LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY
LAKE COUNTY

INITIAL AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2014

Dave Yost • Auditor of State

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY
LAKE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Lake County Ohio Port & Economic Development Authority
Lake County
One Victoria Place, Suite 265A
Painesville, Ohio 44077

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Lake County Ohio Port & Economic Development Authority, Ohio (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Lake County Ohio Port & Economic Development Authority, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 October 28, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

October 28, 2015

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014

Unaudited

The discussion and analysis of the Lake County Ohio Port & Economic Development Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the Authority's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The Authority's net position increased by $9,146,012, from $552,032 to $9,968,044.

- During 2014, the Authority had overall operating income of $52,817. The principle operating fund had operating income of $62,318 while the Willoughby Lost Nation Municipal Airport (the "Airport") had an operating loss of $9,501.

- The Authority was able to make its annual principal and interest payments on its outstanding Ohio Water Development Authority loan in the amount of $31,506 and $20,394, respectively.

- During 2014 the City of Willoughby transferred all of the assets to the Authority in exchange for certain consideration, including an agreement to pay off an existing revenue bond of $150,000. As a result of this transfer, the Authority recognized a gain on acquisition of $7,973,476, as a special item.

Using this Annual Financial Report

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

A question typically asked about the Authority's finances "How did we do financially during 2014?" The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority and its activities in a way that helps answer this question. These statements include *all assets*, *deferred outflows of resources, liabilities and deferred inflows of resources* using the *accrual basis of accounting* which is similar to the accounting used by most private-sector companies. The Authority charges a fee to customers to help it cover part of the services it provides. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Authority as a Whole

Recall that the Statement of Net Position provides the perspective of the Authority as a whole.

Table 1 provides a summary of the Authority's net position for 2014, compared to 2013:

(Table 1)
Net Position

	Business-Type Activities		
	2014	2013	Change
Assets			
Current and Restricted Assets	$1,509,155	$890,272	$618,883
Capital Assets, Net of Depreciation	9,273,450	224,810	9,048,640
Total Assets	10,782,605	1,115,082	9,667,523
Liabilities			
Long-Term Liabilities	374,153	329,618	(44,535)
Other Liabilities	710,408	233,432	(476,976)
Total Liabilities	1,084,561	563,050	(521,511)
Net Position			
Net Investment in Capital Assets	8,830,338	4,372	8,825,966
Restricted	37,598	0	37,598
Unrestricted	830,108	547,660	282,448
Total Net Position	$9,698,044	$552,032	$9,146,012

Total assets increased $9,667,523 during 2014. The majority of this increase was the result of an overall increase in capital assets as the Authority continued construction on the redevelopment of the Bank street property and the transfer of assets from the Lost Nation Airport. The land acquired in the Airport transfer included over 420 acres of property with a carrying value of over $7.3 million alone. Current assets increased due to increases in intergovernmental grants receivable and cash on hand.

Total liabilities increased by $521,511 during 2014. Long-term liabilities increased due to the Authority assuming the outstanding revenue bond attached to the Lost Nation Airport of $150,000. Other liabilities increased due to increases in contracts payable and liabilities related to the South Shore lease agreement.

In total, net position of the Authority increased by $9,146,012 which can be attributed mostly to the aforementioned increase in assets related to the Airport transfer.

Table 2 shows the revenues, expenses and the changes in net position for the year ended December 31, 2014 compared to the year ended December 31, 2013.

