LAKE COUNTY OHIO PORT AND ECONOMIC DEVELOPMENT AUTHORITY
LAKE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2017

Dave Yost • Auditor of State

LAKE COUNTY OHIO PORT AND ECONOMIC DEVELOPMENT AUTHORITY
LAKE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Lake County Ohio Port and Economic Development Authority
Lake County
One Victoria Place, Suite 165A
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 and Economic Development Authority, Lake County, Ohio, a component unit of Lake County, (the Port Authority), 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 the overall financial statement presentation.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and 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 31, 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
Auditor of State
Columbus, Ohio

August 31, 2018

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, 2017. 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 2017 are as follows:

- The Authority's total net position increased by $469,672, from a balance of $11,096,982 to $11,566,654.

- During 2017, the Authority had overall operating loss of $126,217. The principle operating fund had operating income of $27,400 while the Willoughby Lost Nation Municipal Airport (the "Airport") had an operating loss of $153,617.

- The Authority was able to make its annual principal and interest payments on its outstanding Ohio Water Development Authority loan in the amount of $66,557 and $3,047, respectively.

- The Authority's GASB 68 net pension liability increased to $330,228 from the prior year. For more information on this liability see Note 8 to the basic financial statements.

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 2017?" 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 2017, compared to 2016:

(Table 1)
Net Position

	Business-Type Activities		
	2017	2016	Change
Assets			
Current and Restricted Assets	$1,418,664	$1,340,787	$77,877
Capital Assets, Net of Depreciation	11,366,625	11,072,821	293,804
Total Assets	12,785,289	12,413,608	371,681
Deferred Outflows of Resources			
Pension - OPERS	139,035	122,530	16,505
Liabilities			
Current and Other Liabilities	697,037	714,512	(17,475)
Long-Term Liabilities:			
Due Within One Year	79,494	78,157	1,337
Due in More than One Year:			
Net Pension Liability	330,228	309,294	20,934
Other Due in More than One Year	172,657	252,151	(79,494)
Total Liabilities	1,279,416	1,354,114	(74,698)
Deferred Inflows of Resources			
Pension - OPERS	78,254	85,042	(6,788)
Net Position			
Net Investment in Capital Assets	11,114,474	10,742,513	371,961
Restricted	49,654	68,259	(18,605)
Unrestricted	402,526	286,210	116,316
Total Net Position	$11,566,654	$11,096,982	$469,672

The net pension liability (NPL) is the largest single liability reported by the Authority and is reported pursuant to GASB Statement No. 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 District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net pension and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 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 No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB No. 68, the net pension liability equals the 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 Authority, part of a bargained-for benefit to the employee, and should accordingly be reported by the Authority as a liability since they received the benefit of the exchange. However, the 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 Authority. 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 No. 68, the 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.

Total assets increased $371,681 during 2017. The majority of this increase was the result of an overall increase in capital assets as the Authority acquired a piece of land on a conduit debt transaction valued at $436,300. Current and restricted assets increased $77,877, or six percent, from the prior year.

Total liabilities decreased by $74,698 during 2017. Long-term liabilities decreased due to the Authority making its scheduled payment on the outstanding Ohio Water Development Authority loan. Other liabilities decreased due to decreases in accounts payable and liabilities related to the South Shore lease agreement.

In total, net position of the Authority increased by $469,672, which can be attributed mostly to the aforementioned increase in capital assets.

Table 2 shows the revenues, expenses and the changes in net position for the year ended December 31, 2017 compared to the year ended December 31, 2016.

(Table 2)
Changes in Net Position

	Business-Type Activities		
	2017	2016	Change
Operating Revenues			
Operating Grants	$53,122	$74,325	($21,203)
Lease & Program Income	548,588	330,570	218,018
Contributions and Donations	596,443	674,477	(78,034)
Charges for Services & Rentals	62,608	58,701	3,907
Other Operating Revenues	26,367	20,520	5,847
Total Operating Revenues	1,287,128	1,158,593	128,535
Operating Expenses			
Personal Services	457,223	440,384	(16,839)
Contractual Services	535,278	276,056	(259,222)
Materials and Supplies	35,240	27,500	(7,740)
Overhead, Rent & Utilities	169,574	179,027	9,453
Travel & Training	27,580	17,543	(10,037)
Other Operating Expenses	66,044	44,773	(21,271)
Depreciation	122,406	105,024	(17,382)
Total Operating Expenses	1,413,345	1,090,307	(323,038)
Operating Income/(Loss)	(126,217)	68,286	(194,503)

(Table 2)
Changes in Net Position (continued)

