*Heath-Newark-Licking County Port Authority*

**LICKING COUNTY**

**REGULAR AUDIT**

**For the Years Ended December 31, 2022 and 2021**

Charles E. Harris & Associates, Inc.

CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Directors
Heath-Newark-Licking County Port Authority
851 Irving Wick Drive West
Heath, Ohio 43056

We have reviewed the *Independent Auditor's Report* of the Heath-Newark-Licking County Port Authority, Licking County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Heath-Newark-Licking County Port Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

November 07, 2023

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***Heath-Newark-Licking County Port Authority***
Licking County
**Regular Audit**
**For the Years Ended December 31, 2022 and 2021**

## TABLE OF CONTENTS

**TABLE OF CONTENTS – (continued)**

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# INDEPENDENT AUDITOR'S REPORT

Heath-Newark-Licking County Port Authority
Licking County
851 Irving-Wick Drive West
Heath, Ohio 43056

To the Board of Trustees:

***Report on the Audit of the Financial Statements***

***Opinion***

We have audited the accompanying financial statements of the Heath-Newark-Licking County Port Authority, Licking County, Ohio (the Authority), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2022 and 2021, and the changes in financial position and its cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter***

As discussed in Note 3 to the 2021 financial statements, the Authority implemented Governmental Accounting Standards Board Statement No. 87 "Leases". Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of net pension and net OPEB assets/liabilities, and schedules of pension and OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.

***Charles E. Harris & Associates, Inc.***
August 23, 2023

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

The discussion and analysis of the Heath-Newark-Licking County Port Authority, Licking County (the Authority) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

## Financial Highlights

Key financial highlights for 2022 are as follows:

- The Authority's net position was $49,347,017 as of December 31, 2022 according to the Statement of Net Position. This represents an increase of $4,287,659 from last year's net position of $45,059,358.

- Operating revenues for 2022 were $7,345,320, which represents an increase of $733,936, or 11% from 2021. This increase is attributed to an increase in lease revenues with the addition of new tenants as well as other miscellaneous charges for services.

- Total outstanding debt during the year increased $1,389,513 to $8,165,842 and is attributed to additional proceeds associated with the construction of a 30K speculative building.

- The overall cash position of the Authority increased $1,732,436.

## Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Authority as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of revenues, expenses, and changes in net position provide information about the activities of the Authority as a whole, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

## Reporting the Authority as a Whole

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during 2022?" These statements present all assets and deferred outflows of resources and liabilities and deferred inflows of resources both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private – sector companies.

The accrual basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. These two statements report the Authority's net position and changes in overall financial 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 causes of this change may be the result of many factors, some financial, some not.

## Reporting the Authority's Most Significant Fund

### *Proprietary Fund*

The Authority maintains one proprietary fund, an enterprise fund.

## Summary of Net Position

The table below provides a summary of the Authority's net position for 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current and noncurrent assets | $ 39,869,587 | $ 40,756,766 |
| Capital assets, net | 42,792,337 | 39,941,241 |
| Total assets | 82,661,924 | 80,698,007 |
| **Deferred outflows of resources** | | |
| Total deferred outflows of resources | 136,296 | 103,282 |
| **Liabilities** | | |
| Current liabilities | 785,039 | 1,145,492 |
| Long-term liabilities: | | |
| Net pension liability | 308,690 | 565,363 |
| Other amounts | 7,837,153 | 6,476,290 |
| Total liabilities | 8,930,882 | 8,187,145 |
| **Deferred inflows of resources** | | |
| Total deferred inflows of resources | 24,520,321 | 27,554,786 |
| **Net position** | | |
| Net investment in capital assets | 34,612,720 | 32,654,210 |
| Unrestricted | 14,734,297 | 12,405,148 |
| Total net position | $ 49,347,017 | $ 45,059,358 |

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2022, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $49,347,017.

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The Authority follows GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities/(assets) related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset to the reported net position and subtracting deferred outflows related to net pension liabilities.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB asset*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset to equal the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2 Minus plan assets available to pay these benefits.

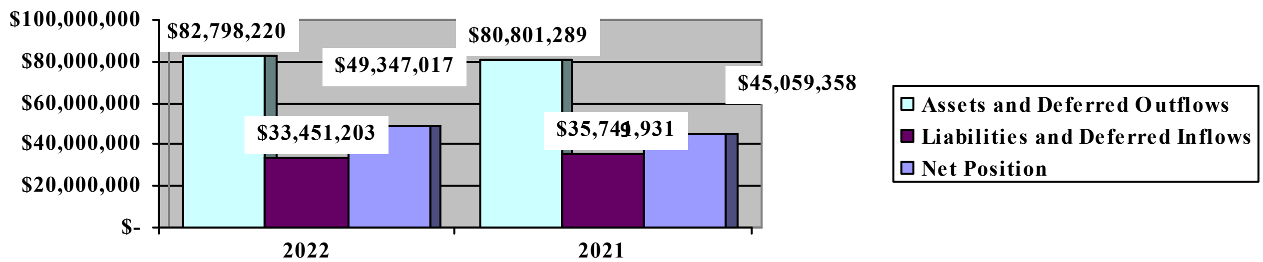
GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion 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 asset. 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/(asset) 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 (asset, respectively, not accounted for as deferred inflows/outflows.

Capital assets represent the largest portion of the Authority's net position. At year-end, capital assets represented 51% of total assets and deferred outflows of resources. Capital assets include land, construction in progress, land improvements, infrastructure, furniture and fixtures, machinery and equipment and vehicles. Net investment in capital assets or what was required to acquire these assets at December 31, 2022 was $34,612,720. These capital assets are used to provide services and are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The balance of unrestricted net position of $14,734,297 may be used to meet the Authority's ongoing obligations.




As the table below illustrates, the most significant changes in net position were related to the Authority's net receivables and deferred inflows of resources associated with the recognition of leases in accordance with GASB No. 87. Furthermore, changes were noted in the pension liability and net OPEB asset, and the related deferred inflows/outflows of resources. These amounts will fluctuate annually based on a number of factors including investment returns, actuarial assumptions used, and the Authority's proportionate share of the net pension and net OPEB cost. As a result many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset to the reported net position and subtracting deferred outflows related to pension and OPEB as follows:

| | 2022 | 2021 |
|---|---|---|
| Net position (with GASB 68 and GASB 75) | $ 49,347,017 | $ 45,059,358 |
| GASB 68 calculations: | | |
| Add: Deferred inflows related to pension | 373,946 | 244,012 |
| Add: Net pension liability | 308,690 | 565,363 |
| Less: Deferred outflows related to pension | (136,296) | (72,137) |
| GASB 75 calculations: | | |
| Add: Deferred inflows related to OPEB | 106,858 | 193,570 |
| Add/Less: Net OPEB liability/(asset) | (103,424) | (63,353) |
| Less: Deferred outflows related to OPEB | - | (31,145) |
| Net position (without GASB 68 and GASB 75) | $ 49,896,791 | $ 45,895,668 |

## Summary of Revenues and Expenses

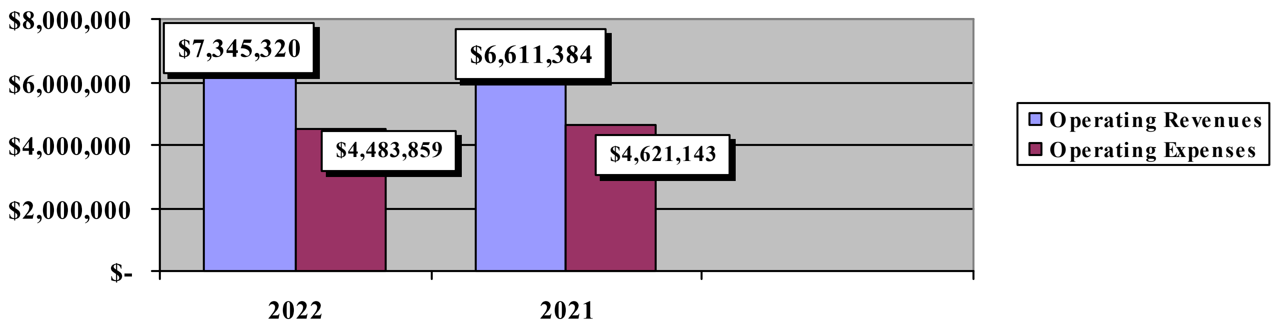
The table below provides a summary of the Authority's revenues and expenses for 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| **Operating Revenues:** | | |
| Charges for services - leases | $ 6,819,258 | $ 6,318,517 |
| Charges for services - other | 483,876 | 262,500 |
| Other operating revenues | 42,186 | 30,367 |
| Total Operating Revenues | 7,345,320 | 6,611,384 |
| **Operating Expenses:** | | |
| Personnel services | 865,716 | 769,903 |
| Net pension & OPEB expense | (286,536) | (479,491) |
| Materials and supplies | 32,257 | 18,683 |
| Contractual services | 1,951,062 | 2,616,152 |
| Depreciation | 1,921,360 | 1,695,896 |
| Total Operating Expenses | 4,483,859 | 4,621,143 |
| Operating Income | 2,861,461 | 1,990,241 |
| **Nonoperating Revenues (Expenses):** | | |
| Investment earnings | 132,660 | 2,603 |
| Gain on sale of capital assets | 1,554,240 | 330,098 |
| Intergovermental | 30,000 | 30,000 |
| Interest and fiscal services | (290,702) | (257,590) |
| Other nonoperating revenues | 481,600 | - |
| Other nonoperating (expenses) | (481,600) | 661,217 |
| Total Nonoperating Revenues (Expenses) | 1,426,198 | 766,328 |
| Changes in net position | 4,287,659 | 2,756,569 |
| Beginning Net Position | 45,059,358 | 42,302,789 |
| Ending Net Position | $ 49,347,017 | $ 45,059,358 |

Operating revenues for 2022 were $7,345,320, which represents an increase of $733,936, or 11% from 2021. This increase is attributed to an increase in lease revenues with the addition of new tenants as well as other miscellaneous charges for services. Personnel services increased based on changes in staff compensation between years.