(Table 2)
Changes in Net Position

	Business-Type Activities		
	2014	2013	Change
Operating Revenues			
Operating Grants	$460,638	$303,998	$156,640
Lease & Program Income	192,821	119,358	73,463
Contributions and Donations	751,210	725,000	26,210
Charges for Services & Rentals	16,636	8,837	7,799
Other Operating Revenues	50,726	19,797	30,929
Total Operating Revenues	1,472,031	1,176,990	295,041
Operating Expenses			
Personal Services	702,409	577,232	(125,177)
Contractual Services	337,976	222,147	(115,829)
Materials and Supplies	38,215	25,026	(13,189)
Overhead, Rent & Utilities	92,895	71,622	(21,273)
Travel & Training	43,978	15,009	(28,969)
Airport Expenses	9,385	0	(9,385)
CDBG Program Expenses	6,971	0	(6,971)
Other Operating Expenses	178,439	188,630	10,191
Depreciation	8,946	0	(8,946)
Total Operating Expenses	1,419,214	1,099,666	(319,548)
Operating Income/(Loss)	52,817	77,324	(24,507)
Non-Operating Revenues (Expenses)			
Capital Grants	834,112	0	834,112
Professional Fees for Transfer of Airport	(40,375)	0	(40,375)
Interest and Fiscal Charges	(24,900)	0	(24,900)
Gain on Sale of Property	290,820	0	290,820
Total Non-Operating Revenues (Expenses):	1,059,657	0	1,059,657
Income (Loss) Before Contributions & Transfers	1,112,474	77,324	1,035,150
Grants & Contributed Capital	39,562	0	39,562
Capital Contributions	20,500	0	20,500
Transfers In	100,000	0	100,000
Transfers Out	(100,000)	0	(100,000)
Special Item - Gain on Transfer of Airport	7,973,476	0	7,973,476
Change in Net Position	9,146,012	77,324	9,068,688
Net Position Beginning of Year	552,032	474,708	77,324
Net Position End of Year	$9,698,044	$552,032	$9,146,012

Operating revenues increased by $295,041 due primarily to an increase operating grants received from the previous year. Operating expenses also increased by $319,548 from the prior year due to increases in personal services and contractual services. The Authority's total net position increased $9,146,012 from the prior year.

Capital Assets

The largest portion of the Authority's net position is its net investment in capital assets. The Authority uses these capital assets to provide services to the businesses and public using the Authority. Table 3 shows 2014 balances compared with 2013.

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

	Business-Type Activities		
	2014	2013	Change
Land	$7,335,376	$0	$7,335,376
Construction in Progress	1,058,922	224,810	834,112
Buildings	87,817	0	87,817
Improvements Other Than Buildi	683,168	0	683,168
Furniture, Equipment and Vehicle	108,167	0	108,167
Totals	$9,273,450	$224,810	$9,048,640

The $9,048,640 increase in capital assets was due to current year construction in progress and the transfer of the Lost Nation Airport exceeding current year depreciation of $8,946. Note 10 of the basic financial statements provides a more detailed look at the capital asset activity during 2014.

Debt

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

(Table 4)
Outstanding Debt, at December 31

	Amount Outstanding 12/31/2014	Amount Outstanding 12/31/2013	Increase (Decrease)
Port Authority:			
OWDA Loan	$298,112	$329,618	($31,506)
Lost Nation Airport:			
Loan Payable to City of Willoughby	145,000	0	145,000
Total Long-Term Obligations	$ 443,112	$ 329,618	$ 113,494

In 2013, the Authority finalized a Brownfield loan agreement with the Ohio Water Development Authority in the amount of $329,618 in order to help pay its cost associated with the revitalization and cleanup of the Bank street property. The loan will mature in 2019 and have an interest rate of 2.0 percent.

In 2014, the Authority assumed responsibility for all payments related to an outstanding revenue bond related to the transfer of the Lost Nation Airport. The revenue bond will mature in 2032 and is reported as a loan payable to the City of Willoughby.

Additional information concerning the Authority's long-term obligations can be found in Note 7 to the basic financial statements.

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

South Shore - The Authority acquired the former County garage in the Village of North Perry from the Lake County Commissioners with the sale of $1,965,000 in bonds. The Bonds were purchased by the Village of North Perry and the property was subsequently leased to South Shore Controls for 5 years.

Lost Nation Airport - On October 15, 2014 the Authority acquired, through transfer, the Willoughby Lost Nation Municipal Airport from the City of Willoughby in exchange for certain consideration, including an agreement to pay off an existing revenue bond of $150,000. The agreement also contains a $750,000 contingent liability if the Airport meets certain operating surpluses over consecutive years. An AWOS III automated weather system was purchased and installed in December.