	Business-Type Activities		
	2017	2016	Change
Non-Operating Revenues (Expenses)			
Capital Grants	$427,907	$490,762	($62,855)
Grants Related Expenses	(274,722)	(583,913)	309,191
Interest Income	5,523	0	5,523
Interest and Fiscal Charges	(5,947)	(6,655)	708
Branding Campaign Expenses	0	(56,034)	56,034
Other non-Operating Revenue	6,828	0	6,828
Total Non-Operating Revenues (Expenses):	159,589	(155,840)	315,429
Income (Loss) Before Contributions & Transfers	33,372	(87,554)	120,926
Capital Contributions	436,300	717,200	(280,900)
Transfers In	52,943	143,327	(90,384)
Transfers Out	(52,943)	(143,327)	90,384
Special Item - Gain on Acquisition of Property	0	638,540	(638,540)
Change in Net Position	469,672	1,268,186	(798,514)
Net Position Beginning of Year	11,096,982	9,828,796	1,268,186
Net Position End of Year	$11,566,654	$11,096,982	$469,672

Operating revenues increased by $128,535 due primarily to an increase in finance programs income received from the previous year. Operating expenses also increased by $323,038 from the prior year due to increases in personal services and contractual services. The Authority's total net position increased $469,672 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 2017 balances compared with 2016.

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

	Business-Type Activities		
	2017	2016	Change
Land	$8,892,446	$8,456,146	$436,300
Buildings	1,628,089	1,686,367	(58,278)
Improvements Other Than Buildings	600,359	648,052	(47,693)
Furniture, Equipment and Vehicles	245,731	282,256	(36,525)
Totals	$ 11,366,625	$ 11,072,821	$ 293,804

The $293,804 increase in capital assets was due to current year additions of $436,300 exceeding current year depreciation of $122,406 and net deletions of $20,090. Note 10 of the basic financial statements provides a more detailed look at the capital asset activity during 2017.

During 2017, the Authority entered into a conduit debt transaction with Tapestry Wickliffe, LLC. As part of this transaction, the Authority acquired a parcel of land valued at $436,300 and has been reported as a capital contribution.

Debt

The Authority's outstanding long-term obligations, excluding the net pension liability, are included in the following table:

(Table 4)
Outstanding Debt, at December 31

	Amount Outstanding 12/31/2017	Amount Outstanding 12/31/2016	Increase (Decrease)
Port Authority:			
OWDA Loan	$102,351	$168,908	($66,557)
Copier Lease - Meritech	19,800	26,400	(6,600)
Lost Nation Airport:			
Loan Payable to City of Willoughby	130,000	135,000	(5,000)
Total Long-Term Obligations	$ 252,151	$ 330,308	$ (78,157)

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.

In 2016, the Authority entered into a capital lease for copiers and related equipment for $33,000. This lease will be paid back over 5 years and mature in 2020.

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 – On June 2nd 2014, 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 maturing May 31st 2019.

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. Those liability obligations remain in place in 2017.

Lost Nation Airport accepts grants from the Federal Aviation Administration (FAA) Airport Improvement Program. One was taken in 2015 to conduct a Master Plan. A Master Plan Study will provide strong direction for the immediate and future development, improvement, and upgrades at the Airport. The completed plan will give the Authority insight and assistance in determining the best uses of the land and identifying obstructions to the active runways to be removed for safety enhancements. 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 which are both a valuable source of funding for the Airport. Project completion is expected in early 2019.

The Airport was awarded another grant in 2017 for improvements to the ramp and terminal apron areas. The pavement rehabilitation consisted of full depth repairs, crack filling, sealing and marking. Ninety percent was completed in 2017 with the balance to be completed by summer 2018. Additional grants will be sought in 2018 and continuing.

Bank Street –The property cleanup was completed in December 2014 using the $1,200,000 Ohio Jobs Ready Site Grant, with part of the grant used to make further improvements to the property. These improvements have made the remaining facility more attractive to potential tenants and easier to lease. The final release letter from the Ohio EPA was received in September of 2016. Progress has been made selling and leasing parts of the property, and ongoing discussions continue with prospective tenants.

Lake Health Wellness Campus - In 2016, the Authority provided conduit financing to help structure and finance an 85,000 sq. ft. Health and Wellness Center, developed and leased by Lake Mentor Properties, LLC, an affiliate of Boldt Development, and to be sub leased and operated by Lake Hospital System, Inc. The facility will provide many important community services including primary and secondary physician care, urgent care, imaging, sports medicine, rehabilitation, fitness center, track, pool and aquatic center, doctors' offices and a full service pharmacy. The facility was complete in December of 2017 and will be fully operational by the end of first quarter 2018.