The graph below presents the activity regarding the change in net position for 2022 and 2021.

**Revenues and Expenses**




## Capital Assets and Debt Administration

***Capital Assets***

At the end of 2022, the Authority had $42,792,337 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. The following table shows 2022 balances compared to 2021:

**Capital Assets at December 31**

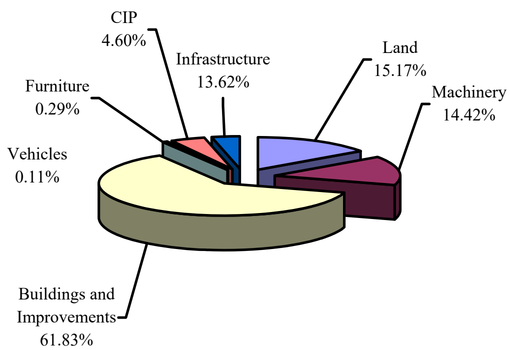
| | 2022 | 2021 |
|---|---|---|
| Land | $ 8,195,818 | $ 9,127,684 |
| Construction in Progress | 2,755,747 | 2,151,851 |
| Buildings and Improvements | 40,169,872 | 37,191,625 |
| Infrastructure | 3,722,649 | 2,767,761 |
| Furniture and Fixtures | 174,420 | 174,420 |
| Machinery and Equipment | 9,670,757 | 8,673,372 |
| Vehicles | 68,860 | 68,860 |
| Less: Accumulated Depreciation | (21,965,786) | (20,214,332) |
| Totals | $ 42,792,337 | $ 39,941,241 |

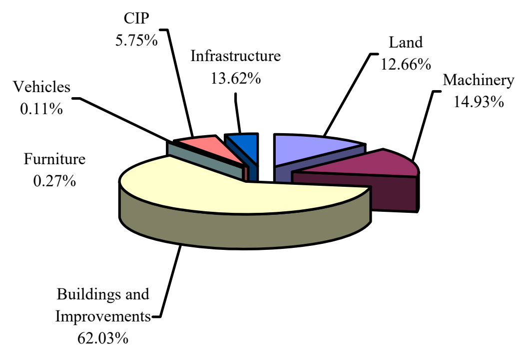
The following graph presents the categories of the Authority's capital assets reported net of accumulated depreciation:

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

**Capital Assets - December 31, 2021** | **Capital Assets – December 31, 2022**




The Authority's largest capital asset category is buildings and improvements for 2022 and 2021, respectively.

See Note 4 to the basic financial statements for more detail on the Authority's capital assets.

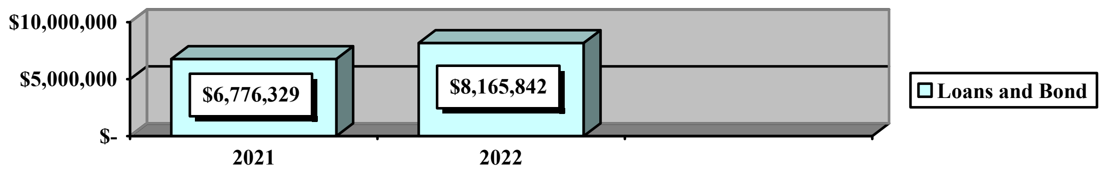
***Debt Administration***

The Authority had the following long-term obligations outstanding at December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| MISTRAS building loan | $3,001,500 | $3,222,365 |
| 660 international drive | 1,293,640 | 1,370,336 |
| 670 Kaiser drive | 1,840,263 | 1,980,217 |
| 30K speculative building | 2,030,439 | 203,411 |
| Total | $8,165,842 | $6,776,329 |

A breakdown of the Authority's long-term obligations is as follows for 2021 and 2022:

**Long-Term Obligations at December 31**




See Note 7 to the basic financial statements for more detail on the Authority's long-term debt obligations.

## Economic Conditions and Outlook

The Authority continues to increase its economic footprint throughout Licking County meeting the goals and objectives driven by its Ten-Year Capital Plan. Net position for 2022 increased and is further expected to increase in future years as the Authority continues to invest in the Licking County area, including new STEM redevelopment initiatives and expansion of the Authority campus.

## Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives.  If you have questions about this report or need additional financial information contact Erin Grigsby, Director, Finance and Compliance, Heath-Newark-Licking County Port Authority, 851 Irving-Wick Drive West, Heath, Ohio.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2022

| | |
|---|---|
| **Assets:** | |
| **Current assets:** | |
| Cash and cash equivalents | $ 13,873,489 |
| Receivables: | |
| Accounts | 1,146 |
| Interest | 77,108 |
| Leases | 3,881,873 |
| Prepaid items | 111,328 |
| Total current assets | 17,944,944 |
| **Noncurrent assets:** | |
| Leases receivable | 21,821,219 |
| Net OPEB asset | 103,424 |
| Capital assets: | |
| Land | 8,195,818 |
| Construction in progress | 2,755,747 |
| Depreciable capital assets, net | 31,840,772 |
| Total capital assets, net | 42,792,337 |
| Total noncurrent assets | 64,716,980 |
| Total assets | 82,661,924 |
| **Deferred Outflows of Resources:** | |
| Pension | 136,296 |
| Total deferred outflows of resources | 136,296 |
| Total assets and deferred outflows of resources | 82,798,220 |

(Continued)

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2022

| | |
|---|---|
| **Liabilities:** | |
| **Current liabilities:** | |
| Accounts payable | $ 54,836 |
| Contracts payable | 13,775 |
| Accrued wages and benefits | 50,562 |
| Intergovernmental payable | 131,267 |
| Accrued interest payable | 8,131 |
| Compensated absences payable | 5,279 |
| MISTRAS building construction loan | 229,435 |
| 30K speculative building | 66,941 |
| 660 International drive loan | 79,655 |
| 670 Kaiser drive loan | 145,158 |
| Total current liabilities | 785,039 |
| **Noncurrent liabilities:** | |
| 660 International drive loan | 1,213,985 |
| MISTRAS building construction loan | 2,772,065 |
| 30K speculative building | 1,963,498 |
| 670 Kaiser drive loan | 1,695,105 |
| Customer deposits | 192,500 |
| Net pension liability | 308,690 |
| Total noncurrent liabilities | 8,145,843 |
| Total liabilities | 8,930,882 |
| **Deferred Inflows of Resources:** | |
| Pension | 373,946 |
| OPEB | 106,858 |
| Leases | 24,039,517 |
| Total deferred inflows of resources | 24,520,321 |
| Total liabilities and deferred inflows of resources | 33,451,203 |
| **Net Position:** | |
| Net investment in capital assets | 34,612,720 |
| Unrestricted | 14,734,297 |
| Total net position | $ 49,347,017 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

