



OHIO AUDITOR OF STATE
KEITH FABER



**LAKE COUNTY OHIO PORT AND ECONOMIC DEVELOPMENT AUTHORITY
LAKE COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Lake County Ohio Port and Economic Development Authority
Lake County
105 Main Street, 5th Floor
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 (the Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no 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, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 23, 2021, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 23, 2021

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020

Unaudited

The discussion and analysis of the Lake County Ohio Port & Economic Development Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2020. 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 2020 are as follows:

- The Authority's total net position increased by \$23,644, from \$10,731,062 to \$10,754,706.
- The Lake County Executive Airport (the "Airport") is properly equipped and focused on attracting business to the Airport and advancing economic development within the County, thanks in part to officially renaming itself in 2019. The Airport was no longer sponsored by the City of Willoughby and is also no longer a municipal airport.
- During 2020, the Authority had overall operating income of \$70,371. The principle operating fund had operating income of \$156,008 while the Airport had an operating loss of \$85,637.
- The Authority was able to make its final principal and interest payments on its outstanding capital lease in the amount of \$6,600. The lease is now paid in full.
- The Authority's total net pension liability decreased to \$403,417 from \$520,098 and the OPEB liability increased to \$424,599, from \$390,868, a combined net decrease of \$82,950. For more information on these liabilities see Notes 8 and 9 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 is "How did we do financially during 2020?" 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.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020

Unaudited

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 2020, compared to 2019:

(Table 1) - Net Position

	Business-Type Activities		
	2020	2019	Change
Assets			
Assets, excluding Capital Assets, Net	\$1,837,910	\$1,736,051	\$101,859
Capital Assets, Net of Depreciation	<u>10,518,119</u>	<u>10,565,204</u>	<u>(47,085)</u>
Total Assets	<u>12,356,029</u>	<u>12,301,255</u>	<u>54,774</u>
Deferred Outflows of Resources			
Pension - OPERS	96,069	217,335	(121,266)
OPEB - OPERS	<u>84,983</u>	<u>61,380</u>	<u>23,603</u>
Total	<u>181,052</u>	<u>278,715</u>	<u>(97,663)</u>
Liabilities			
Current and Other Liabilities	364,984	465,718	(100,734)
Long-Term Liabilities:			
Due Within One Year	5,000	11,600	(6,600)
Due in More than One Year:			
Net Pension Liability	403,417	520,098	(116,681)
Net OPEB Liability	424,599	390,868	33,731
Other Due in More than One Year	<u>110,000</u>	<u>115,000</u>	<u>(5,000)</u>
Total Liabilities	<u>1,308,000</u>	<u>1,503,284</u>	<u>(195,284)</u>
Deferred Inflows of Resources			
Pension - OPERS	129,325	19,963	109,362
OPEB - OPERS	60,450	1,061	59,389
Gain on Sale of Land	<u>284,600</u>	<u>324,600</u>	<u>(40,000)</u>
Total	<u>474,375</u>	<u>345,624</u>	<u>128,751</u>
Net Position			
Net Investment in Capital Assets	10,403,119	10,438,604	(35,485)
Restricted	116,697	94,099	22,598
Unrestricted	<u>234,890</u>	<u>198,359</u>	<u>36,531</u>
Total Net Position	<u>\$10,754,706</u>	<u>\$10,731,062</u>	<u>\$23,644</u>

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020

Unaudited

The net pension liability (NPL) is the largest single liability reported by the Authority at December 31, 2020. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of these liabilities. 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 Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Authority’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Total assets increased \$54,774 during 2020. The majority of this increase was the result of the Authority’s increase in accounts receivable. Capital assets decreased \$47,085 from the prior year.

Total liabilities decreased by \$195,284 during 2020 due to the completion of the South Shore project and subsequent removal of all liabilities related to the project. Long-term liabilities decreased due to the decrease in the net pension liability.

In total, net position of the Authority increased by \$23,644, which can be attributed mostly to the aforementioned decrease in South Shore and net pension liabilities.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020

Unaudited

Table 2 shows the revenues, expenses and the changes in net position for the year ended December 31, 2020 compared to the year ended December 31, 2019.

(Table 2)
Changes in Net Position

	Business-Type Activities		
	2020	2019	Change
<i>Operating Revenues</i>			
Operating Grants	\$115,121	\$169,859	(\$54,738)
Lease & Program Income	336,748	357,470	(20,722)
Contributions and Donations	760,000	765,445	(5,445)
Charges for Services & Rentals	64,790	69,405	(4,615)
Other Operating Revenues	81,455	51,825	29,630
<i>Total Operating Revenues</i>	1,358,114	1,414,004	(55,890)
<i>Operating Expenses</i>			
Personal Services	583,794	719,071	135,277
Contractual Services	374,370	308,063	(66,307)
Materials and Supplies	28,297	53,025	24,728
Overhead, Rent & Utilities	140,682	145,761	5,079
Travel & Training	8,704	35,649	26,945
Other Operating Expenses	39,161	65,327	26,166
Depreciation	112,735	115,167	2,432
<i>Total Operating Expenses</i>	1,287,743	1,442,063	154,320
Operating Income/(Loss)	70,371	(28,059)	98,430
<i>Non-Operating Revenues (Expenses)</i>			
Capital Grants	922,509	294,795	627,714
Grants Related Expenses	(1,018,130)	(285,887)	(732,243)
Interest Income	2,914	6,575	(3,661)
Interest and Fiscal Charges	(2,650)	(2,750)	100
Gain (Loss) on Sale of Capital Assets	44,000	(329,594)	373,594
Other non-Operating Revenue	293,555	0	293,555
Other non-Operating Expenses	(288,925)	(8,001)	(280,924)
<i>Total Non-Operating Revenues (Expenses):</i>	(46,727)	(324,862)	278,135
<i>Income (Loss) Before Contributions & Transfers</i>	23,644	(352,921)	376,565
Capital Contributions	0	30,552	(30,552)
Transfers In	140,000	100,000	40,000
Transfers Out	(140,000)	(100,000)	(40,000)
Change in Net Position	23,644	(322,369)	346,013
Net Position Beginning of Year	10,731,062	11,053,431	(322,369)
Net Position End of Year	<u>\$10,754,706</u>	<u>\$10,731,062</u>	<u>\$23,644</u>