Lake County Young Men's Christian Association (YMCA) Project - In 2017, the Authority provided conduit financing to help structure and finance a new YMCA facility in Willoughby, Ohio to replace the existing facility, now over 50 years old. The new, approximately 38,000 square foot building is being constructed in collaboration with the Willoughby Eastlake City School District and the City of Willoughby. When complete, the new campus will consist of a new High School, Senior Center and YMCA with a joint use agreement to share the aquatic Center and Fieldhouse.

Tapestry Wickliffe, LLC Project - In 2017, the Authority provided conduit financing for the purchase, construction, reconstruction, equipping and improving a site in Wickliffe, Ohio. When finished, the renovations will include a 167 unit Senior Assisted Living and Memory Care facility. The project was initiated by LaSalle Development Group Ltd. and will be operated by Tapestry Wickliffe LLC. The project also includes physical rehabilitation facilities, salon, spa, commercial kitchen, offices and other support facilities.

De Nora Tech Inc. Project - In 2017, the Authority provided conduit financing for the construction of a new 110,000 square foot manufacturing facility in Mentor, Ohio. To structure the transaction, the Authority issued lease revenue Bonds to Capannoni USA, LLC; a real estate holding company for De Nora Tech. The project will also include an electrical substation with emergency generation, water and waste water facilities, and other improvements. When fully operational the site will provide an additional 130 jobs to Lake County.

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.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY
Statement of Net Position
December 31, 2017

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Assets:			
Current Assets:			
Cash and Cash Equivalents	$ 851,170	$ 158,904	$ 1,010,074
Net Receivables:			
Accounts	10,543	1,615	12,158
AGRI Business Loan Program Receivable	10,000	-	10,000
Prepaid Items	5,507	6,354	11,861
Total Current Assets	877,220	166,873	1,044,093
Noncurrent Assets:			
Land	1,557,070	7,335,376	8,892,446
Buildings	1,549,128	78,961	1,628,089
Improvements	-	600,359	600,359
Furniture, Fixtures & Equipment	19,800	225,931	245,731
Total Noncurrent Assets	3,125,998	8,240,627	11,366,625
Restricted and Other Assets:			
Cash and Cash Equivalents:			
Restricted for South Shore Debt	102,493	-	102,493
Restricted for South Shore Rental/Security Deposits	14,878	-	14,878
Restricted for South Shore Improvements	78,800	-	78,800
Restricted for AGRI Business Loan program	140,000	-	140,000
Restricted for Branding Campaign	10,900	-	10,900
Restricted for Capital Grants	-	27,500	27,500
Total Restricted and Other Assets	347,071	27,500	374,571
Total Assets	4,350,289	8,435,000	12,785,289
Deferred Outflows of Resources			
Pension	139,035	-	139,035
Liabilities:			
Current Liabilities:			
Accounts Payable	2,871	8,242	11,113
Contracts Payable	117,374	40,228	157,602
Retainage Payable	-	4,470	4,470
Intergovernmental Payable	3,847	393	4,240
Accrued Interest Payable	1,024	-	1,024
Other Payables	4,612	164	4,776
Vacation Benefits Payable	8,329	-	8,329
Security Deposits	-	2,667	2,667
Unearned Revenue	-	19,999	19,999
OWDA Loans Payable - Current	67,894	-	67,894
Capital Lease Payable - Current	6,600	-	6,600
Loan Payable to City of Willoughby - Current	-	5,000	5,000
Total Current Liabilities	212,551	81,163	293,714
Other Liabilities (Including Amounts Relating to Restricted Assets):			
South Shore Rent Payment	28,959	-	28,959
South Shore Rent Escrow	14,878	-	14,878
South Shore Security Deposit	7,520	-	7,520
South Shore Lease Improvements	78,800	-	78,800
South Shore Tax Payments	43,860	-	43,860
AGRI Business Loan Program	150,000	-	150,000
Taxes Collected on Behalf of Tenants	-	158,800	158,800
Total Other Liabilities	324,017	158,800	482,817
Long-Term Liabilities (net of current portion)			
OWDA Loans Payable	34,457	-	34,457
Capital Lease Payable	13,200	-	13,200
Loan Payable to City of Willoughby	-	125,000	125,000
Net Pension Liability (Asset) - OPERS - Traditional Plan	334,947	-	334,947
Net Pension Liability (Asset) - OPERS - Combined Plan	(4,719)	-	(4,719)
Total Long-Term Liabilities	377,885	125,000	502,885
Total Liabilities	914,453	364,963	1,279,416
Deferred Inflows of Resources			
Pension	78,254	-	78,254
Net Position			
Net Investment in Capital Assets	3,106,198	8,008,276	11,114,474
Restricted for South Shore Lease	22,154	-	22,154
Restricted for Capital Improvements	-	27,500	27,500
Unrestricted	368,265	34,261	402,526
Total Net Position	$ 3,496,617	$ 8,070,037	$ 11,566,654