| | |
|---|---|
| **Operating revenues:** | |
| Charges for services - leases | $ 6,819,258 |
| Charges for services - other | 483,876 |
| Other operating revenues | 42,186 |
| Total operating revenues | 7,345,320 |
| **Operating expenses:** | |
| Personnel services | 865,716 |
| Net pension and OPEB expense | (286,536) |
| Material and supplies | 32,257 |
| Contractual services | 1,951,062 |
| Depreciation | 1,921,360 |
| Total operating expenses | 4,483,859 |
| Operating income | 2,861,461 |
| **Nonoperating revenues (expenses):** | |
| Investment earnings | 132,660 |
| Intergovernmental grants | 30,000 |
| Interest and fiscal charges | (290,702) |
| Gain on sale of capital assets | 1,554,240 |
| Other nonoperating revenues | 481,600 |
| Other nonoperating (expenses) | (481,600) |
| Total nonoperating revenues (expenses) | 1,426,198 |
| Change in net position | 4,287,659 |
| **Net position at beginning of year** | 45,059,358 |
| **Net position at end of year** | $ 49,347,017 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Cash received from leases | $ 6,456,681 |
| Cash received from other charges for services | 482,730 |
| Cash received from other operating receipts | 42,186 |
| Cash payments to supplies for goods and services | (2,453,100) |
| Cash payments for employee services and benefits | (849,218) |
| Net cash provided by operating activities | 3,679,279 |
| **Cash flows from capital and related financing activities:** | |
| Intergovernmental receipts | 30,000 |
| Proceeds from loans | 1,827,028 |
| Proceeds from sale of capital assets | 2,235,655 |
| Principal payments - MISTRAS loan | (220,865) |
| Principal payments - 660 international drive | (76,696) |
| Principal payments - 670 kaiser drive | (139,954) |
| Interest payments - 30K speculative building | (44,378) |
| Interest payments - 670 kaiser drive | (69,956) |
| Interest payments - MISTRAS loan | (113,952) |
| Interest payments - 660 international drive | (48,075) |
| Acquisition and construction of capital assets | (5,466,291) |
| Net cash used in capital and related financing activities | (2,087,484) |
| **Cash flows from investing activities:** | |
| Interest received | 140,641 |
| Net cash provided by investing activities | 140,641 |
| Net increase in cash and cash equivalents | 1,732,436 |
| **Cash and cash equivalents at beginning of year** | 12,141,053 |
| **Cash and cash equivalents at end of year** | $ 13,873,489 |

(Continued)

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

| | |
|---|---|
| **Reconciliation of operating income to net cash provided by operating activites:** | |
| Operating income | $ 2,861,461 |
| Adjustments: | |
| Depreciation | 1,921,360 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| (Increase) decrease in accounts receivable | (701) |
| (Increase) decrease in leases receivable | 2,660,110 |
| (Increase) decrease in net OPEB asset | (40,071) |
| (Increase) decrease in deferred outflows of resources - pension | (64,159) |
| (Increase) decrease in deferred outflows of resources - OPEB | 31,145 |
| (Increase) decrease in prepaid items | (7,704) |
| Increase (decrease) in accounts payable | 25,609 |
| Increase (decrease) in contracts payable | (466,796) |
| Increase (decrease) in accrued wages and benefits | 14,700 |
| Increase (decrease) in compensated absences | 1,798 |
| Increase (decrease) in intergovernmental payable | 8,796 |
| Increase (decrease) in retainage payable | (30,131) |
| Increase (decrease) in net pension liability | (256,673) |
| Increase (decrease) in deferred inflows of resources - pension | 129,934 |
| Increase (decrease) in deferred inflows of resources - OPEB | (86,712) |
| Increase (decrease) in deferred inflows of resources - Leases | (3,077,687) |
| Increase (decrease) in customer deposits | 55,000 |
| Net cash provided by operating activities | $ 3,679,279 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Heath-Newark-Licking County Port Authority (the "Authority") was created on May 18, 1996 under the authority of Section 4582.21 et seq. of the Ohio Revised Code which provides that "a municipal corporation, a county or any combination thereof acting jointly, may create a port authority which shall be a body corporate and politic and have territorial limits coterminous with the territorial limits of the political subdivision(s) creating such port authority."

### A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority 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 the deficits of, or provide financial support to, the organization; or (4) the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Authority has no component units. The basic financial statements of the reporting entity include only those of the Authority (the primary government).

### B. Basis of Presentation

The Authority operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. All transactions are accounted for in a single enterprise fund.

The financial statements are presented as of December 31, 2022 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting: and Financial Reporting: Standards (GASB Codification).

### C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows of resources and deferred outflows of resources associated with the operation of these funds are included on the statement of net position.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus (Continued)

The statement of revenues, expenses and change in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

### D. Basis of Accounting

The Authority uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

### E. Budgetary Process

The budgetary process is prescribed by the provisions of Ohio Revised Code Section 4582.39. "Rents and charges received by the port authority shall be used for the general expenses of the port authority and to pay interest, amortization, and retirement charges on money borrowed." The major document prepared is the appropriation resolution which is prepared on the budgetary basis of accounting.

The appropriation resolution is subject to amendment throughout the year. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within its fund. Budgetary modifications may only be made by resolution of the Board of Directors.

1. Budget

The Director, Finance and Compliance and Chief Executive Officer submit an annual budget and appropriations resolution for the following fiscal year to the Board of Directors by the December board meeting for consideration and passage. The adopted budget shall not exceed the total of the estimated revenues available for expenditure.

2. Estimated Resources

The Director, Finance and Compliance and Chief Executive Officer prepare estimated revenues by fund prior to consideration of the annual appropriation resolution. The Authority must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

3. Appropriations

An annual appropriation resolution must be passed by the Board of Directors for the following year in December. The appropriation resolution establishes spending controls at the fund and object level (i.e. personnel services, materials and supplies, contractual services, and capital outlay). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources. The allocation of appropriations among objects within the fund may be modified during the year by a resolution of the Board of Directors.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Budgetary Process (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

5. Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent year and need not be reappropriated.

### F. Cash and Cash Equivalents

Cash balances of the Authority's funds are pooled and invested in investments in order to provide improved cash management. Individual fund integrity is maintained through the Authority's records and is presented as "Cash and Cash Equivalents" on the financial statements.

During 2022, investments were limited to a sweep account and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as the sweep account are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of 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 its 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 an NAV per share that approximates fair value.

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $100 million or more. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

Interest revenue earned and credited during 2022 amounted to $132,660.

For purpose of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### G. Fair 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. All investments of the Authority are reported at cost.

### H. Capital Assets and Depreciation

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $1,000. Property, plant and equipment acquired by the enterprise funds are stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Donated capital assets are recorded at their acquisition value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

| Description | Estimated Lives (in years) |
|---|---|
| Infrastructure | 20 – 50 |
| Buildings | 20 – 50 |
| Building Improvements | 10 – 50 |
| Improvements Other than Buildings | 10 – 20 |
| Vehicles | 3 – 15 |
| Furniture & Equipment | 3 – 25 |
| Computer Equipment | 3 – 15 |

### I. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," compensated absences are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Employees earn vacation leave based on length of service and position. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

Employees earn 10 days of sick leave per year, which may be carried over to subsequent years. There is no liability for unpaid accumulated sick leave since upon separation or retirement; employees do not receive any payment for unused sick time.

### J. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB 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 plan.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### J. Pensions/Other Postemployment Benefits (OPEB)

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 plans report investments at fair value.

### K. Deferred Outflows of Resources and Deferred Inflows 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 have been reported for the following two items related the Authority's net pension and net OPEB liability/(asset): (1) the difference between expected and actual experience of the pension systems, and (2) the Authority's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the Authority reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources have been reported for the following items related the Authority's net pension and net OPEB liability/(asset): (1) the difference between expected and actual experience of the pension systems, and (2) the Authority's contributions to the pension systems subsequent to the measurement date. Deferred inflows of resources are also recognized for long-term leases whereas the Authority is the lessor.

### L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets is reported net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net position would consist of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements.

### M. Operating Revenues & Expenses

Operating revenues consist primarily of fees for services, rents and charges for use of facilities, and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues include intergovernmental grants and interest from investments. Nonoperating expenses include interest expense on long-term debt and various other nonoperating expenses.

### N. Economic Dependency

The Authority receives approximately 93% of its operating revenue from tenant leases. Due to the significance of this revenue, the Authority is considered economically dependent on lease revenues.

## NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of the Authority are combined to form a pool of cash and investments. The Authority has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Authority to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income. Statutes require the classification of funds held by the Authority into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the Authority. Such funds must be maintained either as cash in the Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

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

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

- Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within a ten year form the date of settlement, bonds and other obligations of a political subdivision of the State of Ohio, if training requirements have been met;

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

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

- The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio), and

## NOTE 2 – POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one period.

**Deposits**

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 the 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 either be insured or protected by (1) eligible securities pledged to the Authority's 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 2022, the Authority's financial institution was approved for a 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.

At year end the carrying amount of the Authority's deposits was $929,939 and based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures",* as of December 31, 2022, the Authority's bank balance of $1,330,040 was covered by FDIC up to $250,000 and remaining bank balance was covered by the Ohio Pooled Collateral System.

**Investments**

The Authority invested in STAR Ohio that was reported at amortized cost of $9,646,068 and an overnight sweep account, which has no credit rating, in the amount of $3,297,482.

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

***Concentration of 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's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

***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.

## NOTE 3 – ACCOUNTABILITY

### Change in Accounting Principles

For 2022, the Authority has implemented GASB Statement No. 91, "*Conduit Debt Obligations*", GASB Statement No. 92, "*Omnibus 2020*", GASB Statement No. 93, "*Replacement of Interbank Offered Rates*", GASB Statement No. 97, " *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*" and certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*".