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020

Unaudited

Operating revenues decreased by \$55,890 due primarily to a decrease in operating grants, lease and program income, and contributions and donations income received from the previous year. Operating expenses decreased by \$154,320 from the prior year due to a decrease in personal services. The Authority's total net position increased \$23,644 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 2020 balances compared with 2019.

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

	<u>Business-Type Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land	\$8,644,556	\$8,644,556	\$0
Buildings	1,111,564	1,156,175	(44,611)
Improvements Other Than Buildings	517,551	545,154	(27,603)
Furniture, Equipment and Vehicles	244,448	219,319	25,129
Totals	<u>\$ 10,518,119</u>	<u>\$ 10,565,204</u>	<u>\$ (47,085)</u>

The \$47,085 decrease in capital assets was due to current year additions of \$65,650 being less than current year depreciation of \$112,735.

During 2012, the Authority acquired land parcels and related properties located on Bank Street with the understanding that some of the property would need substantial work and remediation. Remediation was completed in 2016 through grants and Port funds and the assets were capitalized at a substantial gain of nearly \$600,000 for the Authority. Note 11 of the basic financial statements provides a more detailed look at the capital asset activity during 2020.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020

Unaudited

Debt

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

(Table 4)
Outstanding Debt, at December 31

	Amount Outstanding 12/31/2020	Amount Outstanding 12/31/2019	Increase (Decrease)
<i>Port Authority:</i>			
Copier Lease - Meritech	\$0	\$6,600	(\$6,600)
<i>Lost Nation Airport:</i>			
Loan Payable to City of Willoughby	115,000	120,000	(5,000)
<i>Total Long-Term Obligations</i>	\$ 115,000	\$ 126,600	\$ (11,600)

In 2014, the Authority assumed responsibility for all payments related to an outstanding revenue bond related to the transfer of the 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 matured 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 matured May 31st 2019. The bond was extended for an additional twelve months until May 31, 2020 and has since expired. As a result all assets and liabilities related to this project have been removed from the Authority's statement of net position.

Lake County Executive Airport (formerly the Lost Nation Airport) - On October 15, 2014, the Authority acquired, through transfer, the former 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 2020.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020

Unaudited

The Airport accepts grants from the Federal Aviation Administration (FAA) Airport Improvement Program. One was taken in 2015 to conduct a Master Plan. The Master Plan Study will provide strong direction for the immediate and future development, improvement and upgrades at the Airport. The plan has been completed and accepted by FAA, LCOPEDA and the Board of County Commissioners. The completed plan gives the Authority insight and assistance in determining the best uses of the land and identified obstructions to the active runways to be removed for safety enhancements. Finally, the Master Plan provides a basis for ongoing commitment and participation in the funding of eligible improvements by the FAA and ODOT Office of Aviation which are both a valuable source of funding for the Airport. Close-out of the project is expected in 2021. In 2018, the Airport was awarded a design grant to study and layout a 10' fence in the City of Mentor, Ohio and a small portion of fence in Willoughby, OH for the purpose of wildlife deterrent. The FAA then awarded a grant in 2019 for the fence construction in the amount of \$644,457. The project is complete and grant closeout is expected in 2021.

The Airport also accepts grants from the Ohio Department of Transportation (ODOT), Office of Aviation. In 2018 a grant was awarded to remove tree obstructions from the approach path of runway 10 and in 2019 an additional grant was received for the removal of tree obstructions in the approach path of runway 5, 23 and 28.

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. As of December 31, 2020, all remaining buildings are leased and the obsolete office building has been razed.

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 fully operational by the end of 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 shared use agreement to share the aquatic Center and Fieldhouse. The project was completed in late summer of 2019.

Tapestry Wickliffe, LLC Project - In 2017, the Authority provided conduit financing for the purchase, construction, reconstruction, equipping and improving a site in Wickliffe, Ohio. The renovations 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. The renovation was completed in late fall 2018.

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

Management's Discussion and Analysis
For the Year Ended December 31, 2020

Unaudited

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 De Nora Tech. The lessee will be 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. The project has provided an additional 130 jobs to Lake County.

Truline Industries Inc. Project - In 2020 the Authority provided conduit financing for the construction of a new 75,000 square foot manufacturing facility in Wickliffe, Ohio; complete with a pavilion and walking trail for community benefit. The company is an aerospace and fuel bearing manufacturer. The Authority worked closely with the City of Wickliffe to secure the site location and arrange the capital lease bond financing for the project. When fully operational, Truline Industries will bring nearly 100 jobs to Wickliffe with plans for future growth. The project is expected to be completed by spring of 2021.