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, 2017

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Operating Revenues			
Operating Grants	$ 23,106	$ 30,016	$ 53,122
Lease Income	96,605	132,908	229,513
Finance Programs Income	319,075	-	319,075
Intergovernmental - County Contributions	596,443	-	596,443
Charges for Services	-	27,408	27,408
Hangar Rentals	-	35,200	35,200
Other Operating Revenues	22,867	3,500	26,367
Total Operating Revenues	1,058,096	229,032	1,287,128
Operating Expenses			
Personal Services	417,143	40,080	457,223
Contractual Services	334,048	201,230	535,278
Materials & Supplies	18,885	16,355	35,240
Overhead, Rent & Utilities	105,070	64,504	169,574
Training & Travel	27,580	-	27,580
Other Operating Expenses	66,044	-	66,044
Depreciation Expense	61,926	60,480	122,406
Total Operating Expenses	1,030,696	382,649	1,413,345
Operating Income (Loss)	27,400	(153,617)	(126,217)
Non-Operating Revenues (Expenses)			
Capital Grants	-	427,907	427,907
Grant Related Expenses	-	(274,722)	(274,722)
Interest Income	5,523	-	5,523
Interest and Fiscal Charges	(3,047)	(2,900)	(5,947)
Other Non-Operating Revenues	-	6,828	6,828
Total Non-Operating Revenues (Expenses)	2,476	157,113	159,589
Income (Loss) Before Contributions & Transfers	29,876	3,496	33,372
Capital Contributions	436,300	-	436,300
Transfers In	-	52,943	52,943
Transfers Out	(52,943)	-	(52,943)
Change in Net Position	413,233	56,439	469,672
Net Position Beginning of Year	3,083,384	8,013,598	11,096,982
Net Position End of Year	$ 3,496,617	$ 8,070,037	$ 11,566,654

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, 2017

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Cash Flows From Operating Activities:			
Cash Received from Customers & Users	$ 415,680	$ 185,934	$ 601,614
Cash Received from Operating Grants	23,106	30,016	53,122
Cash Received from Contributions & Donations	596,443	-	596,443
Other Operating Revenues	22,867	3,500	26,367
Cash Paid to Suppliers	(21,965)	(18,453)	(40,418)
Cash Paid to Employees	(416,788)	(40,072)	(456,860)
Cash Paid for Contractual Services	(239,206)	(154,394)	(393,600)
Cash Paid for Overhead, Rent & Utilities	(104,061)	(69,506)	(173,567)
Cash Paid for Other Operating Expenses	(72,939)	-	(72,939)
Net Cash Provided By (Used For) Operating Activities	203,137	(62,975)	140,162
Cash Flows From Non-Capital Financing Activities			
Taxes Collected on Behalf of Tenants	130,635	147,746	278,381
Taxes Paid on Behalf of Tenants	(43,840)	(117,816)	(161,656)
Other Non-Operating Revenues	5,523	6,828	12,351
Transfers In	-	52,943	52,943
Transfers Out	(52,943)	-	(52,943)
Net Cash Provided By (Used for) Non-Capital Financing Activities	39,375	89,701	129,076
Cash Flows From Capital and Related Financing Activities			
Cash Received from Capital Grants	-	427,907	427,907
AGRI Loan Disbursements	(35,000)	-	(35,000)
AGRI Loan Repayments	33,000	-	33,000
Fairport Harbor Project Receipt	16,650	-	16,650
Payment for Capital Acquisitions	-	(168,717)	(168,717)
Payment for Capital Grant Related Expenses	-	(291,395)	(291,395)
Principal Paid on Debt	(116,557)	(5,000)	(121,557)
Interest Paid on Debt	(35,252)	(2,900)	(38,152)
Net Cash Provided by (Used For) Capital and Related Financing Activities	(137,159)	(40,105)	(177,264)
Net Increase (Decrease) in Cash and Cash Equivalents	105,353	(13,379)	91,974
Cash and Cash Equivalents Beginning of Year	1,092,888	199,783	1,292,671
Cash and Cash Equivalents End of Year	$ 1,198,241	$ 186,404	$ 1,384,645

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY
Statement of Cash Flows
For the Year Ended December 31, 2017