Lost Nation Airport is requesting grant funds from the Federal Aviation Administration (FAA) Airport Improvement Program for 2015 to make significant improvements to runways to provide a well maintained first class airport to support the business community and economic health of Lake County as a valuable tool for the attraction and expansion of business and industry in Lake County and the region.

The Airport will continue to market available land for development to move it closer to becoming a self-sustaining entity. Private funds will be sought to develop T-Hangar space for aircraft rental and restaurant and retail space as compatible non-aviation use. A Master Plan Study will provide a tool for the Authority to use as a guide in the development of a strong plan for the future development, improvement, and upgrading of the Airport, including obstruction removal to enhance safety. Finally, the Master Plan will provide a basis for on-going commitments and participation in the funding of eligible improvements by the Federal Aviation Administration and the State of Ohio Office of Aviation.

Bank Street – The cleanup was completed in December 2014 and a final release from the Ohio EPA is anticipated in 2015. $761,631 was invoiced to the State for reimbursement in 2014 out of the $1,200,000 Job Ready Site Grant. $438,369 remains on the grant for completion of work on the contract and for other improvements to the buildings. These funds will be drawn in 2015. Improvements to the facility will make the remaining facility more attractive to potential tenants and easier to lease. We do anticipate that the office building will be a challenge to find a tenant.

Contacting the Authority's Finance Department

This financial report is designed to provide our citizens, taxpayers, Authority users, and all interested parties with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Timothy Cahill, Director of Public Finance and Controller of the Lake County Ohio Port & Economic Development Authority, 1 Victoria Place, Suite 265A, Painesville, Ohio 44077.

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LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Statement of Net Position

December 31, 2014

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Assets:			
Current Assets:			
Cash and Cash Equivalents	$ 617,185	$ 86,940	$ 704,125
Net Receivables:			
Accounts	12,662	53,258	65,920
Other Receivables	3,367	-	3,367
Intergovernmental Receivable	411,985	-	411,985
Total Current Assets	1,045,199	140,198	1,185,397
Noncurrent Assets:			
Land	-	7,335,376	7,335,376
Buildings	-	87,817	87,817
Improvements	-	683,168	683,168
Furniture, Fixtures & Equipment	-	108,167	108,167
Construction in Progress	1,058,922	-	1,058,922
Total Noncurrent Assets	1,058,922	8,214,528	9,273,450
Restricted and Other Assets:			
Cash and Cash Equivalents:			
Restricted for South Shore Debt	48,118	-	48,118
Restricted for South Shore Rental/Security Deposits	9,942	-	9,942
Restricted for South Shore Improvements	80,000	-	80,000
Restricted for AGRI Business Loan program	150,000	-	150,000
Restricted for Capital Improvements	20,500	-	20,500
Taxes Collectable on Behalf of Tenants	-	15,198	15,198
Total Restricted and Other Assets	308,560	15,198	323,758
Total Assets	2,412,681	8,369,924	10,782,605
Liabilities:			
Current Liabilities:			
Accounts Payable	31,193	-	31,193
Contracts Payable	150,767	-	150,767
Intergovernmental Payable	9,682	600	10,282
Accrued Interest Payable	2,981	-	2,981
Other Payables	2,052	-	2,052
Vacation Benefits Payable	10,525	-	10,525
Security Deposits	-	2,667	2,667
Unearned Revenue	-	49,999	49,999
OWDA Loans Payable - Current	63,959	-	63,959
Loan Payable to City of Willoughby - Current	-	5,000	5,000
Total Current Liabilities	271,159	58,266	329,425
Other Liabilities (Including Amounts Relating to Restricted Assets):			
South Shore Rent Payment	31,020	-	31,020
South Shore Rent Escrow	2,422	-	2,422
South Shore Security Deposit	7,520	-	7,520
South Shore Lease Improvements	80,000	-	80,000
Taxes Collected on Behalf of Tenants	-	110,021	110,021
AGRI Business Loan Program	150,000	-	150,000
Total Other Liabilities	270,962	110,021	380,983
Long-Term Liabilities (net of current portion)			
OWDA Loans Payable	234,153	-	234,153
Loan Payable to City of Willoughby	-	140,000	140,000
Total Long-Term Liabilities	234,153	140,000	374,153
Total Liabilities	776,274	308,287	1,084,561
Net Position			
Net Investment in Capital Assets	760,810	8,069,528	8,830,338
Restricted for South Shore Lease	17,098	-	17,098
Restricted for Capital Improvements	20,500	-	20,500
Unrestricted (Deficit)	837,999	(7,891)	830,108
Total Net Position	$ 1,636,407	$ 8,061,637	$ 9,698,044