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, Deputy Director of Public Finance and Chief Financial Officer of the Lake County Ohio Port & Economic Development Authority, 105 Main Street, Suite B501, Painesville, Ohio 44077.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Statement of Net Position

December 31, 2020

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lake County Executive Airport	Total
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 864,664	\$ 81,130	\$ 945,794
Net Receivables:			
Accounts	19,506	103,693	123,199
Prepaid Items	4,587	10,214	14,801
<i>Total Current Assets</i>	<u>888,757</u>	<u>195,037</u>	<u>1,083,794</u>
<i>Noncurrent Assets:</i>			
Land	1,557,070	7,087,486	8,644,556
Buildings	1,041,458	70,106	1,111,564
Improvements	-	517,551	517,551
Furniture, Fixtures & Equipment	-	244,448	244,448
Note Receivable	-	443,350	443,350
Net Pension Asset - OPERS Combined Plan	44,069	-	44,069
<i>Total Noncurrent Assets</i>	<u>2,642,597</u>	<u>8,362,941</u>	<u>11,005,538</u>
<i>Restricted and Other Assets:</i>			
Cash and Cash Equivalents:			
Restricted for AGRI Business Loan program	150,000	-	150,000
Restricted for Capital Grants	-	116,697	116,697
<i>Total Restricted and Other Assets</i>	<u>150,000</u>	<u>116,697</u>	<u>266,697</u>
<i>Total Assets</i>	<u>3,681,354</u>	<u>8,674,675</u>	<u>12,356,029</u>
Deferred Outflows of Resources			
Pension	96,069	-	96,069
OPEB	84,983	-	84,983
<i>Total Deferred Outflows of Resources</i>	<u>181,052</u>	<u>-</u>	<u>181,052</u>
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	13,393	45,666	59,059
Contracts Payable	-	12,000	12,000
Intergovernmental Payable	3,526	-	3,526
Vacation Benefits Payable	4,677	3,112	7,789
Loan Payable to City of Willoughby - Current	-	5,000	5,000
<i>Total Current Liabilities</i>	<u>21,596</u>	<u>65,778</u>	<u>87,374</u>
<i>Other Liabilities (Including Amounts Relating to Restricted Assets):</i>			
AGRI Business Loan Program	150,000	-	150,000
Taxes Collected on Behalf of Tenants	-	132,610	132,610
<i>Total Other Liabilities</i>	<u>150,000</u>	<u>132,610</u>	<u>282,610</u>
<i>Long-Term Liabilities (net of current portion)</i>			
Loan Payable to City of Willoughby	-	110,000	110,000
Net Pension Liability	403,417	-	403,417
Net OPEB Liability	424,599	-	424,599
<i>Total Long-Term Liabilities</i>	<u>828,016</u>	<u>110,000</u>	<u>938,016</u>
<i>Total Liabilities</i>	<u>999,612</u>	<u>308,388</u>	<u>1,308,000</u>
Deferred Inflows of Resources			
Pension	129,325	-	129,325
OPEB	60,450	-	60,450
Gain on Sale of Land	-	284,600	284,600
<i>Total Deferred Inflows of Resources</i>	<u>189,775</u>	<u>284,600</u>	<u>474,375</u>
Net Position			
Net Investment in Capital Assets	2,598,528	7,804,591	10,403,119
Restricted for Capital Improvements	-	116,697	116,697
Unrestricted	74,491	160,399	234,890
<i>Total Net Position</i>	<u>\$ 2,673,019</u>	<u>\$ 8,081,687</u>	<u>\$ 10,754,706</u>

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, 2020

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lake County Executive Airport	Total
Operating Revenues			
Operating Grants	\$ 76,600	\$ 38,521	\$ 115,121
Lease Income	93,865	153,508	247,373
Finance Programs Income	89,375	-	89,375
Intergovernmental - County Contributions	760,000	-	760,000
Charges for Services	-	30,423	30,423
Hangar Rentals	-	34,367	34,367
Other Operating Revenues	12,066	69,389	81,455
<i>Total Operating Revenues</i>	<u>1,031,906</u>	<u>326,208</u>	<u>1,358,114</u>
Operating Expenses			
Personal Services	541,038	42,756	583,794
Contractual Services	178,875	195,495	374,370
Materials & Supplies	15,695	12,602	28,297
Overhead, Rent & Utilities	44,166	96,516	140,682
Training & Travel	8,704	-	8,704
Other Operating Expenses	39,161	-	39,161
Depreciation Expense	48,259	64,476	112,735
<i>Total Operating Expenses</i>	<u>875,898</u>	<u>411,845</u>	<u>1,287,743</u>
<i>Operating Income (Loss)</i>	<u>156,008</u>	<u>(85,637)</u>	<u>70,371</u>
Non-Operating Revenues (Expenses)			
Capital Grants	201,667	720,842	922,509
Grant Related Expenses	(231,811)	(786,319)	(1,018,130)
Interest Income	2,914	-	2,914
Gain (Loss) on Sale of Capital Assets	-	44,000	44,000
Interest and Fiscal Charges	-	(2,650)	(2,650)
Other Non-Operating Revenues	-	293,555	293,555
Other Non-Operating Expenses	-	(288,925)	(288,925)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(27,230)</u>	<u>(19,497)</u>	<u>(46,727)</u>
<i>Income (Loss) Before Contributions & Transfers</i>	128,778	(105,134)	23,644
Transfers In	-	140,000	140,000
Transfers Out	(140,000)	-	(140,000)
<i>Change in Net Position</i>	(11,222)	34,866	23,644
<i>Net Position Beginning of Year</i>	<u>2,684,241</u>	<u>8,046,821</u>	<u>10,731,062</u>
<i>Net Position End of Year</i>	<u>\$ 2,673,019</u>	<u>\$ 8,081,687</u>	<u>\$ 10,754,706</u>