	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)	$ 27,400	$ (153,617)	$ (126,217)
Adjustments:			
Depreciation	61,926	60,480	122,406
(Increase) Decrease in Assets & Deferred Outflows:			
Accounts Receivable	-	418	418
Prepaid Items	366	(1,337)	(971)
Deferred Outflows of Resources - Pension	(16,505)	-	(16,505)
Increase (Decrease) in Liabilities & Deferred Inflows:			
Accounts Payable	(20,521)	(3,332)	(23,853)
Contracts Payable	117,374	40,228	157,602
Retainage Payable	-	4,470	4,470
Due to Other Governments	111	8	119
Unearned Revenue	-	(10,000)	(10,000)
Vacation Benefits Payable	2,603	-	2,603
South Shore Liabilities	5,598	-	5,598
Credit Card Payable	3,407	(293)	3,114
Deferred Inflows of Resources - Pension	(6,788)	-	(6,788)
Net Pension Liability - OPERS - Traditional Plan	24,550	-	24,550
Net Pension Asset - OPERS - Combined Plan	3,616	-	3,616
Total Adjustments	175,737	90,642	266,379
Net Cash Provided By (Used For) Operating Activities	$ 203,137	$ (62,975)	$ 140,162

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 nine member Board of Directors, each of whom is appointed by the Board of County Commissioners. The Board increased its members from seven to nine during 2017. 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 and 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.

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
Required Supplementary Information

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, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

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, deferred inflows of resources were reported for pension. Deferred inflows of resources related to pension are reported on the statement of net position (see Note 8).

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”.

During 2017, investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79’ “Certain External Investment Pools and Pool Participants.” The Authority measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business days(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general operating fund during 2017 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. The capital assets received from the City of Willoughby during the transfer of operations of the Lost Nation Airport were recorded at the carrying amount reported by the City at the time of transfer. Donated capital assets are recorded at their fair market values as of the date received. The Authority had a capitalization threshold of $5,000 during 2017.

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
30 years	Buildings
25 years	Improvements other than Buildings
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. Fair Market Value

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

Note 3 – Change in Accounting Principles

For 2017, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68", Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans", Statement No. 80, "Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14", and GASB Statement No. 81, "Irrevocable Split-Interest Agreements".

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Authority.

GASB Statement No. 74 aims to improve the usefulness of information about other postemployment benefits (OPEB) other than pensions, included in general purpose external financial reports of state and local government benefit plans, for making decisions and assessing accountability. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement and presentation of information about OPEB and is closely related to Statement No. 74, but will not be implemented until next fiscal year for the Authority. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the Authority.

GASB Statement No. 80 aims to improve financial reporting by clarifying the financial statement presentation requirements for component units that are organized as non-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Authority.

GASB Statement No. 81 aims to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Authority.

Note 4 – Deposits and Investments

State statutes 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 least 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 2017, the Authority invested in STAR Ohio.

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 $879,163, 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, 2017, $460,787 of the Authority's bank balance of $903,317 was covered by the Federal Deposit Insurance Corporation, meaning $442,530 was not.

Investments

As of December 31, 2017, the Authority had $505,482 invested in STAR Ohio. The Authority's investments are valued using quoted market prices (level 1 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates and according to State law, the Authority's investment policy limits investment portfolio maturities to five years or less.

Credit Risk STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Authority has no investment policy that addresses credit risk.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The Authority places no limit on the amount it may invest in any one issuer. The Authority's investment in STAR Ohio represents 100 percent of total investments.

Reconciliation of Cash and Investments to the Statement of Net position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Position as of December 31, 2017:

Cash and Investments per Note Disclosure:		Cash and Investments per Statement of Net Position:	
Carrying amount of deposits	$879,163	Port Authority	$1,198,241
Investments	505,482	Lost Nation Airport	186,404
Total	$1,384,645	Total	$1,384,645

Note 5 – Operating Lease Agreements

Authority as Lessor

559 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. During 2017, this lease was transferred to Bank Street Development, LLC. 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
2018	$58,800
2019	58,800
2020	58,800
2021	58,800
2022	58,800
2023	24,500
Total	$318,500

The Authority recorded $58,800 of rental income (on a straight-line basis) under this lease for the year ended December 31, 2017.

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 the 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, 2017 the Authority held $43,837 in the South Shore Rental Payment account.

For the year ended December 31, 2017, the Authority recorded $2,100 of rental/administrative fee income (on a straight-line basis) and held $7,520 in the South Shore Rental/Security Deposits account.

Evergreen Properties, LLC - In December of 2015, the Authority (Lost Nation Airport) renewed a five year operating lease agreement with Evergreen Properties, LLC for real property owned by the Airport. The lease commenced on January 1, 2016 and is scheduled to expire December 31, 2020, with an option to extend the term for 3 successive periods of five years each. Rental payments under the lease are $600 per month or $7,200 annually, for each year of the lease.