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Authority.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on  the financial statements of the Authority.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the Authority.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Authority.

GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Authority.

## NOTE 4 - CAPITAL ASSETS

A summary of capital assets at December 31, 2022:

| | Balance 12/31/2021 | Additions | Deletions | Balance 12/31/2022 |
|---|---|---|---|---|
| **Nondepreciable Capital Assets** | | | | |
| Land | $9,127,684 | $18,875 | ($950,741) | $8,195,818 |
| Construction in Progress | 2,151,851 | 4,184,811 | (3,580,915) | 2,755,747 |
| Total Nondepreciable Capital Assets | 11,279,535 | 4,203,686 | (4,531,656) | 10,951,565 |
| **Depreciable Capital Assets** | | | | |
| Buildings and Improvements | 37,191,625 | 3,219,747 | (241,500) | 40,169,872 |
| Infrastructure | 2,767,761 | 954,888 | - | 3,722,649 |
| Furniture and Fixtures | 174,420 | - | - | 174,420 |
| Machinery and Equipment | 8,673,372 | 997,385 | - | 9,670,757 |
| Vehicles | 68,860 | - | - | 68,860 |
| Total at Historical Cost | 48,876,038 | 5,172,020 | (241,500) | 53,806,558 |
| Less: Accumulated Depreciation | | | | |
| Buildings and Improvements | (13,913,737) | (1,106,498) | 169,906 | (14,850,329) |
| Infrastructure | (854,475) | (181,691) | - | (1,036,166) |
| Furniture and Fixtures | (69,582) | (2,613) | - | (72,195) |
| Machinery and Equipment | (5,359,852) | (623,672) | - | (5,983,524) |
| Vehicles | (16,686) | (6,886) | - | (23,572) |
| Total Accumulated Depreciation | (20,214,332) | (1,921,360) | 169,906 | (21,965,786) |
| Depreciable Capital Assets, Net of Accumulated Depreciation | 28,661,706 | 3,250,660 | (71,594) | 31,840,772 |
| Capital Assets, Net | $39,941,241 | $7,454,346 | ($4,603,250) | $42,792,337 |

## NOTE 5 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability and Net OPEB Asset***

Pensions and OPEB 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 net pension liability and the net OPEB asset represent the Authority's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position.

**NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)**

The net pension liability/OPEB asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability/asset. Resulting adjustments to the net pension/OPEB liability/asset would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits.

The remainder of this note includes the pension disclosures. See Note 6 for the OPEB disclosures.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group.

**NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)**

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 Annual Comprehensive Financial Report referenced above for additional information):

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>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:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| **Formula:**<br>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:**<br>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:**<br>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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost–of–living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

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. 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. 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 members' 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.

**NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)**

Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), 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. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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 |
|---|---|
| **2022 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| **2022 Actual Contribution Rates** | |
| Employer: | |
| Pension | 14.0 % |
| Post-employment Health Care Benefits | 0.0 |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution was $81,958 for 2022. Of this amount, $10,151 is reported as a component of accrued wages and benefits.

***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, 2021, 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 contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

## NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

| | OPERS |
|---|---|
| **Traditional Plan** | |
| Proportion of the net pension liability prior measurement date | 0.00381800% |
| Proportion of the net pension liability current measurement date | 0.00354800% |
| Change in proportionate share | -0.00027000% |
| | |
| Proportionate share of the net pension liability - Traditional Plan | $ 308,690 |
| Pension expense | $ (43,706) |

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS |
|---|---|
| **Deferred Outflows of Resources** | |
| Differences between expected and actual experience | $15,737 |
| Changes of assumptions | 38,601 |
| Authority contributions subsequent to the measurement date | 81,958 |
| Total Deferred Outflows of Resources | $136,296 |
| | |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $6,770 |
| Net difference between projected and actual earnings on pension plan investments | 367,176 |
| Total Deferred Inflows of Resources | $373,946 |

$81,958 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)**

| | OPERS |
|---|---|
| Year Ending December 31: | |
| 2023 | ($48,565) |
| 2024 | (126,297) |
| 2025 | (86,337) |
| 2026 | (58,409) |
| Total | ($319,608) |

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2021, are presented below:

| | |
|---|---|
| Wage inflation | |
| Current measurement date | 2.75% |
| Prior measurement date | 3.25% |
| Future salary increases, including inflation | |
| Current measurement date | 2.75% to 10.75% including wage inflation |
| Prior measurement date | 3.25% to 10.75% including wage inflation |
| COLA or ad hoc COLA | |
| Current measurement date | Pre 1/7/2013 retirees: 3.00%, simple<br>Post 1/7/2013 retirees: 3.00%, simple<br>through 2022, then 2.05% simple |
| Prior measurement date | Pre 1/7/2013 retirees: 3.00%, simple<br>Post 1/7/2013 retirees: 0.50%, simple<br>through 2021, then 2.15% simple |
| Investment rate of return | |
| Current measurement date | 6.90% |
| Prior measurement date | 7.20% |

## NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

In July 2021, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 0.50% simple through 2021 then 2.15% simple to 3.00% simple through 2022 then 2.05% simple.

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, 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 of 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 was a gain of 15.3% for 2021.

The allocation of investment assets within 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, 2021, these best estimates are summarized in the following table.

## NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed income | 24.00 % | 1.03 % |
| Domestic equities | 21.00 | 3.78 |
| Real estate | 11.00 | 3.66 |
| Private equity | 12.00 | 7.43 |
| International equities | 23.00 | 4.88 |
| Risk parity | 5.00 | 2.92 |
| Other investments | 4.00 | 2.85 |
| Total | 100.00 % | 4.21 % |

***Discount Rate -*** The discount rate used to measure the total pension liability was 6.90%, post-experience study results, for the Traditional Pension Plan. The discount rate used to measure total pension liability prior to December 31, 2021 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.90%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage- point higher (7.90%) than the current rate:

| | 1% Decrease 5.90% | Current Discount Rate 6.90% | 1% Increase 7.90% |
|---|---|---|---|
| Authority's proportionate share of the net pension liability: | | | |
| Traditional Plan | $ 813,876 | $ 308,690 | $ (111,691) |

## NOTE 6 – DEFINED BENEFIT OPEB PLANS

***Net OPEB Asset***

See Note 5 for a description of the net OPEB asset.

**NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)**

***Plan Description - Ohio Public Employees Retirement System (OPERS)***

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector.

The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self- insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS- covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled. OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re- employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

**NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)**

Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report 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 allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' 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 and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2022 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $0 for 2022.

***Net OPEB asset***

The Authority's proportion of the net OPEB asset was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

**NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)**

| | OPERS |
|---|---|
| Proportion of the Net OPEB Asset: | |
| Current Measurement Date | 0.003302% |
| Prior Measurement Date | 0.003556% |
| Change in Proportionate Share | -0.0002540% |
| Proportionate Share of the Net OPEB Asset | $103,424 |
| OPEB Expense | ($95,638) |

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefit liabilities from the following sources:

| | OPERS |
|---|---|
| **Deferred Outflows of Resources** | |
| Total Deferred Outflows of Resources | $0 |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $15,688 |
| Change in assumptions | 41,865 |
| Net difference between projected and actual earnings on plan investments | 49,305 |
| Total Deferred Inflows of Resources | $106,858 |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS |
|---|---|
| Year Ending December 31: | |
| 2023 | ($66,085) |
| 2024 | (22,916) |
| 2025 | (10,773) |
| 2026 | (7,084) |
| Total | ($106,858) |

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

**NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)**

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|---|---|
| Wage Inflation | |
| Current measurement date | 2.75% |
| Prior Measurement date | 3.25% |
| Projected Salary Increases, including inflation | |
| Current measurement date | 2.75 to 10.75% including wage inflation |
| Prior Measurement date | 3.25 to 10.75% including wage inflation |
| Future Salary Increases, including inflation | |
| Single Discount Rate: | |
| Current measurement date | 6.00% |
| Prior Measurement date | 6.00% |
| Investment Rate of Return | |
| Current measurement date | 6.00% |
| Prior Measurement date | 6.00% |
| Municipal Bond Rate | |
| Current measurement date | 1.84% |
| Prior Measurement date | 2.00% |
| Health Care Cost Trend Rate | |
| Current measurement date | 5.50% initial, 3.50% ultimate in 2034 |
| Prior Measurement date | 8.50% initial, 3.50% ultimate in 2035 |
| Actuarial Cost Method | Individual Entry Age Normal |

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

## NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)

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 2021, 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 was a gain of 14.3% for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees 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 the benefits provided through the defined pension plans. Health care is a discretionary benefit. 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.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 34.00 % | 0.91 % |
| Domestic Equities | 25.00 | 3.78 |
| Real Estate Investment Trust | 7.00 | 3.71 |
| International Equities | 25.00 | 4.88 |
| Risk parity | 2.00 | 2.92 |
| Other investments | 7.00 | 1.93 |
| Total | 100.00 % | 3.45 % |

***Discount Rate -*** A single discount rate of 6.00% was used to measure the total OPEB asset on the measurement date of December 31, 2021. A single discount rate of 6.00% was used to measure the total OPEB asset on the measurement date of December 31, 2021.

**NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)**

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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. 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 the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

***Sensitivity of the Authority's Proportionate Share of the Net OPEB asset to Changes in the Discount Rate*** The following table presents the Authority's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the Authority's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|---|---|---|
| Authority's proportionate share of the net OPEB asset | $60,823 | $103,424 | $138,783 |

***Sensitivity of the Authority's Proportionate Share of the Net OPEB asset to Changes in the Health Care Cost Trend Rate*** Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB liability/(asset) if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of healthcare; the trend starting in 2022 is 5.50%. 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 the health care 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% in the most recent valuation.

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|---|---|---|
| Authority's proportionate share of the net OPEB asset | $104,541 | $103,424 | $102,098 |

## NOTE 7 – LONG-TERM DEBT

Long-term debt obligations of the Authority at December 31, 2022 were as follows:

| *Direct Borrowings:* | Outstanding 12/31/21 | Additions | Reductions | Outstanding 12/31/22 | Due in One Year |
|---|---|---|---|---|---|
| MISTRAS building loan | $ 3,222,365 | $ - | $ (220,865) | $ 3,001,500 | $ 229,435 |
| 660 international drive | 1,370,336 | - | (76,696) | 1,293,640 | 79,655 |
| 30K speculative building | 203,411 | 1,827,028 | - | 2,030,439 | 66,941 |
| 670 Kaiser drive | 1,980,217 | - | (139,954) | 1,840,263 | 145,158 |
| *Total direct borrowings* | 6,776,329 | 1,827,028 | (437,515) | 8,165,842 | 521,189 |
| Compensated absences | 3,481 | 47,302 | (45,504) | 5,279 | 5,279 |
| Net pension liability | 565,363 | - | (256,673) | 308,690 | - |
| Total long-term obligations | $ 7,345,173 | $ 1,874,330 | $ (739,692) | $ 8,479,811 | $ 526,468 |

The MISTRAS Building loan was approved in 2015 and relates the construction of a new speculative building for the MISTRAS Group. MISTRAS is a leading "one source" global provider of technology-enabled asset protection solutions used to evaluate the structural integrity of critical energy, industrial and public infrastructure. The Authority was approved up to $4,300,000 at an interest rate of 4.82% with the building as loan collateral. During 2020, the Port Authority refinanced the existing loan reducing its interest rate from 4.82% to 3.6%. There were no additional loan proceeds issued and other terms did not change.

On April 2, 2018, the Authority issued $2,400,000 taxable series 2018 revenue bonds, at an interest rate of 4.951% per annum, for the purpose of purchasing land and constructing a speculative building located at 670 Kaiser Drive. During 2020, the Port Authority retired these outstanding revenue bonds and secured a loan in the amount of $2,159,556 at an interest rate of 3.6% with the final payment due 2033.

The Authority entered into a loan agreement in the amount not to exceed $1,445,000 for the construction of a speculative building located at 660 International Drive at an interest rate of 3.6%. At December 31, 2020, the Authority had borrowed a total of $1,445,000 collateralized by the land and building. Final payment is due 2035.

On September 9, 2021, the Authority secured financing for the purpose of constructing a 30,000 square foot speculative industrial building at 1680 James Parkway in Heath, Ohio. The Authority was approved for a loan up to $2,550,000 at an interest rate of 3.67% for the first 10 years then plus 2.27% thereafter amortized over 20 years.

The total principal and interest requirements to retire the Authority’s outstanding debt:

## NOTE 7 – LONG-TERM DEBT (Continued)

| Year Ending December 31, | 670 Kaiser Drive Principal | 670 Kaiser Drive Interest | 670 Kaiser Drive Total | MISTRAS Building Loan Principal | MISTRAS Building Loan Interest | MISTRAS Building Loan Total |
|---|---|---|---|---|---|---|
| 2023 | $ 145,158 | $ 64,752 | $ 209,910 | $ 229,435 | $ 105,382 | $ 334,817 |
| 2024 | 150,373 | 59,536 | 209,909 | 237,671 | 97,146 | 334,817 |
| 2025 | 156,127 | 53,783 | 209,910 | 246,772 | 88,045 | 334,817 |
| 2026 | 161,922 | 47,988 | 209,910 | 255,931 | 78,885 | 334,816 |
| 2027 | 167,932 | 41,978 | 209,910 | 265,431 | 69,386 | 334,817 |
| 2028-2032 | 937,761 | 111,788 | 1,049,549 | 1,482,194 | 191,890 | 1,674,084 |
| 2032-2035 | 120,990 | 1,472 | 122,462 | 284,066 | 4,603 | 288,669 |
| Total | $ 1,840,263 | $ 381,297 | $ 2,221,560 | $ 3,001,500 | $ 635,337 | $ 3,636,837 |

| Year Ending December 31, | 660 International Drive Principal | 660 International Drive Interest | 660 International Drive Total | 30K Speculative Building Principal | 30K Speculative Building Interest | 30K Speculative Building Total |
|---|---|---|---|---|---|---|
| 2023 | $ 79,655 | $ 45,116 | $ 124,771 | $ 66,941 | $ 72,387 | $ 139,328 |
| 2024 | 82,449 | 42,322 | 124,771 | 69,206 | 70,123 | 139,329 |
| 2025 | 85,588 | 39,183 | 124,771 | 71,952 | 67,377 | 139,329 |
| 2026 | 88,721 | 36,051 | 124,772 | 74,600 | 64,729 | 139,329 |
| 2027 | 91,968 | 32,803 | 124,771 | 77,345 | 61,983 | 139,328 |
| 2028-2032 | 512,718 | 111,138 | 623,856 | 431,247 | 265,395 | 696,642 |
| 2033-2036 | 352,541 | 19,335 | 371,876 | 516,894 | 179,748 | 696,642 |
| 2037-2042 | - | - | - | 619,317 | 77,324 | 696,641 |
| 2043 | - | - | - | 102,937 | 1,555 | 104,492 |
| Total | $ 1,293,640 | $ 325,948 | $ 1,619,588 | $ 2,030,439 | $ 860,621 | $ 2,891,060 |

## NOTE 8 - RISK MANAGEMENT – RISK POOL MEMBERSHIP

The Authority belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first $250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%.

## NOTE 8 - RISK MANAGEMENT – RISK POOL MEMBERSHIP (Continued)

Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021. The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021 (the latest information available):

| | 2021 |
|---|---|
| Assets | $21,777,439 |
| Liabilities | (15,037,383) |
| Members' Equity | $6,740,056 |

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

## NOTE 9 – LEASE RECEIVABLE

The revenues related to all leases, tenancy, or occupancy agreements and security deposits and guarantees affecting the Authority's campus are included in these financial statements. Lease revenue is accounted for by the straight-line method whereby such revenue is reflected over the period of the related leases. Revenue on these agreements is recognized when the lessees report the amounts owed, which approximates the period in which the revenue was earned.

The Authority leases space to tenants under noncancelable operating leases with various terms contingent on the tenant. Management expects to negotiate and extend tenant leases once they have expired. The following is a schedule of estimated future minimum rentals under the current tenant lease terms:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 3,881,873 | $ 861,218 | $ 4,743,091 |
| 2024 | 4,074,218 | 718,776 | 4,792,994 |
| 2025 | 4,164,009 | 570,632 | 4,734,641 |
| 2026 | 4,536,585 | 414,620 | 4,951,205 |
| 2027 | 4,489,151 | 250,577 | 4,739,728 |
| 2028-2032 | 4,557,256 | 169,785 | 4,727,041 |
| Total | $ 25,703,092 | $ 2,985,608 | $ 28,688,700 |

## NOTE 10 - CONDUIT DEBT

To further economic development in the County, the Authority has issued bonds that meet the definition of a conduit debt obligation. Those bonds have provided private-sector entities with access to capital for the acquisition and construction of industrial and commercial facilities. The bonds are secured by the property they finance and are payable solely from payments received from the private-sector entities on the underlying mortgage or promissory notes.

## NOTE 10 - CONDUIT DEBT (Continued)

The Authority has not extended any additional commitments for the debt service payments of the bonds beyond the collateral and the payments from the private-sector entities on the underlying mortgage or promissory notes and maintenance of the tax-exempt status of the conduit debt obligation. At December 31, 2022, the bonds have an aggregate principal amount payable of $212,514,441 none of which was recognized as a liability by the Authority.