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, 2020

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lake County	Total
		Executive Airport	
Cash Flows From Operating Activities:			
Cash Received from Customers & Users	\$ 183,225	\$ 160,233	\$ 343,458
Cash Received from Operating Grants	59,100	38,521	97,621
Cash Received from Contributions & Donations	760,000	-	760,000
Other Operating Revenues	15,039	69,389	84,428
Cash Paid to Suppliers	(15,695)	(25,655)	(41,350)
Cash Paid to Employees	(397,082)	(42,665)	(439,747)
Cash Paid for Contractual Services	(176,937)	(183,698)	(360,635)
Cash Paid for Overhead, Rent & Utilities	(43,337)	(109,500)	(152,837)
Cash Paid for Other Operating Expenses	(52,442)	-	(52,442)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>331,871</u>	<u>(93,375)</u>	<u>238,496</u>
Cash Flows From Non-Capital Financing Activities			
Interest Income	2,914	-	2,914
Taxes Collected on Behalf of Tenants	-	134,770	134,770
Taxes Paid on Behalf of Tenants	-	(134,379)	(134,379)
Other Non-Operating Revenues	-	250,883	250,883
Other Non-Operating Expenses	(124,276)	(245,753)	(370,029)
Transfers In	-	140,000	140,000
Transfers Out	(140,000)	-	(140,000)
<i>Net Cash Provided By (Used for) Non-Capital Financing Activities</i>	<u>(261,362)</u>	<u>145,521</u>	<u>(115,841)</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from Sale of Property	-	59,550	59,550
Cash Received from Capital Grants	201,667	720,842	922,509
AGRI Loan Disbursements	(25,000)	-	(25,000)
AGRI Loan Repayments	25,000	-	25,000
Payment for Capital Acquisitions	-	(65,650)	(65,650)
Payment for Capital Grant Related Expenses	(231,799)	(791,419)	(1,023,218)
Principal Paid on Debt	(6,600)	(5,000)	(11,600)
Interest Paid on Debt	-	(2,650)	(2,650)
<i>Net Cash Provided by (Used For) Capital and Related Financing Activities</i>	<u>(36,732)</u>	<u>(84,327)</u>	<u>(121,059)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>33,777</u>	<u>(32,181)</u>	<u>1,596</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>980,887</u>	<u>230,008</u>	<u>1,210,895</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 1,014,664</u>	<u>\$ 197,827</u>	<u>\$ 1,212,491</u>

(continued)

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

*Statement of Cash Flows (continued)
For the Year Ended December 31, 2020*

	Business-Type Activities - Enterprise Funds		
	Port	Lake County	Total
	Authority	Executive Airport	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	\$ 156,008	\$ (85,637)	\$ 70,371
Adjustments:			
Depreciation	48,259	64,476	112,735
(Increase) Decrease in Assets & Deferred Outflows:			
Accounts Receivable	(17,728)	(58,065)	(75,793)
Other Assets	3,186	-	3,186
Prepaid Items	2,091	(4,727)	(2,636)
Deferred Outflows of Resources - Pension	121,266	-	121,266
Deferred Outflows of Resources - OPEB	(23,603)	-	(23,603)
Increase (Decrease) in Liabilities & Deferred Inflows:			
Accounts Payable	(1,242)	(20,521)	(21,763)
Contracts Payable	-	12,000	12,000
Due to Other Governments	(1,442)	-	(1,442)
Vacation Benefits Payable	(3,354)	91	(3,263)
Credit Card Payable	(2,659)	(992)	(3,651)
Deferred Inflows of Resources - Pension	109,362	-	109,362
Deferred Inflows of Resources - OPEB	59,389	-	59,389
Net Pension Liability - OPERS	(151,393)	-	(151,393)
Net OPEB Liability - OPERS	33,731	-	33,731
<i>Total Adjustments</i>	<u>175,863</u>	<u>(7,738)</u>	<u>168,125</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 331,871</u>	<u>\$ (93,375)</u>	<u>\$ 238,496</u>

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

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

Notes to the Basic Financial Statements
December 31, 2020

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 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.

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

Notes to the Basic Financial Statements
December 31, 2020

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 Lake County Executive Airport, formerly the Lost Nation Airport, funds are the Authority's only enterprise funds.

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

Notes to the Basic Financial Statements
December 31, 2020

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

Lake County Executive Airport Fund – The Lake County Executive Airport, formerly the Lost Nation Airport, fund accounts for the operating and capital activity of the 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 and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 8 and 9.

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 and OPEB. Deferred inflows of resources related to pension, OPEB and gain on sale of land are reported on the statement of net position (see Notes 8 and 9).

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

Notes to the Basic Financial Statements
December 31, 2020

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 2020, 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 2020, 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 2020 was \$2,914.

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 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 maintains a capitalization threshold of \$5,000.

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:

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

Notes to the Basic Financial Statements
December 31, 2020

<u>Estimated Lives</u>	<u>Description</u>
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.

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

Notes to the Basic Financial Statements
December 31, 2020

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. Pensions/Other Postemployment Benefits (OPEB)

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

P. 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.

Q. 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 2020, the Authority implemented Governmental Accounting Standards Board (GASB) guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*. For 2020, the Authority also implemented GASB Implementation Guide No. 2018-1. These changes were incorporated in the Authority's 2020 financial statements; however, there was no effect on beginning net position/fund balance.