Classic Jet Center, LLC - In May of 2016, the Authority (Lost Nation Airport) amended and restated a five year operating lease agreement with Classic Jet Center, LLC for real property and facilities owned by the Airport. The lease commenced on May 1, 2016 and is scheduled to expire April 30, 2021, with an option to extend the term for 2 successive periods of five years each. Rental payments under the lease are $2,933.34 per month or $35,200 annually, for each year of the lease.

Storage Air, LLC - In May of 2016, the Authority (Lost Nation Airport) renewed a 28 month operating lease agreement with Storage Air, LLC for real property and facilities owned by the Airport and located at 1655 Lost Nation Road. The lease commenced on September 1, 2016 and is scheduled to expire December 31, 2018, with an option to extend the term for 5 successive periods of five years each. Rental payments under the lease are $901.67 per month or $10,820 annually, for each year of the lease.

Turbine Storage, LLC - In May of 2016, the Authority (Lost Nation Airport) amended and restated a five year operating lease agreement with Turbine Storage, LLC for real property located at the Airport. The lease commenced on May 1, 2016 and is scheduled to expire April 30, 2021, with an option to extend the term for 2 successive periods of five years each. Rental payments under the lease are $1,244.30 per month or $14,932 annually, for years one through three of the lease. Rental payments for years four and five of the lease will be increased on January 1st of each year according to increases in the Consumer Price Index as calculated by the Consumer Price Index Calculator, not less than 1 percent.

600 Bank Street - In February of 2017, the Authority entered into a six and a half year operating lease agreement with Bank Street Development, LLC for property and a building located on Bank Street in the City of Painesville. The Authority previously made certain improvements to the condition of property. The lease commenced on February 1, 2017 and is scheduled to expire July 31, 2023, with an option to purchase the property at any time during the lease at a price of $124,800. If a purchase agreement is reached, Bank Street Development, LLC 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 are $1,600 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
2018	$19,200
2019	19,200
2020	19,200
2021	19,200
2022	19,200
2023	9,600
Total	$105,600

The Authority recorded $19,200 of rental income (on a straight-line basis) under this lease for the year ended December 31, 2017.

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 through June 30, 2018 and was extended for one year at the same rental rate. Rental expense, recognized on a straight-line basis, related to the Authority's lease at 1 Victoria Place totaled $44,291 for the year ended December 31, 2017.

Note 6 – Conduit Debt

South Shore Controls Project

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, 2017, $1,815,000 of the conduit debt revenue bonds remain outstanding.

Lake Mentor Properties, LLC Project

The Authority issued revenue bonds in the amount of $32,812,481 to provide financial assistance to the Lake Mentor Properties, LLC in order to construct a facility to be subleased to the Lake Hospital System for the acquisition and construction of facilities deemed to be in the public interest and hereafter referred to as the Lake Hospital System 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 Lake Mentor Properties, LLC project lease agreement.

As of December 31, 2017, $32,739,395 of the conduit debt revenue bonds remain outstanding.

Lake County Young Men's Christian Association (YMCA) Project

The Authority issued revenue bonds in the amount of $8,000,000 to provide financial assistance to the Lake County YMCA for the acquisition, improvement and furnishing of a two story indoor recreational facility of approximately 38,000 square feet, deemed to be in the public interest and hereafter referred to as the Lake County YMCA 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.

As of December 31, 2017, $50,000 of the conduit debt revenue bonds have been drawn and are outstanding.

Tapestry Wickliffe, LLC Project

The Authority issued lease revenue bonds in the amount of $49,030,000 on October 31, 2017 to provide financial assistance to the Tapestry Wickliffe, LLC for the acquisition, construction, reconstruction, remodeling, equipping, furnishing and otherwise improving a senior assisted living and memory care facility in Wickliffe, Ohio, deemed to be in the public interest and hereafter referred to as the Tapestry Wickliffe LLC 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 project lease agreement.

As of December 31, 2017, all $49,030,000 of the conduit debt revenue bonds remain outstanding.

DeNora Tech Inc. Project

The Authority issued lease revenue bonds in the amount of $17,000,000 on December 14, 2017 to provide financial assistance to the Capannoni USA, LLC, for the construction, equipping, furnishing and otherwise improving a new manufacturing facility in Mentor, Ohio, deemed to be in the public interest and hereafter referred to as the DeNora Tech Inc., 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 Capannoni project lease agreement.

As of December 31, 2017, $7,500,000 of the conduit debt revenue bonds have been drawn and are outstanding.