## NOTE 11 – SUBSEQUENT EVENTS

The Authority entered into an agreement to sell the 20,000 square foot speculative building located at 660 International Drive in the amount of $2,160,000 on February 15, 2023. This sale also resulted in the cancellation of the existing building lease of which the Authority served as lessor.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**
**LAST NINE YEARS**

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Authority's Proportion of the Net Pension Liability - Traditional Plan | 0.003548% | 0.003818% | 0.003835% | 0.0038460% |
| Authority's Proportionate Share of the Net Pension Liability - Traditional Plan | $ 308,690 | $ 565,363 | $ 758,014 | $ 1,053,341 |
| Authority's Covered-Employee Payroll | $ 515,264 | $ 537,736 | $ 539,629 | $ 519,743 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 59.91% | 105.14% | 140.47% | 202.67% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Traditional Plan | 96.62% | 86.88% | 82.17% | 74.70% |

Note: Information prior to 2014 was unavailable. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

| 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| 0.0038080% | 0.0038150% | 0.003850% | 0.003762% | 0.003762% |
| $ 597,401 | $ 866,322 | $ 666,869 | $ 453,739 | $ 443,491 |
| $ 525,469 | $ 493,167 | $ 479,250 | $ 381,892 | $ 440,431 |
| 113.69% | 175.67% | 139.15% | 118.81% | 100.69% |
| 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF AUTHORITY'S PENSION CONTRIBUTIONS**
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**
**LAST TEN YEARS**

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Contractually Required Contribution | $ 81,958 | $ 72,137 | $ 75,283 | $ 75,548 |
| Contributions in Relation to the Contractually Required Contribution | (81,958) | (72,137) | (75,283) | (75,548) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| Authority's Covered-Employee Payroll | $ 585,414 | $ 515,264 | $ 537,736 | $ 539,629 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 14.00% | 14.00% |

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

| 2018 | | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| $ | 72,764 | $ | 68,311 | $ | 59,180 | $ | 57,510 | $ | 45,827 | $ | 57,256 |
| | (72,764) | | (68,311) | | (59,180) | | (57,510) | | (45,827) | | (57,256) |
| | $0 | | $0 | | $0 | | $0 | | $0 | | $0 |
| $ | 519,743 | $ | 525,469 | $ | 493,167 | $ | 479,250 | $ | 381,892 | $ | 440,431 |
| | 14.00% | | 13.00% | | 12.00% | | 12.00% | | 12.00% | | 13.00% |

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY/(ASSET)**
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**
**LAST SIX YEARS**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Authority's Proportion of the Net OPEB Liability/(Asset) | 0.003302% | 0.003556% | 0.0035720% | 0.0035810% | 0.0035500% | 0.003460% |
| Authority's Proportionate Share of the Net OPEB Liability(Asset) | $ (103,424) | $ (63,353) | $ 493,386 | $ 466,878 | $ 385,504 | $ 349,472 |
| Authority's Covered-Employee Payroll | $ 515,264 | $ 537,736 | $ 539,629 | $ 519,743 | $ 525,469 | $ 493,167 |
| Authority's Proportionate Share of the Net OPEB Liability /(Asset) as a Percentage of its Covered-Employee Payroll | -20.07% | -11.78% | 91.43% | 89.83% | 73.36% | 70.86% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | | | | | | |
| Traditional Plan | 128.23% | 115.57% | 47.80% | 46.33% | 54.14% | 54.14% |

Note: Information prior to 2017 was unavailable. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Contractually Required Contribution | $ - | $ - | $ - | $ - |
| Contributions in Relation to the Contractually Required Contribution | - | - | - | - |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| Authority's Covered-Employee Payroll | $ 585,414 | $ 515,264 | $ 537,736 | $ 539,629 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.00% | 0.00% | 0.00% | 0.00% |

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

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| $ - | $ 4,877 | $ 9,866 | $ 9,585 | $ 6,544 | $ 4,089 |
| - | (4,877) | (9,866) | (9,585) | (6,544) | (4,089) |
| $ - | $0 | $0 | $0 | $0 | $0 |
| $ 519,743 | $ 525,469 | $ 493,167 | $ 479,250 | $ 381,892 | $ 440,431 |
| 0.00% | 1.00% | 2.00% | 2.00% | 1.71% | 0.93% |

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

## PENSION

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2022.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 through 2021, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate was 7.20%. For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) wage inflation was changed from 3.25% to 2.75%, (b) future salary increases, including inflation were changed from 3.25%-10.75% to 2.75%-10.75%, (c) COLA for post 1/7/2013 retirees were changed from 0.50%, simple through 2021, then 2.15% simple to 3.00%, simple through 2022, then 2.05% simple and (d) the actuarially assumed rate of return was changed from 7.20% to 6.90%.

## OTHER POSTEMPLOYMENT BENEFITS (OPEB)

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2017-2020. For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020. There were no changes in benefit terms from the amounts reported for 2022.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.50%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030. For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.00%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035. For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) wage inflation changed from 3.25% to 2.75%, (b) projected salary increases, including inflation changed from 3.25%-10.75% to 2.75%-10.75%, (c) the municipal bond rate was changed from 2.00% to 1.84% and (d) the health care cost trend rate was changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

The discussion and analysis of the Heath-Newark-Licking County Port Authority, Licking County (the Authority) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

## Financial Highlights

Key financial highlights for 2021 are as follows:

- The Authority's net position was $45,059,358 as of December 31, 2021 according to the Statement of Net Position. This represents an increase of $2,756,569 from last year's restated net position of $42,302,789.

- Operating revenues for 2021 were $6,611,384, which represents a decrease of $490,900 or 7% from 2020. In 2020, the Authority received a significant one-time payment from a large tenant that was not duplicated in 2021 which accounted for the decrease in operating revenue.

- Total outstanding debt during the year decreased $214,708 to $6,776,329 and is attributed to principal payments exceeding the amount of new debt issued for the year.

- The overall cash position of the Authority increased $556,059.

## Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Authority as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of revenues, expenses, and changes in net position provide information about the activities of the Authority as a whole, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

## Reporting the Authority as a Whole

### *Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position*

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during 2021?" These statements present all assets and deferred outflows of resources and liabilities and deferred inflows of resources both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private – sector companies.

The accrual basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. These two statements report the Authority's net position and changes in overall financial 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 causes of this change may be the result of many factors, some financial, some not.

## Reporting the Authority's Most Significant Fund

### *Proprietary Fund*

The Authority maintains one proprietary fund, an enterprise fund.

## Summary of Net Position

The table below provides a summary of the Authority's net position for 2021 and 2020:

| | 2021 | (Restated) 2020 |
|---|---|---|
| **Assets** | | |
| Current and noncurrent assets | $ 40,756,766 | $ 42,829,936 |
| Capital assets, net | 39,941,241 | 38,787,424 |
| Total assets | 80,698,007 | 81,617,360 |
| **Deferred outflows of resources** | | |
| Total deferred outflows of resources | 103,282 | 193,881 |
| **Liabilities** | | |
| Current liabilities | 1,145,492 | 1,060,503 |
| Long-term liabilities: | | |
| Net pension liability | 565,363 | 758,014 |
| Net OPEB liability | - | 493,386 |
| Other amounts | 6,476,290 | 6,704,953 |
| Total liabilities | 8,187,145 | 9,016,856 |
| **Deferred inflows of resources** | | |
| Total deferred inflows of resources | 27,554,786 | 30,491,596 |
| **Net position** | | |
| Net investment in capital assets | 32,654,210 | 31,611,730 |
| Unrestricted | 12,405,148 | 10,691,059 |
| Total net position | $ 45,059,358 | $ 42,302,789 |

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2021, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $45,059,358.

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The Authority follows GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities/(assets) related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset to the reported net position and subtracting deferred outflows related to net pension liabilities.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB asset*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset to equal the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2 Minus plan assets available to pay these benefits.

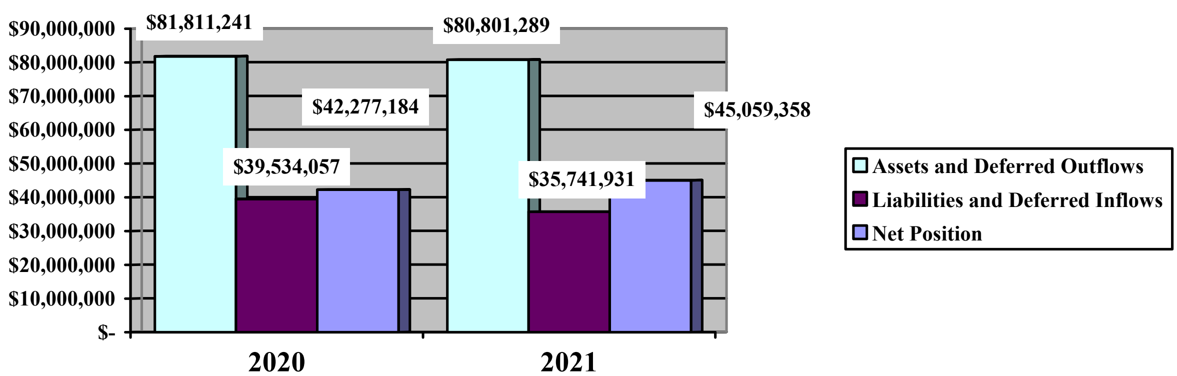
GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion 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 asset. 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/(asset) 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 (asset, respectively, not accounted for as deferred inflows/outflows.