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

Notes to the Basic Financial Statements
December 31, 2020

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.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations.
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Notes to the Basic Financial Statements
December 31, 2020

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 2020, the Authority invested in STAR Ohio.

Deposits with Financial Institutions

At December 31, 2020, the carrying amount of all Authority deposits was \$481,491 and the bank balance of all Authority deposits was \$683,370. \$372,088 of the bank balance was covered by Federal Deposit Insurance Corporation (FDIC) and \$311,281 was potentially exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in possession of an outside party. The Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by (1) eligible securities pledged to the Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the Authority's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Authority to a successful claim by the FDIC.

Investments

As of December 31, 2020, the Authority had \$731,000 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.

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

Notes to the Basic Financial Statements
December 31, 2020

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, 2020:

<u>Cash and Investments per Note Disclosure:</u>		<u>Cash and Investments per Statement of Net Position:</u>	
Carrying amount of deposits	\$481,491	Port Authority	\$1,014,664
Investments	<u>731,000</u>	Lake County Executive Airport	<u>197,827</u>
Total	<u>\$1,212,491</u>	Total	<u>\$1,212,491</u>

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:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$58,800
2022	58,800
2023	<u>24,500</u>
<i>Total</i>	<u>\$142,100</u>

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

Notes to the Basic Financial Statements
December 31, 2020

The Authority recorded \$58,800 of rental income (on a straight-line basis) under this lease for the year ended December 31, 2020.

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 expired in May of 2020 and as a result all assets and liabilities related to this project have been removed from the Authority's Statement of Net Position.

Evergreen Properties, LLC - In December of 2015, the Authority (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 (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 per month or \$35,200 annually, for each year of the lease.

Storage Air, LLC - In September of 2016, the Authority (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 expired December 31, 2018, with an option to extend the term for 5 successive periods of five years each. The lease has been renewed for 5 years until December 1, 2023. Rental payments under the lease are now \$956 per month or \$11,469 annually, for each year of the lease, a six percent increase from the prior lease period.

Turbine Storage, LLC - In May of 2016, the Authority (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 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 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.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$19,200
2022	19,200
2023	9,600
<i>Total</i>	<u>\$48,000</u>

The Authority recorded \$19,200 of rental income (on a straight-line basis) under this lease for the year ended December 31, 2020. This lease was terminated in 2021, See Note 18 for more information.

Rodewald Manufacturing - In 2018, the Authority entered into a ten-year installment purchase agreement with Rodewald Manufacturing for property and a building located on South State Street in the City of Painesville. The Authority previously made certain improvements to the condition of property. The agreement commenced on October 1, 2018 and is scheduled to expire on September 30, 2028. The purchase price is \$500,000. Monthly payments will be made with payment amounts escalating at pre-determined intervals during the term of the agreement. Upon payment in full, the Authority will convey title to the purchaser or purchaser's nominee. The future minimum payments to be received under this agreement are as follows:

<u>Year Ending December 31;</u>	<u>Amount</u>
2021	\$40,000
2022	40,000
2023	50,000
2024	50,000
2025	60,000
2026 - 2028	<u>174,000</u>
<i>Total</i>	<u>\$414,000</u>

The Authority recorded \$36,000 of income (on a straight-line basis) under this agreement for the year ended December 31, 2020.

Authority as Lessee

Office Lease – During 2019, the Authority leased office space at 1 Victoria Place in Painesville, Ohio from Painesville Commercial Properties, Inc. The current lease ran through January 31, 2020. Rental expense, recognized on a straight-line basis, related to the Authority's lease at 1 Victoria Place totaled \$4,438 for the year ended December 31, 2020.

Beginning in January 2020, the Authority moved office locations and began leasing office space at 105 Main St., Suite B501, Painesville, OH. 44077. Rental expense, recognized on a straight-line basis, related to the Authority's lease at 105 Main St. totaled \$37,500 for the year ended December 31, 2020, or \$3,125 monthly.

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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, 2020, the Authority is no longer involved in this project and has removed all assets and liabilities related to the project.

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, 2020, \$29,788,925 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, 2020, \$7,796,454 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.

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As of December 31, 2020, \$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, 2020, \$16,297,671 of the conduit debt revenue bonds have been drawn and are outstanding.

Truline Industries, Inc.

The Authority issued lease revenue bonds in the amount of \$9,500,000 on March 27, 2020 to provide financial assistance to Truline Industries, Inc, for the construction, equipping, furnishing and otherwise improving a new manufacturing facility in the City of Wickliffe, Ohio, deemed to be in the public interest and hereafter referred to as the Truline Industries, 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.

Note 7 – Long-Term Obligations

Changes in the Authority's long-term obligations during 2020 were as follows:

	Outstanding 1/1/2020	Additions	Reductions	Outstanding 12/31/2020	Amount Due In One Year
<i>Port Authority:</i>					
Capital Lease	\$6,600	\$0	\$6,600	\$0	\$0
<i>Other Long-Term Liabilities:</i>					
OPERS Traditional Plan	520,098	0	107,324	412,774	0
OPEB Liability	390,868	24,374	0	415,242	0
<i>Total Port Authority</i>	917,566	24,374	113,924	828,016	0
<i>Lost Nation Airport:</i>					
City of Willoughby Loan	120,000	0	5,000	115,000	5,000
<i>Total Long-Term Obligations</i>	\$ 1,037,566	\$ 24,374	\$ 118,924	\$ 943,016	\$ 5,000

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

During 2015, as part of the agreement to acquire the Airport, the Authority agreed to pay to the City of Willoughby the annual required debt service payments on an existing revenue bond, until final maturity in 2032. If the City and Authority agree to refinance this bond at any time, then the Authority will make the new debt service payments.