Note 7 – Long-Term Obligations

Changes in the Authority's long-term obligations during 2017 were as follows:

	Outstanding 1/1/2017	Additions	Reductions	Outstanding 12/31/2017	Due In One Year
Port Authority:					
OWDA Loan	$168,908	$0	$66,557	$102,351	$67,894
Capital Lease	26,400	0	6,600	19,800	6,600
Net Pension Liability:					
OPERS Traditional Plan	310,397	24,550	0	334,947	0
OPERS Combined Plan	(1,103)	(3,616)	0	(4,719)	0
Total Port Authority	504,602	20,934	73,157	452,379	74,494
Lost Nation Airport:					
City of Willoughby Loan	135,000	0	5,000	130,000	5,000
Total Long-Term Obligations	$ 639,602	$ 20,934	$ 78,157	$ 582,379	$ 79,494

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.

The Authority pays obligations related to employee compensation from the Port Authority enterprise fund.

During 2015, 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.

During 2016, the Authority entered into a five year capital lease agreement with Meritech for one copier at $6,600 annually over 5 years. The lease commenced January 1, 2016 and will expire December 31, 2020.

The annual requirements to retire these obligations are as follows:

Year Ending	OWDA Loan		Loan Payable to the City of Willoughby		Capital Lease	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2018	$67,894	$1,710	$5,000	$2,850	$6,600	$500
2019	34,457	345	5,000	2,750	6,600	450
2020	0	0	5,000	2,650	6,600	400
2021	0	0	5,000	2,550	0	0
2022	0	0	10,000	2,450	0	0
2023-2027	0	0	50,000	9,250	0	0
2028-2032	0	0	50,000	3,763	0	0
Total	$102,351	$2,055	$130,000	$26,263	$19,800	$1,350

Note 8 - Defined Benefit Pension Plan

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members of the Authority may elect the member-directed plan and the combined plan, substantially all employees are in OPERS' traditional plan; therefore, the following disclosure focuses primarily on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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

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

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

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

	State and Local
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 Authority's contractual required contribution was $27,805 for 2017. Of this amount, $3,847 is reported as an intergovernmental payable.

While members may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; the following disclosure focuses are combined for the three plans.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional	Combined	OPERS Total
Proportion of the Net Pension Liability (Asset) Prior Measurement Date	0.00179200%	0.00226600%	
Proportion of the Net Pension Liability (Asset) Current Measurement Date	0.00147500%	0.00847800%	
Change in Proportionate Share	-0.00031700%	0.00621200%	
Proportionate Share of the Net Pension Liability (Asset)	$334,947	($4,719)	$330,228
Pension Expense	$77,110	$3,409	$80,519

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

	Traditional Plan	Combined Plan	OPERS Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$454	$0	$454
Net difference between projected and actual earnings on pension plan investments	49,880	1,151	51,031
Change in Assumptions	53,127	1,150	54,277
Change in proportionate share and difference between Authority contributions and proportionate share of contributions	0	5,468	5,468
Authority contributions subsequent to the measurement date	25,407	2,398	27,805
Total Deferred Outflows of Resources	$128,868	$10,167	$139,035
Deferred Inflows of Resources			
Differences between expected and actual experience	$1,994	$2,413	$4,407
Change in proportionate share and difference between Authority contributions and proportionate share of contributions	67,667	6,180	73,847
Total Deferred Inflows of Resources	$69,661	$8,593	$78,254

$27,805 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 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:

	Traditional Plan	Combined Plan	OPERS Total
Year Ending December 31:			
2018	$6,547	($201)	$6,346
2019	(25,122)	(200)	(25,322)
2020	(16,688)	(151)	(16,839)
2021	1,463	257	1,720
2022 - 2026	0	1,119	1,119
Total	($33,800)	$824	($32,976)

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:

Wage Inflation	3.75 Percent
Future Salary Increases, Including Inflation	4.25 Percent to 10.05 Percent, Including Wage Inflation
COLA or Ad hoc COLA	3 Percent, Simple
Investment Rate of Return	8.0 Percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are 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 period base 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.

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 weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the 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. 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. 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 investments expense and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.30 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
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 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers are made at the contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability (asset) 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's Proportionate Share of the Net Pension Liability (Asset) - Traditional Plan	$511,707	$334,947	$187,650
Authority's Proportionate Share of the Net Pension Liability (Asset) - Combined Plan	339	(4,719)	(8,648)
Total OPERS	$512,046	$330,228	$179,002

Note 9 - Postemployment Benefits

Plan Description – In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July1, 2016. As of December 31, 2016, 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. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2016 CAFR for details. 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.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund 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. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0 percent for both plans. The portion of the Authority's employer contributions that were used to fund postemployment benefits for the years 2017, 2016, and 2015 respectively were $2,139, $7,056, and $7,668 which was equal to 100 percent of the required contribution for those years.