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

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Operating Revenues			
Operating Grants	$ 460,638	$ -	$ 460,638
Lease Income	78,062	28,754	106,816
Finance Programs Income	86,005	-	86,005
Contributions & Donations	141,210	-	141,210
Intergovernmental - County Contributions	610,000	-	610,000
Charges for Services	-	4,711	4,711
Hangar Rentals	-	11,925	11,925
Other Operating Revenues	30,006	-	30,006
In-Kind Contributions	20,720	-	20,720
Total Operating Revenues	1,426,641	45,390	1,472,031
Operating Expenses			
Personal Services	694,531	7,878	702,409
Contractual Services	320,931	17,045	337,976
Materials & Supplies	31,511	6,704	38,215
Overhead, Rent & Utilities	82,266	10,629	92,895
Training & Travel	43,472	506	43,978
Airport Expenses	9,385	-	9,385
CDBG Program Expenses	6,971	-	6,971
Other Operating Expenses	175,256	3,183	178,439
Depreciation Expense	-	8,946	8,946
Total Operating Expenses	1,364,323	54,891	1,419,214
Operating Income (Loss)	62,318	(9,501)	52,817
Non-Operating Revenues (Expenses)			
Capital Grants	834,112	-	834,112
Professional Fees for Transfer of Airport	-	(40,375)	(40,375)
Interest and Fiscal Charges	(23,375)	(1,525)	(24,900)
Gain on Sale of Property	290,820	-	290,820
Total Non-Operating Revenues (Expenses)	1,101,557	(41,900)	1,059,657
Income (Loss) Before Contributions & Transfers	1,163,875	(51,401)	1,112,474
Grants & Contributed Capital	-	39,562	39,562
Capital Contributions	20,500	-	20,500
Transfers In	-	100,000	100,000
Transfers Out	(100,000)	-	(100,000)
Special Item - Gain on Transfer of Airport	-	7,973,476	7,973,476
Change in Net Position	1,084,375	8,061,637	9,146,012
Net Position Beginning of Year	552,032	-	552,032
Net Position End of Year	$ 1,636,407	$ 8,061,637	$ 9,698,044

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

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Statement of Cash Flows

For the Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Cash Flows From Operating Activities:			
Cash Received from Customers & Users	$ 293,499	$ 44,798	$ 338,297
Cash Received from Operating Grants	458,758	-	458,758
Cash Received from Contributions & Donations	761,250	-	761,250
Other Operating Revenues	31,560	-	31,560
Cash Paid to Suppliers	(35,133)	(6,704)	(41,837)
Cash Paid to Employees	(725,167)	(7,278)	(732,445)
Cash Paid for Contractual Services	(325,928)	(17,045)	(342,973)
Cash Paid for Overhead, Rent & Utilities	(61,743)	(10,629)	(72,372)
Cash Paid for Other Operating Expenses	(225,612)	(3,689)	(229,301)
Net Cash Provided By (Used For) Operating Activities	171,484	(547)	170,937
Cash Flows From Non-Capital Financing Activities			
Taxes Collected on Behalf of Tenants	-	15,585	15,585
Professional Fees for Transfer of Airport	-	(40,375)	(40,375)
Transfers In	-	100,000	100,000
Transfers Out	(100,000)	-	(100,000)
Net Cash Provided By (Used for) Non-Capital Financing Activities	(100,000)	75,210	(24,790)
Cash Flows From Capital and Related Financing Activities			
Proceeds from Sale of Property	400,000	-	400,000
Cash Received from Capital Grants	683,345	-	683,345
Payment for Capital Acquisitions	(683,345)	(99,998)	(783,343)
Principal Paid on Debt	(31,506)	(5,000)	(36,506)
Interest Paid on Debt	(20,394)	(1,525)	(21,919)
Capital Contributions & Donations	20,500	-	20,500
Contributed Capital	-	118,800	118,800
Net Cash Provided by (Used For) Capital and Related Financing Activities	368,600	12,277	380,877
Net Increase (Decrease) in Cash and Cash Equivalents	440,084	86,940	527,024
Cash and Cash Equivalents Beginning of Year	485,661	-	485,661
Cash and Cash Equivalents End of Year	$ 925,745	$ 86,940	$ 1,012,685