The annual requirements to retire these obligations are as follows:

Year Ending December 31,	Loan Payable to the City of Willoughby	
	Principal	Interest
2021	\$5,000	\$2,550
2022	10,000	2,450
2023	10,000	2,250
2024	10,000	2,050
2025	10,000	1,850
2026 - 2030	50,000	6,087
2031 - 2032	20,000	776
<i>Total</i>	<u>\$115,000</u>	<u>\$18,013</u>

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 expired December 31, 2020.

Note 8 - Defined Benefit Pension Plan

Net Pension Liability (Asset)

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

The net pension liability (asset) 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.

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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 other variables. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Authority's share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting.

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)

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 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.

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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	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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 2020, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits.

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The amount available for defined contribution benefits in the member directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitation), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee *	10.0%
2020 Actual Contribution Rates	
Employer:	
Pension **	14.0%
Post-Employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

*Member contributions within combined plan are not used to fund the defined benefit retirement allowance.

**These pension and employer health care rates are for the traditional & combined plans. The employer contribution rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractual required contribution was \$25,225 for 2020.

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, 2019, 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:

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	OPERS Traditional	OPERS Combined	OPERS Total
Proportion of the Net Pension Liability (Asset) Prior Measurement Date	0.001899%	0.008368%	
Proportion of the Net Pension Liability (Asset) Current Measurement Date	<u>0.002041%</u>	<u>0.021134%</u>	
Change in Proportionate Share	<u>0.000142%</u>	<u>0.012766%</u>	
Proportionate Share of the Net Pension Liability (Asset)	\$403,417	(\$44,069)	\$359,348
Pension Expense	\$102,550	\$1,917	\$104,467

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional	OPERS Combined	OPERS Total
Deferred Outflows of Resources			
Change of Assumptions	\$21,547	\$4,542	\$26,089
Change in proportionate share and difference between Authority contributions and proportionate share of contributions	41,502	3,254	44,756
Authority contributions subsequent to the measurement date	<u>17,782</u>	<u>7,442</u>	<u>25,224</u>
Total Deferred Outflows of Resources	<u>\$80,831</u>	<u>\$15,238</u>	<u>\$96,069</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$5,100	\$10,342	\$15,442
Net difference between projected and actual earnings on pension plan investments	80,472	5,717	86,189
Change in proportionate share and difference between Authority contributions and proportionate share of contributions	<u>0</u>	<u>27,694</u>	<u>27,694</u>
Total Deferred Inflows of Resources	<u>\$85,572</u>	<u>\$43,753</u>	<u>\$129,325</u>

\$25,224 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	OPERS Traditional	OPERS Combined	OPERS Total
Year Ending December 31:			
2021	\$25,351	(\$5,942)	\$19,409
2022	(19,256)	(5,832)	(25,088)
2023	3,334	(4,241)	(907)
2024	(31,952)	(6,333)	(38,285)
2025	0	(4,165)	(4,165)
Thereafter	0	(9,444)	(9,444)
Total	(\$22,523)	(\$35,957)	(\$58,480)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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, 2019, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirement of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 Percent
Future Salary Increases, Including Inflation	3.25 Percent to 10.75 Percent
COLA or Ad hoc COLA	Pre 1/7/2013 retirees: 3 Percent Simple; Post 1/7/2013 retirees: 3 Percent Simple through 2018, then 2.15 Percent Simple
Current Measurement Period - Investment Rate of Return	7.20 Percent
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple, to 1.4 simple through 2020 then 2.15 percent simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Health Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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The most recent experience study was completed for the five-year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 17.2 percent for 2019.

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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other Investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates, as actuarially determined. 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.

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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 calculated using the current period discount rate assumption of 7.2 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent), or one percentage point higher (8.2 percent) than the current rate.

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Authority's Proportionate Share of the Net Pension Liability (Asset) - Traditional	\$665,366	\$403,417	\$167,933
Authority's Proportionate Share of the Net Pension Liability (Asset) - Combined	(26,629)	(44,069)	(56,639)
Total OPERS	\$638,737	\$359,348	\$111,294

Note 9 – Defined Benefit Other Postemployment Benefits (OPEB) Plan

Net OPEB Liability

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

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-between an employer and its employees-of salaries and benefits for employee services. OPEB is 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

The Authority's share of each plan's unfunded benefits is presented as a long-term *net other postemployment benefit liability* on the accrual basis of accounting.

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Ohio Revised Code limits the Authority's obligation for liabilities to OPERS to annual required payments. The Authority cannot control benefit terms or the manner in which OPEB from the cost-sharing, multiple-employer plans are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits but does not require the cost-sharing, multiple-employer retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description—Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an OPEB as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by Systems' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

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Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care for 2020 was 0 percent for both the traditional pension and combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB

The net OPEB liability for OPERS was measured as of December 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to December 31, 2019 by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement system relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability	
Prior Measurement Date	0.00299800%
Proportion of the Net OPEB Liability	
Current Measurement Date	0.00307400%
Change in Proportionate Share	0.00007600%
Proportionate Share of the Net OPEB Liability	\$424,599
OPEB Expense	\$69,519

Lake County Ohio Port & Economic Development Authority
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At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	\$12
Change of Assumptions	67,210
Change in proportionate share and difference between Airport contributions and proportionate share of contributions	17,761
Total Deferred Outflows of Resources	\$84,983
Deferred Inflows of Resources	
Differences between expected and actual experience	\$38,831
Net difference between projected and actual earnings on pension plan investments	21,619
Total Deferred Inflows of Resources	\$60,450

No amount was reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Year Ending December 31:	
2021	\$27,146
2022	6,607
2023	16
2024	(9,236)
Total	\$24,533

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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 health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by employers and plan members) and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019.