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 in to the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Note 10 - Capital Assets

A summary of the Authority's capital assets at December 31, 2017 follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Capital Assets, not being depreciated:				
Land	$8,456,146	$436,300	$0	$8,892,446
Capital Assets, being depreciated:				
Buildings	1,748,335	0	0	1,748,335
Improvements other than Buildings	710,569	0	(20,500)	690,069
Furniture, Equipment and Vehicles	314,191	0	0	314,191
Total Capital Assets, being depreciated:	2,773,095	0	(20,500)	2,752,595
Less Accumulated Depreciation:				
Buildings	(61,968)	(58,278)	0	(120,246)
Improvements other than Buildings	(62,517)	(27,603)	410	(89,710)
Furniture, Equipment and Vehicles	(31,935)	(36,525)	0	(68,460)
Total Accumulated Depreciation	(156,420)	(122,406)	410	(278,416)
Total Capital Assets being depreciated, net	2,616,675	(122,406)	(20,090)	2,474,179
Total Capital Assets, Net	$11,072,821	$313,894	($20,090)	$11,366,625

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, 2017.

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, 2017.

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 – Willoughby Lost Nation Municipal Airport

During 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 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.

Note 15 – Capitalized Lease – Lessee Disclosure

The Authority entered into a capital lease obligation for the purchase of 1 copier. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements.

Capital assets consisting of equipment have been capitalized in the amount of $33,000. This amount represents the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded in the basic financial statements. Principal and interest payments on the copiers lease totaled $6,600 and $522, respectively, in 2017.

The following is a schedule of the future minimum lease payments required under the capital lease obligation and the present value of the future minimum lease payments as of December 31, 2017:

Year Ending December 31,	
2018	$7,100
2019	7,050
2020	7,000
Total Minimum Lease Payments	21,150
Less: Amount Representing Interest	(1,350)
Present Value of Minimum Lease	$19,800

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY
Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Four Years (1)

	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.0014750%	0.0017920%	0.0027790%	0.0027790%
Authority's Proportionate Share of the Net Pension Liability	$334,947	$310,397	$335,179	$327,608
Authority's Covered-Employee Payroll	$210,508	$299,058	$340,667	$341,810
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	159.11%	103.79%	98.39%	95.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

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

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System (OPERS) - Combined Plan
Last Four Years (1)

	2017	2016	2015	2014
Authority's Proportion of the Net Pension Asset	0.00847800%	0.00226600%	0.02612600%	0.02612600%
Authority's Proportionate Share of the Net Pension Asset	$4,719	$1,103	$10,059	$2,741
Authority's Covered-Employee Payroll	$33,258	$84,353	$95,500	$95,821
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	14.19%	1.31%	10.53%	2.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	116.55%	116.90%	114.83%	104.56%

(1) Information prior to 2013 is not available.

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

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY
Required Supplementary Information

Schedule of Authority Contributions
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Five Years (1)

	2017	2016	2015	2014	2013
Contractually Required Contribution	$25,407	$25,261	$35,887	$40,880	$44,435
Contributions in Relation to the Contractually Required Contribution	($25,407)	($25,261)	($35,887)	($40,880)	($44,435)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Authority Covered-Employee Payroll	$195,438	$210,508	$299,058	$340,667	$341,810
Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 available upon request.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY
Required Supplementary Information

Schedule of Authority Contributions
Ohio Public Employees Retirement System (OPERS) - Combined Plan
Last Five Years (1)

	2017	2016	2015	2014	2013
Contractually Required Contribution	$2,398	$3,991	$10,122	$11,460	$12,457
Contributions in Relation to the Contractually Required Contribution	($2,398)	($3,991)	($10,122)	($11,460)	($12,457)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
Authority Covered-Employee Payroll	$18,446	$33,258	$84,353	$95,500	$95,821
Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 available upon request

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for the years 2014 through 2017.

Changes in assumptions: 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 Percent to 10.05 Percent, Including Wage Inflation	4.25 Percent 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	8.0 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*

Lake County Ohio Port and Economic Development Authority
Lake County
One Victoria Place, Suite 165A
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 and Economic Development Authority, Lake County, Ohio, a component unit of Lake County, (the Port Authority) 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 and have issued our report thereon dated August 31, 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Port Authority's internal control. Accordingly, we have not opined on it.

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

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

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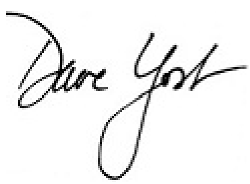
Compliance and Other Matters

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2018

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
SEPTEMBER 25, 2018

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