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Statement of Cash Flows

For the Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	$ 62,318	$ (9,501)	$ 52,817
Adjustments:			
Depreciation	-	8,946	8,946
(Increase) Decrease in Assets:			
Accounts Receivable	273,402	(592)	272,810
Due from Other Governments	(261,218)	-	(261,218)
Other Assets	6,000	-	6,000
Increase (Decrease) in Liabilities:			
Accounts Payable	(42,463)	-	(42,463)
Due to Other Governments	1,574	600	2,174
Vacation Benefits Payable	10,525	-	10,525
South Shore Liabilities	120,962	-	120,962
Credit Card Payable	384	-	384
Total Adjustments	109,166	8,954	118,120
Net Cash Provided By (Used For) Operating Activities	$ 171,484	$ (547)	$ 170,937

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

Note 1 - Description of the Lake County Ohio Port & Economic Development Authority & Reporting Entity

A. The Authority

The Lake County Ohio Port & Economic Development Authority, Lake County, (the "Authority") was established by the Board of the Lake County Commissioners in 2007 as a body corporate and politic for the purpose of promoting projects that will provide for the creation of jobs and employment opportunities and improve the economic welfare of the people residing in Lake County, as well as to encourage projects to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture or research within the territory served by the Authority.

The Authority is governed by a seven member Board of Directors, each of whom is appointed by the Board of County Commissioners. The Board of County Commissioners can remove any appointed member of the Board of Directors and can also dissolve the Authority upon adoption of a resolution. As a result, the Port Authority is reflected as a component unit of Lake County.

B. Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

> ***Enterprise Funds*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Port Authority and Lost Nation Airport funds are the Authority's only enterprise funds.

Port Authority Fund – The Port Authority fund accounts for the all of the day to day activity, grants, lending programs and economic development activity relating to the Authority that does not involve the Lost Nation Airport.

Lost Nation Airport Fund – The Lost Nation Airport fund accounts for all of the operating and capital activity of the Lost Nation Municipal Airport.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, there were no deferred outflows of resources to report.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, there were no deferred inflow of resources to report.

D. Cash and Cash Equivalents

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general operating fund during 2014 was not significant and included as part of other operating revenue.

E. Restricted Assets and Related Liabilities

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

F. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Authority does not currently maintain a capitalization threshold but plans to implement one during 2015.

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

Estimated Lives	Description
5 - 10 years	Vehicles
3 - 10 years	Furniture and Equipment

G. Net Position

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

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

H. Grants and Intergovernmental Revenues

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

I. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

J. Vacation Benefits Payable

Vacation benefits are accrued as a liability as benefits are earned if the employees' right to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees through paid time off or some other means.

K. Operating Revenues and Expenses

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

L. Lease Accounting

The Authority classifies leases at the inception of each lease in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, except for leases that are not recognized for accounting purposes under Interpretation No. 2 of the GASB, Disclosure of Conduit Debt Obligations, because they secure the repayment of conduit debt.

M. Operating Lease Income

For operating leases that have scheduled rent increases in the minimum rentals specified under the leases, the Authority recognizes rental income on a straight-line basis over the lease term.

N. Financing Fee Income

Fees associated with economic development loan programs and conduit debt transactions are recognized in operating income as they are received. Such fees will only be paid while the related debt is outstanding, therefore, they are subject to the risk that the debt will be repaid in advance of scheduled maturity.

O. 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.

P. Extraordinary & Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The transfer of assets from the Lost Nation Airport qualified as a special item. See Note 14 for more information.

Note 3 – Change in Accounting Principles

For fiscal year 2014, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans", Statement No. 69, "Government Combinations and Disposals of Government Operations", and Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

GASB Statement No. 67 establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses/expenditures. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the Authority.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires the use of carrying values to measure the assets and liabilities in a government merger. It also requires measurements of assets acquired and liabilities assumed to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The Statement also provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. Disclosures about government combinations and disposals of government operations are required to enable financial statement users to evaluate the nature and financial effects of those transactions. The implementation of GASB Statement No. 69 had no effect on beginning net position but was applied to account for the transfer of Airport operations.

GASB Statement No. 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Authority.

Note 4 – Deposits and Investments

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

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

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

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and any other obligations of the State of Ohio;

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

6. The State Treasurer's investment pool (STAROhio).

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at lease 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name. During 2014, the Authority had no investments.

Deposits with Financial Institutions

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

At year-end, the carrying amount of the Authority's deposits was $1,012,682, none of which was cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, $481,926 of the Authority's bank balance of $1,160,818 was covered by the Federal Deposit Insurance Corporation, meaning $678,892 was not.

Note 5 – Operating Lease Agreements

Authority as Lessor

Bank Street - In June of 2013, the Authority entered into a ten year operating lease agreement with Dalamer Industries, LLC for property and a building located on Bank Street in the City of Painesville. The Authority also agreed to make certain improvements to the condition of property. The lease commenced on June 1, 2013 and is scheduled to expire May 1, 2023, with an option to purchase the property at any time during the lease at a price of $580,000. If a purchase agreement is reached, Dalamer Industries will receive a credit against that purchase price in an amount equal to all of the payments it has already made under this agreement. Rental payments under the lease were $2,960 per month for the first four months and $4,900 per month for the remainder of the lease.

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

Year Ending December 31,	Amount
2015	$58,800
2016	58,800
2017	58,800
2018	58,800
2019	58,800
2020-2023	200,900
Total	$494,900

The Authority recorded $58,800 of rental income (on a straight-line basis) under this lease for the year ended December 31, 2014.

South Shore Controls Project - In May of 2014, the Authority entered into a five year operating lease agreement with South Shore Controls, Inc. as part of the conduit debt transaction involving the Village of North Perry. The property and building are located on North Ridge Road in the Village of North Perry and the Authority agreed to make certain improvements to the condition of property. The lease commenced on June 2, 2014 and is scheduled to expire May 31, 2019, with an option to purchase the property at any time during the lease at a price of $1,660,000. If a purchase agreement is reached, South Shore Controls, Inc. will receive a credit against that purchase price for any security deposit credit and any rent escrow credit. Rental payments under the lease are $90,240, or $7,520 per month.

Each month, the $7,520 rent payment is deposited into the Authority's South Shore Rental Payment account where $346 is transferred to the South Shore Rent Escrow account and $300 is transferred to the Authority's operating account as an administrative fee. The remainder of each payment, $6,874, remains in the South Shore Rental Payment account to make scheduled principal and interest payments on behalf of the Village of North Perry. As of December 31, 2014 the Authority held $48,118 in the South Shore Rental Payment account.

For the year ended December 31, 2014, the Authority recorded $2,100 of rental/administrative fee income (on a straight-line basis) and after a $7,520 security deposit, placed an additional $2,422 in the South Shore Rent Escrow account.

Authority as Lessee

Office Lease - The Authority leases office space at 1 Victoria Place in Painesville, Ohio from Painesville Commercial Properties, Inc. The current lease runs from July 1, 2013 through June 30, 2016 at $3,417 per month. Future minimum rental to be paid by the Authority under the lease is $41,007 in 2015 and $20,503 in 2016. Rental expense, recognized on a straight-line basis, related to the Authority's lease at 1 Victoria Place totaled $41,007 for the year ended December 31, 2014.