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Key Methods and Assumptions used in Valuation of the Total OPEB Liability:

Wage Inflation	3.25 Percent
Projected Salary Increases, Including Inflation	3.25 - 10.75 Percent (includes wage inflation)
Single Discount Rate:	
Current Measurement Rate	3.16 Percent
Prior Measurement Rate	3.96 Percent
Investment Rate of Return	6.00 Percent
Municipal Bond Rate:	
Current Measurement Rate	3.71 Percent
Prior Measurement Rate	3.71 Percent
Health Care Cost Trend Rate:	
Current Measurement Rate	10.50 Percent initial, 3.50 Percent ultimate in 2030
Prior Measurement Rate	10.50 Percent initial, 3.25 Percent ultimate in 2029

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for improvement back to the observation period base year of 2006.

The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above tables.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 19.70 percent for 2019.

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The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2019 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
REIT's	6.00	5.69
International Equities	23.00	7.66
Other Investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates. The following table presents the net OPEB liability calculated using the single discount rate of 3.16 percent and the expected net OPEB liability if it were calculated using a discount rate that is 1.0 percent lower or 1.0 percent higher than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Authority's Proportionate Share of the Net OPEB Liability	\$555,656	\$424,599	\$319,665

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Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care.

A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the Actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate:

	1% Decrease	Current Health Care Trend Rate	1% Increase
Authority's Proportionate Share of the Net OPEB Liability	\$412,070	\$424,599	\$436,969

Note 10 – 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, 2020.

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	15 days
After tenth year of employment	20 days
After twenty years of employment	25 days

Part-time employees shall receive the same vacation benefits as full-time employees, but the number of vacation days is to be prorated against the number of working hours recorded each week to determine vacation days. Example: during the first year, an employee who works 20 hours per week, will have earned 20 hours after six months of work, and immediately after working part-time for one full calendar year, will begin earning approximately 2.3 hours of vacation every two weeks.

Lake County Ohio Port & Economic Development Authority
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Notes to the Basic Financial Statements
December 31, 2020

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 11 - Capital Assets

A summary of the Authority's capital assets at December 31, 2020 follows:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
<i>Capital Assets, not being depreciated:</i>				
Land	\$8,644,556	\$0	\$0	\$8,644,556
<i>Capital Assets, being depreciated:</i>				
Buildings	1,338,305	0	0	1,338,305
Improvements other than Buildings	690,069	0	0	690,069
Furniture, Equipment and Vehicles	363,738	65,650	(584)	428,804
<i>Total Capital Assets, being depreciated:</i>	2,392,112	65,650	(584)	2,457,178
Less Accumulated Depreciation:				
Buildings	(182,130)	(44,611)	0	(226,741)
Improvements other than Buildings	(144,915)	(27,603)	0	(172,518)
Furniture, Equipment and Vehicles	(144,419)	(40,521)	584	(184,356)
<i>Total Accumulated Depreciation</i>	(471,464)	(112,735)	584	(583,615)
<i>Total Capital Assets being depreciated, net</i>	1,920,648	(47,085)	0	1,873,563
Total Capital Assets, Net	\$10,565,204	(\$47,085)	\$0	\$10,518,119

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.

Lake County Ohio Port & Economic Development Authority
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Notes to the Basic Financial Statements
December 31, 2020

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, 2020.

City of Willoughby - As a part of the transfer agreement to acquire the Lost Nation Airport, which is now called the Lake County Executive 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 – Lake County Executive Airport (formerly known as the 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 flight school, 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. 86 airplanes based (parked/hangered) at the Airport include single and multi-engine, turbo prop and jet with approximately 35-40 thousand aircraft operations (take offs/landings) 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.

Lake County Ohio Port & Economic Development Authority
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Notes to the Basic Financial Statements
December 31, 2020

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 \$400, respectively, in 2020 and the lease is now paid in full.

Note 16 – Note Receivable

Weston Inc.

During 2018, the Authority sold a 10.667 acre parcel of land to Weston Inc. for \$533,350. The Authority was carrying the land at a value of \$158,750, resulting in a gain on sale of \$374,600. \$40,000 was received in 2020 and the balance will be received as follows:

<u>Year Ending December 31;</u>	<u>Amount</u>
2021	\$47,382
2022	54,764
2023	54,764
2024	54,764
2025	59,764
2026 - 2028	<u>161,912</u>
Total	<u><u>\$433,350</u></u>

Note 17 – Covid-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Authority. The Authority's investment portfolio and the investments of the pension and other employee benefit plans in which the Authority participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and additional recovery from emergency funding, either Federal or State, cannot be estimated.

Note 18 – Subsequent Event

At the tenant's request, in February 2021, the Authority agreed to terminate the lease at 600 Bank St. The building was vacated on March 31, 2021, and monthly rent was paid through that date. The remaining lease payments for 2021 contained in the Authority's budget totaling \$14,848 will not be collected.