Capital assets represent the largest portion of the Authority's net position. At year-end, capital assets represented 49% of total assets and deferred outflows of resources. Capital assets include land, construction in progress, land improvements, infrastructure, furniture and fixtures, machinery and equipment and vehicles. Net investment in capital assets or what was required to acquire these assets at December 31, 2021 was $32,654,210. These capital assets are used to provide services and are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The balance of unrestricted net position of $12,405,148 may be used to meet the Authority's ongoing obligations.




As the table below illustrates, the most significant changes in net position were related to the Authority's net receivables and deferred inflows of resources associated with the recognition of leases in accordance with GASB No. 87. Furthermore, changes were noted in the pension liability and net OPEB asset, and the related deferred inflows/outflows of resources. These amounts will fluctuate annually based on a number of factors including investment returns, actuarial assumptions used, and the Authority's proportionate share of the net pension and net OPEB cost. As a result many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset to the reported net position and subtracting deferred outflows related to pension and OPEB as follows:

| | 2021 | 2020 |
|---|---|---|
| Net position (with GASB 68 and GASB 75) | $ 45,059,358 | $ 42,302,789 |
| GASB 68 calculations: | | |
| Add: Deferred inflows related to pension | 244,012 | 160,791 |
| Add: Net pension liability | 565,363 | 758,014 |
| Less: Deferred outflows related to pension | (72,137) | (115,770) |
| GASB 75 calculations: | | |
| Add: Deferred inflows related to OPEB | 193,570 | 70,245 |
| Add/Less: Net OPEB liability/(asset) | (63,353) | 493,386 |
| Less: Deferred outflows related to OPEB | (31,145) | (78,111) |
| Net position (without GASB 68 and GASB 75) | $ 45,895,668 | $ 43,591,344 |

## Summary of Revenues and Expenses

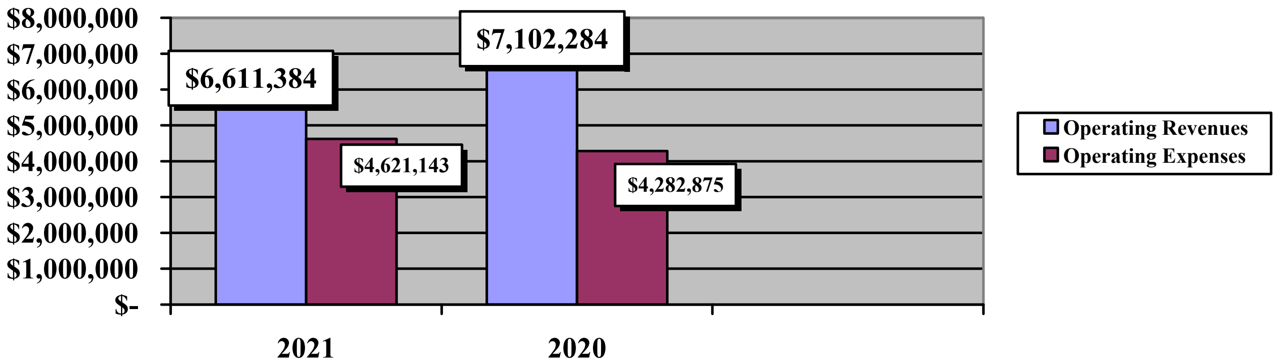
The table below provides a summary of the Authority's revenues and expenses for 2021 and 2020:

| | 2021 | (Restated) 2020 |
|---|---|---|
| **Operating Revenues:** | | |
| Charges for Services - Leases | $ 6,318,517 | $ 6,699,720 |
| Charges for Services - Other | 262,500 | 320,000 |
| Other Operating Revenues | 30,367 | 82,564 |
| Total Operating Revenues | 6,611,384 | 7,102,284 |
| **Operating Expenses:** | | |
| Personnel Services | 769,903 | 909,235 |
| Net Pension & OPEB Expense | (479,491) | |
| Materials and Supplies | 18,683 | 33,977 |
| Contractual Services | 2,616,152 | 1,822,039 |
| Depreciation | 1,695,896 | 1,517,624 |
| Total Operating Expenses | 4,621,143 | 4,282,875 |
| Operating Income | 1,990,241 | 2,819,409 |
| **Nonoperating Revenues (Expenses):** | | |
| Investment Earnings | 2,603 | 149,597 |
| Gain on sale of capital assets | 330,098 | 336,447 |
| Intergovermental | 30,000 | 90,782 |
| Interest and Fiscal Services | (257,590) | (276,756) |
| Other Nonoperating Revenues | 661,217 | 376,680 |
| Total Nonoperating Revenues (Expenses) | 766,328 | 676,750 |
| Changes in net position | 2,756,569 | 3,496,159 |
| Beginning Net Position | 42,302,789 | 38,806,630 |
| Ending Net Position | $ 45,059,358 | $ 42,302,789 |

Operating revenues decreased $490,900 and operating expenses increased $338,268 from 2020. The decrease in operating revenues is attributed to the timing of lease payments during 2021. For 2021, the Authority recognized a net OPEB asset further recognizing a negative expense off-set by lower net pension liability expenses. These fluctuations are attributed to positive investment returns of the respective pension system (Ohio Public Employees Retirement System) when compared to the prior year measurement date. Personnel services decreased based on the reporting of the net pension and OPEB expense as well as changes in staff.

The graph below presents the activity regarding the change in net position for 2021 and 2020.

**Revenues and Expenses**




## Capital Assets and Debt Administration

### *Capital Assets*

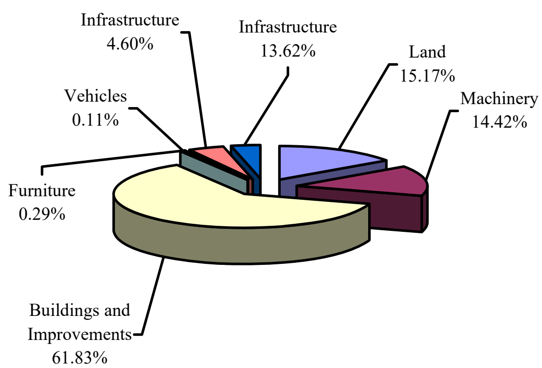
At the end of 2021, the Authority had $39,941,241 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. The following table shows 2021 balances compared to 2020:

**Capital Assets at December 31**

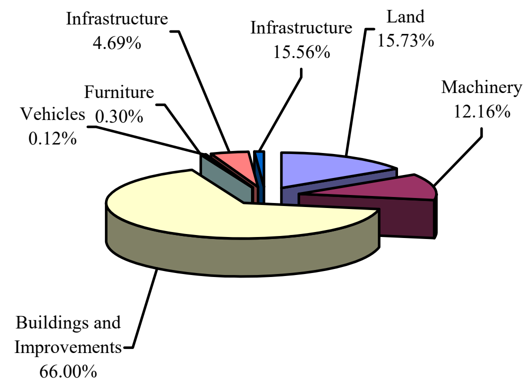
| | 2021 | 2020 |
|---|---|---|
| Land | $ 9,127,684 | $ 9,074,642 |
| Construction in Progress | 2,151,851 | 572,517 |
| Buildings and Improvements | 37,191,625 | 38,072,204 |
| Infrastructure | 2,767,761 | 2,707,393 |
| Furniture and Fixtures | 174,420 | 174,420 |
| Machinery and Equipment | 8,673,372 | 7,013,669 |
| Vehicles | 68,860 | 68,860 |
| Less: Accumulated Depreciation | (20,214,332) | (18,896,281) |
| Totals | $ 39,941,241 | $ 38,787,424 |

The following graph presents the categories of the Authority's capital assets reported net of accumulated depreciation:

**Capital Assets - 2021**




**Capital Assets - 2020**




The Authority's largest cost capital asset category is buildings and improvements for 2021 and 2020, respectively.

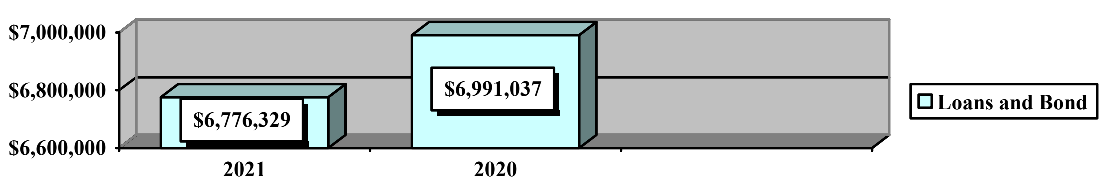
See Note 4 to the basic financial statements for more detail on the Authority's capital assets.