Note 6 – Conduit Debt

The Authority issued revenue bonds in the amount of $1,965,000 to provide financial assistance to the Village of North Perry for the acquisition and construction of facilities deemed to be in the public interest and hereafter referred to as the South Shore Controls Project. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, a liability is not reported in the accompanying financial statements. However, the issuance of such conduit debt supports the Authority's purpose and drives local economic development. The aforementioned issuance of conduit debt produces additional revenues for the Authority through the South Shore Controls project lease agreement.

As of December 31, 2014, $1,965,000 of the conduit debt revenue bonds remain outstanding.

Note 7 – Long-Term Obligations

Changes in the Authority's long-term obligations during 2014 were as follows:

	Amount Outstanding 1/1/2014	Additions	Reductions	Amount Outstanding 12/31/2014	Amount Due In One Year
Port Authority:					
OWDA Loan	$329,618	$0	$31,506	$298,112	$63,959
Lost Nation Airport:					
City of Willoughby Loan	0	150,000	5,000	145,000	5,000
Total Long-Term Obligations	$ 329,618	$ 150,000	$ 36,506	$ 443,112	$ 68,959

During 2013, the Authority finalized a loan agreement with the Ohio Water Development Authority (OWDA) through its Brownfield Loan Fund program. The loan was secured by real property owned by the Authority and located in the City of Painesville, has an interest rate of 2.0 percent and is scheduled to mature in 2019.

During 2014, as part of the agreement to acquire the Lost Nation Airport, the Authority agreed to pay to the City of Willoughby the annual required debt service payments on an existing revenue bond, until final maturity in 2032. If the City and Authority agree to refinance this bond at any time, then the Authority will make the new debt service payments.

The annual requirements to retire these obligations are as follows:

Year Ending	OWDA Loan		Loan Payable to the City of Willoughby	
December 31,	Principal	Interest	Principal	Interest
2015	$63,959	$5,644	5,000	3,000
2016	65,245	4,359	5,000	2,950
2017	66,557	3,047	5,000	2,900
2018	67,894	1,710	5,000	2,850
2019	34,457	345	5,000	2,750
2020-2024	0	0	40,000	11,950
2025-2029	0	0	50,000	7,175
2030-2034	0	0	30,000	1,538
Total	$298,112	$15,105	$145,000	$35,113

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description – The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member directed plan do not quality for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/investments/cafr.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 statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2014 member contribution rates were 10.0 percent of covered payroll for members in state and local classifications.

The 2014 employer contribution rate for state and local employers was 14.0 percent of covered payroll.

The Authority's required contributions for pension obligations to traditional and combined plans for the years ended December 31, 2014, 2013 and 2012 were $68,585, $59,138 and $50,244 respectively. The full amount has been contributed for 2013 and 2012, and 92 percent has been contributed for 2014 with the remainder being presented as "intergovernmental payable" in the statement of net position. There were no contributions to the member-directed plan for 2014.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* This accounting standard replaces GASB Statement No. 27, and is effective for employer fiscal years beginning after June 15, 2014. OPERS recommends employers begin a dialog with their external auditors to determine the impact this standard will have on employer financial statements.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

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

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 traditional pension and 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-employment health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' post employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the combined plan was 1.0 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were $9,798, $4,224 and $14,355 respectively; 99 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Note 10 - Capital Assets

A summary of the Authority's capital assets at December 31, 2014 follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Capital Assets, not being depreciated:				
Land	$0	$7,335,376	$0	$7,335,376
Construction in Progress	224,810	834,112	0	1,058,922
Total Capital Assets, not being depreciated:	224,810	8,169,488	0	8,394,298
Capital Assets, being depreciated:				
Buildings	0	88,555	0	88,555
Improvements other than Buildings	0	690,069	0	690,069
Furniture, Equipment and Vehicles	0	109,474	0	109,474
Total Capital Assets, being depreciated:	0	888,098	0	888,098
Less Accumulated Depreciation:				
Buildings	0	(738)	0	(738)
Improvements other than Buildings	0	(6,901)	0	(6,901)
Furniture, Equipment and Vehicles	0	(1,307)	0	(1,307)
Total Accumulated Depreciation	0	(8,946)	0	(8,946)
Total Capital Assets being depreciated, net	0	879,152	0	879,152
Total Capital Assets, Net	$224,810	$9,048,640	$0	$9,273,450

Note 11 – Other Employee Benefits

A. Sick Days

Full time employees earn sick leave benefits at the rate of fifteen (15) paid sick days per year using the anniversary date of hire for calculating the days. They will accumulate at the rate of 4.6 hours for each 80 hours of completed employment. There is no cash payout of unused sick days at the end of each year, therefore, there was no liability for accrued but unused sick days as of December 31, 2014.