The building is now available for lease and a prospective new tenant has been identified, but not under contract. Any payments from a new lease signed prior to the end of the year would help to offset this amount.

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 Seven Years (1)*

	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.0020410%	0.0018990%	0.0014790%	0.0014750%	0.0017920%	0.0027790%	0.0027790%
Authority's Proportionate Share of the Net Pension Liability	\$403,417	\$520,098	\$232,026	\$334,947	\$310,397	\$335,179	\$327,608
Authority's Covered Payroll	\$289,507	\$256,457	\$195,438	\$210,508	\$299,058	\$340,667	\$341,810
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	139.35%	202.80%	118.72%	159.11%	103.79%	98.39%	95.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	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.

See accompanying notes to the required supplementary information.

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 Seven Years (1)*

	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Asset	0.00211340%	0.00836800%	0.00821900%	0.00847800%	0.00226600%	0.02612600%	0.02612600%
Authority's Proportionate Share of the Net Pension Asset	\$44,069	\$9,357	\$11,189	\$4,719	\$1,103	\$10,059	\$2,741
Authority's Covered Payroll	\$33,321	\$19,764	\$18,446	\$33,258	\$84,353	\$95,500	\$95,821
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	132.26%	47.34%	60.66%	14.19%	1.31%	10.53%	2.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	145.28%	126.64%	137.28%	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.

See accompanying notes to the required supplementary information.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY
Required Supplementary Information

*Schedule of the Authority's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System (OPERS)
Last Four Years (1)*

	2020	2019	2018	2017
Authority's Proportion of the Net OPEB Liability	0.00307400%	0.00299800%	0.00259000%	0.00254060%
Authority's Proportionate Share of the Net OPEB Liability	\$424,599	\$390,868	\$281,255	\$256,604
Authority's Covered Payroll	\$322,828	\$276,221	\$213,884	\$243,766
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	131.52%	141.51%	131.50%	105.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Required Supplementary Information

Schedule of Authority Pension Contributions

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

Last Eight Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Pension Contribution	\$17,782	\$40,531	\$35,904
Pension Contributions in Relation to the Contractually Required Contribution	(\$17,782)	(\$40,531)	(\$35,904)
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Authority Covered Payroll	\$127,022	\$289,507	\$256,457
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%

(1) Information prior to 2013 available upon request.

See accompanying notes to the required supplementary information and amounts presented in Note 8.

2017	2016	2015	2014	2013
\$25,407	\$25,261	\$35,887	\$40,880	\$44,435
(\$25,407)	(\$25,261)	(\$35,887)	(\$40,880)	(\$44,435)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$195,438	\$210,508	\$299,058	\$340,667	\$341,810
13.00%	12.00%	12.00%	12.00%	13.00%

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Required Supplementary Information

Schedule of Authority Pension Contributions

Ohio Public Employees Retirement System (OPERS) - Combined Plan

Last Eight Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Pension Contribution	\$7,442	\$4,665	\$2,767
Pension Contributions in Relation to the Contractually Required Contribution	(\$7,442)	(\$4,665)	(\$2,767)
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Authority Covered Payroll	\$53,160	\$33,321	\$19,764
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%

(1) Information prior to 2013 available upon request.

See accompanying notes to the required supplementary information and amounts presented in Note 8.

2017	2016	2015	2014	2013
\$2,398	\$3,991	\$10,122	\$11,460	\$12,457
(\$2,398)	(\$3,991)	(\$10,122)	(\$11,460)	(\$12,457)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$18,446	\$33,258	\$84,353	\$95,500	\$95,821
13.00%	12.00%	12.00%	12.00%	13.00%

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Required Supplementary Information

*Schedule of Authority OPEB Contributions
Ohio Public Employees Retirement System (OPERS)
Last Eight Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required OPEB Contribution	\$0	\$0	\$0
OPEB Contributions in Relation to the Contractually Required Contribution	\$0	\$0	\$0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority Covered Payroll	\$180,182	\$322,828	\$276,221
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) Information prior to 2013 available upon request.

See accompanying notes to the required supplementary information and amounts presented in Note 9.

2017	2016	2015	2014	2013
\$1,954	\$4,875	\$7,668	\$8,723	\$8,753
(\$1,954)	(\$4,875)	(\$7,668)	(\$8,723)	(\$8,753)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$213,884	\$243,766	\$383,411	\$436,167	\$437,631
0.91%	2.00%	2.00%	2.00%	2.00%

Lake County Port & Economic Development Authority
Lake County, Ohio

Notes to Required Supplementary Information
For the Year Ended December 31, 2020

Net Pension Liability

Changes in Actuarial Assumptions and Methods - OPERS

There were no changes in the methods and assumptions used in the calculation of actuarially determined contributions during 2020.

Changes in Benefit Terms - OPERS

There were no changes in the benefit terms during 2020.

Net OPEB Liability

Changes in Actuarial Assumptions and Methods – OPERS

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability. The single discount rate changed from 3.96 percent to 3.16 percent, the municipal bond rate changed from 3.71 percent to 2.75 percent and the health care cost trend rate changed from 10.00 percent to 10.50 percent.

Changes in Benefit Terms - OPERS

There were no changes in the benefit terms during 2020.

OHIO AUDITOR OF STATE KEITH FABER



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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
105 Main Street, 5th Floor
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 (the Authority) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 23, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Authority.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

August 23, 2021

OHIO AUDITOR OF STATE KEITH FABER



LAKE COUNTY OHIO PORT AND ECONOMIC DEVELOPMENT AUTHORITY

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/7/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov