change
Operating Revenues			
Donations	$107,800	$78,300	$29,500
Charges for Services	4,396	4,781	(385)
Rent	99,000	70,950	28,050
County Contributions	92,500	75,000	17,500
Miscellaneous	65,080	5,877	59,203
Total Operating Revenues	368,776	234,908	133,868
Operating Expenses			
Salaries and Benefits	120,751	111,036	9,715
Contractual Services	69,361	132,023	(62,662)
Office Expenses, Professional Fees, Travel and Memberships, and Marketing	43,638	48,673	(5,035)
Insurance and Bonding	2,714	3,074	(360)
Miscellaneous	886	0	886
Depreciation	44,953	44,682	271
Total Operating Expenses	282,303	339,488	(57,185)
Non-Operating Revenues/(Expenses)			
Interest Income	5	5	0
Operating Grants	0	5,000	(5,000)
Interest and Fiscal Charges	(13,864)	(9,076)	(4,788)
Total Non-Operating Revenues/(Expenses)	(13,859)	(4,071)	(9,788)
Change in Net Position	72,614	(108,651)	181,265
Net Position Beginning of Year	1,839,947	1,948,598	(108,651)
Net Position End of Year	$1,912,561	$1,839,947	$72,614

Two of the larger operating revenues are donations and county contributions in the amounts of $107,800 and $92,500, respectively. These amounts collectively represent 54 percent of total operating revenues and demonstrate the reliance the Port Authority has on these revenues from outside sources. During 2015, the Port Authority started receiving rent from a local vendor in turn for the use of one of their buildings. This rental income amounted to $99,000 in 2017 and represents the Port Authority's second largest revenue source. All operating revenues, except charges for services, increased from 2016 to 2017. As mentioned previously, miscellaneous revenues increased by $59,203 due primarily to reimbursements from the Ingenuity Center lessor for property taxes.

The decrease in contractual services expense in the amount of $62,662 is due to the Port Authority no longer making expenses for the Local Government Innovation Fund grant. Another contributing factor to the decrease in contractual services is the temporary 2016 increases in legal fees for lease preparation for the Ingenuity Center, preliminary engineering for the State Route 7 North Reno Sewer Project, legal fees for consultation on personnel issues, financial statement preparation, and for two years of audit costs.

Capital Assets and Debt Administration

Capital Assets

At the end of 2017, the Port Authority had $2,125,032 invested in capital assets, net of accumulated depreciation. Table 3 shows 2017 balances compared to 2016.

Table 3
Capital Assets
(Net of Depreciation)

	2017	2016
Land	$124,950	$124,950
Buildings and Improvements	1,996,062	2,039,181
Machinery and Equipment	4,020	5,122
Totals	$2,125,032	$2,169,253

The total decrease in the Port Authority's capital assets, net of accumulated depreciation, for the current year was $44,221, or two percent. This change mainly is the result of depreciation exceeding capitalizations in the current period.

For additional information on capital assets, see Note 6 to the basic financial statements.

Debt

At December 31, 2017, the Port Authority has outstanding debt of $412,990 in the form of a Rural Industrial Park Loan. In addition to this debt instrument, the Port Authority's long-term obligations consist of the net pension liability and sick leave payables. For additional information on the Port Authority's long-term obligations, see Note 11 to the basic financial statements.

Current Issues

In July of 2017, the Port Authority hired Andy Kuhn as its new Executive Director. The Southeastern Ohio Port Authority continues to work toward accomplishment of directives from the 2017 Strategic Plan, and as initiated various committees for assistance in the achievement of needs related to industrial site development, internal processes, and asset management for strategic positioning.

Contacting the Port Authority's Financial Management

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

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SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2017

Assets	
Current Assets:	
Cash and Cash Equivalents	$244,748
Accounts Receivable	39,330
Prepaid Items	1,958
Total Current Assets	286,036
Noncurrent Assets:	
Non-Depreciable Capital Assets	124,950
Depreciable Capital Assets, Net	2,000,082
Total Noncurrent Assets	2,125,032
Total Assets	2,411,068
Deferred Outlows of Resources	
Pension	22,074
Liabilities	
Current Liabilities:	
Accounts Payable	801
Intergovernmental Payable	40,815
Accrued Interest Payable	1,032
Accrued Leave Benefits Payable	1,378
Current Portion of Loan Payable	30,019
Total Current Liabilities	74,045
Long-Term Liabilities:	
Loan Payable	382,971
Sick Leave Payable	1,698
Net Pension Liability	55,408
Total Long-Term Liabilities	440,077
Total Liabilities	514,122
Deferred Inlows of Resources	
Pension	6,459
Net Position	
Net Investment in Capital Assets	1,712,042
Unrestricted	200,519
Total Net Position	$1,912,561

See accompanying notes to the basic financial statements

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

Operating Revenues	
Donations	$107,800
Charges for Services	4,396
Rent	99,000
County Contribution	92,500
Miscellaneous	65,080
Total Operating Revenues	368,776
Operating Expenses	
Salaries and Benefits	120,751
Contractual Services	69,361
Office Expenses	8,973
Professional Fees	21,132
Travel and Memberships	7,482
Marketing	6,051
Insurance and Bonding	2,714
Miscellaneous	886
Depreciation Expense	44,953
Total Operating Expenses	282,303
Operating Income	86,473
Non-Operating Revenues/(Expenses)	
Interest Income	5
Interest and Fiscal Charges	(13,864)
Total Non-Operating Revenues/(Expenses)	(13,859)
Change in Net Position	72,614
Net Position Beginning of Year	1,839,947
Net Position End of Year	$1,912,561

See accompanying notes to the basic financial statements

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Donors	$200,900
Cash Received from Customers	4,396
Cash Received from Rent	99,000
Cash Payments for Employee Services and Benefits	(113,861)
Cash Payments for Goods and Services	(106,794)
Other Operating Revenues	25,769
Net Cash Provided by Operating Activities	109,410
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquistions	(732)
Principal Paid on Debt	(29,133)
Interest Paid on Debt	(13,937)
Net Cash Used for Capital and Related Financing Activities	(43,802)
Cash Flows from Investing Activities	
Interest Earned from Bank Accounts	5
Net Increase in Cash and Cash Equivalents	65,613
Cash and Cash Equivalents Beginning of Year	179,135
Cash and Cash Equivalents End of Year	$244,748
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$86,473
Depreciation	44,953
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(33,730)
Decrease in Intergovenmental Receivables	19
Decrease in Prepaid Items	1,345
Decrease in Deferred Outflows of Resources - Pension	6,278
Decrease in Accounts Payable	(6,117)
Increase in Intergovernmental Payables	11,088
Increase in Accrued Leave Benefits Payable	1
Increase in Sick Leave Payable	1,698
Increase in Net Pension Liability	1,240
Decrease in Deferred Inflows of Resources - Pension	(3,838)
Net Cash Provided by Operating Activities	$109,410

See accompanying notes to the basic financial statements.

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NOTE 1 - REPORTING ENTITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Measurement Focus

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

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

C. Basis of Accounting

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report 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 outflow of resources (expense/expenditure) until then. For the Port Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Port Authority, deferred inflows of resources consists of pension and are reported on the statement of net position. (See Note 8)

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

D. Budgetary Process

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

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

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

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

E. Cash and Cash Equivalents

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

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

F. Receivables and Payables

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. All capital assets are depreciated, except land. Depreciation is computed using the straight-line method over five years of the useful lives for Machinery and Equipment and over 50 years for Buildings.

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

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Port Authority has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the Port Authority's termination policy. The Port Authority records a liability for accumulated, unused sick leave for all employees when they start working per the Port Authority's employee policy.

J. Pension

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

K. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and liabilities used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Port Authority does not have restricted net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Operating Revenues and Expenses

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

M. Estimates

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

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The Port Authority did not have any extraordinary or special items in 2017.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2017, the Port Authority implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1.* These changes were incorporated in the Port Authority's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

1. United States Treasury Bills, Bonds, Notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio.
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the Port Authority's bank balances of $244,748 were covered by the FDIC. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Port Authority to a successful claim by the FDIC.

The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the Port Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Three of the Port Authority's four financial institutions were in the process of joining OPCS; however, at December 31, 2017, the financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2017, consisted of an accounts receivable in the amount of $39,330 arising from the reimbursement of the 2017 Real Estate Taxes. All receivables are considered collectible in full.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017
Non-Depreciable Capital Assets:				
Land	$124,950	$0	$0	$124,950
Depreciable Capital Assets:				
Buildings	2,155,962	0	0	2,155,962
Machinery and Equipment	16,126	732	0	16,858
Total Depreciable Capital Assets	2,172,088	732	0	2,172,820
Accumulated Depreciation:				
Buildings	(116,781)	(43,119)	0	(159,900)
Machinery and Equipment	(11,004)	(1,834)	0	(12,838)
Total Accumulated Depreciation	(127,785)	(44,953)	0	(172,738)
Total Depreciable Capital Assets, Net	2,044,303	(44,221)	0	2,000,082
Capital Assets, Net	$2,169,253	($44,221)	$0	$2,125,032

NOTE 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 to employees; and natural disasters. The Port Authority contracts with Peoples Insurance Agency who, on behalf of the Port Authority, negotiates property and casualty insurance coverage with Cincinnati Insurance Company and CNA Insurance Company for management and professional insurance coverage. The following lists the coverage limits and deductibles:

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

NOTE 7 - RISK MANAGEMENT (Continued)

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

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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.

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 net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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, including requirements for reduced and unreduced benefits):

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

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

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

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
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 to the Traditional Plan was $4,959 for 2017. Of this amount, $1,168 is reported as an intergovernmental payable. Pension expense for the Member-Directed Plan for 2017 was $4,085.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2016, 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
Proportion of the Net Pension Liability:	
Current Measurement Date	0.00024400%
Prior Measurement Date	0.00025300%
Change in Proportionate Share	-0.00000900%
Proportionate Share of the Net Pension Liability	$55,408

At December 31, 2017, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$75
Changes of assumptions	8,788
Net difference between projected and actual earnings on pension plan investments	8,252
Port Authority contributions subsequent to the measurement date	4,959
Total Deferred Outflows of Resources	$22,074
Deferred Inflows of Resources	
Differences between expected and actual experience	$330
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	6,129
Total Deferred Inflows of Resources	$6,459

$4,959 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2018	$3,815
2019	4,183
2020	2,900
2021	(242)
Total	$10,656

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 was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, 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, 2015. The prior 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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

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 2016 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%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
Total	100.00%	5.66%

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 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 contractually required rates, as actuarially determined. 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	$84,648	$55,408	$31,042

NOTE 9 - POST-EMPLOYMENT BENEFITS

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board 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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the Port Authority's contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015, were $381, $631, and $631, respectively. The full amount has been contributed for all three years.

NOTE 10 - OTHER EMPLOYER BENEFITS

Compensated Absences

Each employee accrues 4.6 hours of sick time for each two week pay period worked. Accrual continues during periods of approved paid leave. Unused sick leave is cumulative without limit. Upon retirement or separation of employment, employees are paid up to a maximum of 240 hours.

Unused vacation time and compensatory time are paid to a terminated employee at their rate of pay at the time of retirement as well up to 80 hours.

NOTE 11 - LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS

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

	Principal Outstanding 12/31/16	Additions	Deductions	Principal Outstanding 12/31/17	Amounts Due within One Year
Rural Industrial Development Loan - 3%	$442,123	$0	$29,133	$412,990	$30,019
Net Pension Liability - OPERS	43,822	11,586	0	55,408	0
Sick Leave Payable	0	1,698	0	1,698	0
Total Long-Term Oblligations	$485,945	$13,284	$29,133	$470,096	$30,019

On April 1, 2014, the Port Authority received a $484,970 Rural Industrial Park Loan from the Ohio Department of Development for completion of the Ingenuity Center located at 300 Commerce Drive in Marietta, Ohio. Only $458,719 was needed and received. Under the agreement, principal and interest payments were not required until September 1, 2019, unless the Center was rented before that date. During 2016, the Center started collecting rent and a new amortization schedule was created. Principal and interest payments required to retire the debt are as follows:

Year	Principal	Interest
2018	$30,019	$12,977
2019	30,932	11,988
2020	31,873	10,969
2021	32,842	9,919
2022	33,842	8,836
2023-2027	185,289	26,764
2028-2029	68,193	1,954
	$412,990	$83,407

Conduit Debt

Pursuant to State statue, the Port Authority has issued revenue bonds, hospital revenue bonds, and obtained an Ohio Water Development Authority (OWDA) loan to provide financial assistance to private sector entities for new construction or improvements. The Port Authority, the State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

As of December 31, 2017, there are $134,525,000 of 2012 Hospital Facilities Revenue Refunding and Improvement Bonds outstanding. These Bonds mature in various annual amounts through 2042, interest is due semiannually at rates ranging from 3% to 6%.

NOTE 11 - LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS (Continued)

Conduit Debt (Continued)

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

During 2012, the Port Authority obtained a State Assistance Revenue Bond, Series 2012, in the amount of $4,175,000 to acquire, install, and construct a water screening, service water supply, and pumping system. The interest rate is 4.375% and the maturity date is June, 2027. As of December 31, 2017, $3,040,000 of the revenue bond is outstanding.

During 2012, the Port Authority obtained a loan in the amount of $6,000,000 from the OWDA for construction, maintenance, and operation of Good River Distribution, LLC. The loan will be repaid solely by rent received from members of Good River Distribution, LLC. The maturity date is January, 2028. As of December 31, 2017, $4,104,190 remains on the loan.

During 2015, the Port Authority and Marietta Area Health Care issued $60,000,000 in Hospital Facilities Improvement Bonds. The bonds were issued for the purpose of acquisition, construction, renovation, equipping, and installation of electronic medical records system as well as various improvements to the health care facilities. As of December 31, 2017, $60,000,000 of the revenue bond is outstanding.

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SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY
Required Supplementary Information
Schedule of the Port Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years (1)

	2017	2016	2015	2014
Port Authority's Proportion of the Net Pension Liability	0.00024400%	0.00025300%	0.00025700%	0.00036714%
Port Authority's Proportionate Share of the Net Pension Liabi	$55,408	$43,822	$30,996	$43,281
Port Authority's Covered Payroll	$31,529	$31,529	$31,529	$71,677
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.74%	138.99%	98.31%	60.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each fiscal year.

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

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

	2017	2016	2015	2014	2013
Contractually Required Contribution	$4,959	$3,783	$3,783	$3,783	$9,318
Contributions in Relation to the Contractually Required Contribution	(4,959)	(3,783)	(3,783)	(3,783)	(9,318)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Port Authority Covered Payroll	$38,146	$31,529	$31,529	$31,529	$71,677
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2013 is not available. An additional column will be added each fiscal year.

Changes in Assumptions - OPERS

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

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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*

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the basic financial statements of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated August 1, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

August 1, 2018

Dave Yost • Auditor of State

SOUTHEASTERN OHIO PORT AUTHORITY

WASHINGTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST, 21 2018

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