B. Vacation

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

During first year of employment	3.10 hours per 80 hours worked (10 days)
After first year of employment	4.60 hours per 80 hours worked (15 days)
After tenth year of employment	6.20 hours per 80 hours worked (20 days)
After twenty years of employment	7.70 hours per 80 hours worked (25 days)

If the employee does not take vacation time, a request for pay, must be submitted a month prior to their anniversary of hire date. If vacation is carried over no more than twenty days (20) will be allowed to be carried over. Vacation time earned and paid out after December 31st is reported as vacation benefits payable on the accompanying statement of net position.

Note 12 - Risk Management

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

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

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

Note 13 – Contingent Liabilities

Financial Assistance - The Authority receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits may require refunding to grantor agencies. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Authority as of December 31, 2014.

City of Willoughby - As a part of the transfer agreement to acquire the Lost Nation Airport, the Authority contingently agreed to repay the City of Willoughby for outstanding advances in the amount of $750,000. The Authority will not be required to make any payments to the City until the Airport reports and deposits $100,000 into a reserve fund for two consecutive years.

If the Airport does meet the $100,000 criteria for two consecutive years, then the City and the Authority will agree upon a 30 year amortization. If the reserve fund drops below $50,000 the Authority can stop making payments until it meets the original criteria again.

Note 14 – Special Item – Transfer of Willoughby Lost Nation Municipal Airport

On October 15, 2014, the Authority acquired, through transfer of ownership, the Willoughby Lost Nation Municipal Airport from the City of Willoughby, situated on approximately 420 acres in Willoughby and the City of Mentor. It is located approximately 3 miles north of downtown Willoughby and 16 miles east of downtown Cleveland. As a result of this transfer, the Airport recognized a gain on transfer of $7,973,476 as a special item on the Statement of Revenues, Expenses, and Changes in Net Position.

As a part of this transfer of ownership, the Authority has agreed to take over the City's payments on an outstanding revenue bond in the amount of $150,000 and is now obligated to make annual debt service payments to the City. This liability has been recorded on the Statement of Net Position as a loan payable to the City of Willoughby. The transfer agreement also contains a $750,000 contingent liability if the Airport meets $100,000 operating surpluses over two consecutive years. This contingent liability has not been recorded on the Statement of Net Position.

The Airport is a corporate airport that has two runways; runway 5-23 which is 5,013 feet long by 100 feet wide, and runway 10-28 which is 4,835 feet long by 100 feet wide. Facilities include AWOS III weather, a full-service Fixed Base Operator (FBO) providing fuel, major airframe/power-plant repairs, aircraft tie-down and hangar storage. Both 100LL and Jet A fuel are available. Based aircraft number 86 and include single and multi-engine, turbo prop and jet with approximately 35-40 thousand aircraft operations annually. Additionally, there are 6 multi-tenant hangars to house private and corporate aircraft.

The Airport requests grant funds from the Federal Aviation Administration (FAA) Airport Improvement Program to make significant improvements to runways to provide a well maintained, first class airport to support the business community and economic health of Lake County, as a valuable tool for the attraction and expansion of business and industry in Lake County and the region.

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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*

Lake County Ohio Port & Economic Development Authority
Lake County
One Victoria Place, Suite 265A
Painesville, Ohio 44077

To the Board of Trustees:

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 each major fund of the Lake County Ohio Port & Economic Development Authority, Ohio (the Authority) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 28, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

October 28, 2015

Dave Yost • Auditor of State

LAKE COUNTY OHIO PORT AND ECONOMIC DEVELOPMENT AUTHORITY

LAKE 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
NOVEMBER 10, 2015

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