***Debt Administration***

The Authority had the following long-term obligations outstanding at December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| MISTRAS building loan | $3,222,365 | $3,435,330 |
| 660 international drive | 1,370,336 | 1,440,542 |
| 670 Kaiser drive | 1,980,217 | 2,115,165 |
| 30K speculative building | 203,411 | 0 |
| Total | $6,776,329 | $6,991,037 |

A breakdown of the Authority's long-term obligations is as follows for 2021 and 2020:




See Note 7 to the basic financial statements for more detail on the Authority's long-term debt obligations.

## Economic Conditions and Outlook

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic which led the Port Authority to adjust and adapt to the related impact. Net position for 2021 increased and is further expected to increase in future years as the Authority continues to increase expansion of the base further increasing the local workforce along with the Authority's commitment to bring high quality companies to the Licking County area.

## Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact Erin Grigsby, Director, Finance and Compliance, Heath-Newark-Licking County Port Authority, 851 Irving-Wick Drive West, Heath, Ohio.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2021

| | |
|---|---|
| **Assets:** | |
| **Current assets:** | |
| Cash and cash equivalents | $ 12,141,053 |
| Receivables: | |
| Accounts | 445 |
| Interest | 85,089 |
| Leases | 3,657,327 |
| Prepaid items | 103,624 |
| Total current assets | 15,987,538 |
| **Noncurrent assets:** | |
| Leases receivable | 24,705,875 |
| Net OPEB asset | 63,353 |
| Capital assets: | |
| Land | 9,127,684 |
| Construction in progress | 2,151,851 |
| Depreciable capital assets, net | 28,661,706 |
| Total capital assets, net | 39,941,241 |
| Total noncurrent assets | 64,710,469 |
| Total assets | 80,698,007 |
| **Deferred Outflows of Resources:** | |
| Pension | 72,137 |
| OPEB | 31,145 |
| Total deferred outflows of resources | 103,282 |
| Total assets and deferred outflows of resources | 80,801,289 |

(Continued)

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2021

| | |
|---|---|
| **Liabilities:** | |
| **Current liabilities:** | |
| Accounts payable | 29,227 |
| Contracts payable | 480,571 |
| Accrued wages and benefits | 35,862 |
| Intergovernmental payable | 122,471 |
| Accrued interest payable | 6,210 |
| Compensated absences payable | 3,481 |
| Retainage payable | 30,131 |
| MISTRAS building construction loan | 220,878 |
| 660 International drive loan | 76,699 |
| 670 Kaiser drive loan | 139,962 |
| Total current liabilities | 1,145,492 |
| **Noncurrent liabilities:** | |
| 660 International drive loan | 1,293,637 |
| MISTRAS building construction loan | 3,001,487 |
| 30K speculative building | 203,411 |
| 670 Kaiser drive loan | 1,840,255 |
| Customer deposits | 137,500 |
| Net pension liability | 565,363 |
| Total noncurrent liabilities | 7,041,653 |
| Total liabilities | 8,187,145 |
| **Deferred Inflows of Resources:** | |
| Pension | 244,012 |
| OPEB | 193,570 |
| Leases | 27,117,204 |
| Total deferred inflows of resources | 27,554,786 |
| Total liabilities and deferred inflows of resources | 35,741,931 |
| **Net Position:** | |
| Net investment in capital assets | 32,654,210 |
| Unrestricted | 12,405,148 |
| Total net position | $ 45,059,358 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

| | |
|---|---|
| **Operating revenues:** | |
| Charges for services - leases | $ 6,318,517 |
| Charges for services - other | 262,500 |
| Other operating revenues | 30,367 |
| Total operating revenues | 6,611,384 |
| **Operating expenses:** | |
| Personnel services | 769,903 |
| Net pension and OPEB expense | (479,491) |
| Material and supplies | 18,683 |
| Contractual services | 2,616,152 |
| Depreciation | 1,695,896 |
| Total operating expenses | 4,621,143 |
| Operating income | 1,990,241 |
| **Nonoperating revenues (expenses):** | |
| Investment earnings | 2,603 |
| Intergovernmental grants | 30,000 |
| Interest and fiscal charges | (257,590) |
| Gain on sale of capital assets | 330,098 |
| Other nonoperating revenues | 661,217 |
| Total nonoperating revenues (expenses) | 766,328 |
| Change in net position | 2,756,569 |
| **Net position at beginning of year - Restated** | 42,302,789 |
| **Net position at end of year** | $ 45,059,358 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Cash received from leases | $ 5,714,565 |
| Cash received from other charges for services | 262,500 |
| Cash received from other operating receipts | 188,614 |
| Cash payments to supplies for goods and services | (2,550,329) |
| Cash payments for employee services and benefits | (768,611) |
| Net cash provided by operating activities | 2,846,739 |
| **Cash flows from capital and related financing activities:** | |
| Intergovernmental receipts | 30,000 |
| Proceeds from loans | 203,411 |
| Proceeds from sale of capital assets | 1,168,041 |
| Principal payments - MISTRAS loan | (212,965) |
| Principal payments - 660 international drive | (70,206) |
| Principal payments - 670 kaiser drive | (134,948) |
| Interest payments - 670 kaiser drive | (74,962) |
| Interest payments - MISTRAS loan | (121,852) |
| Interest payments - 660 international drive | (54,566) |
| Acquisition and construction of capital assets | (3,032,856) |
| Net cash used in capital and related financing activities | (2,300,903) |
| **Cash flows from investing activities:** | |
| Interest received | 10,223 |
| Net cash provided by investing activities | 10,223 |
| Net increase in cash and cash equivalents | 556,059 |
| **Cash and cash equivalents at beginning of year** | 11,584,994 |
| **Cash and cash equivalents at end of year** | $ 12,141,053 |

(Continued)

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

| | |
|---|---|
| **Reconciliation of operating income to net cash provided by operating activites:** | |
| Operating income | $ 1,990,241 |
| Adjustments: | |
| Depreciation | 1,695,896 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| (Increase) decrease in accounts receivable | 57,802 |
| (Increase) decrease in notes receivable | 100,000 |
| (Increase) decrease in leases receivable | 2,539,849 |
| (Increase) decrease in net OPEB asset | (63,353) |
| (Increase) decrease in deferred outflows of resources - pension | 43,633 |
| (Increase) decrease in deferred outflows of resources - OPEB | 46,966 |
| (Increase) decrease in prepaid items | (12,689) |
| Increase (decrease) in accounts payable | (258,423) |
| Increase (decrease) in contracts payable | 295,914 |
| Increase (decrease) in accrued wages and benefits | 2,195 |
| Increase (decrease) in compensated absences | (903) |
| Increase (decrease) in intergovernmental payable | 2,327 |
| Increase (decrease) in retainage payable | 30,131 |
| Increase (decrease) in net OPEB liability | (493,386) |
| Increase (decrease) in net pension liability | (192,651) |
| Increase (decrease) in deferred inflows of resources - pension | 83,221 |
| Increase (decrease) in deferred inflows of resources - OPEB | 123,325 |
| Increase (decrease) in deferred inflows of resources - Leases | (3,143,356) |
| Net cash provided by operating activities | $ 2,846,739 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Heath-Newark-Licking County Port Authority (the "Authority") was created on May 18, 1996 under the authority of Section 4582.21 et seq. of the Ohio Revised Code which provides that "a municipal corporation, a county or any combination thereof acting jointly, may create a port authority which shall be a body corporate and politic and have territorial limits coterminous with the territorial limits of the political subdivision(s) creating such port authority."

### A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority 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 the deficits of, or provide financial support to, the organization; or (4) the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Authority has no component units. The basic financial statements of the reporting entity include only those of the Authority (the primary government).

### B. Basis of Presentation

The Authority operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. All transactions are accounted for in a single enterprise fund.

The financial statements are presented as of December 31, 2021 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting: and Financial Reporting: Standards (GASB Codification).

### C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows of resources and deferred outflows of resources associated with the operation of these funds are included on the statement of net position.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus (Continued)

The statement of revenues, expenses and change in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

### D. Basis of Accounting

The Authority uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

### E. Budgetary Process

The budgetary process is prescribed by the provisions of Ohio Revised Code Section 4582.39. "Rents and charges received by the port authority shall be used for the general expenses of the port authority and to pay interest, amortization, and retirement charges on money borrowed." The major document prepared is the appropriation resolution which is prepared on the budgetary basis of accounting.

The appropriation resolution is subject to amendment throughout the year. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within its fund. Budgetary modifications may only be made by resolution of the Board of Directors.

1. Budget

The Director, Finance and Compliance and Chief Executive Officer submit an annual budget and appropriations resolution for the following fiscal year to the Board of Directors by the December board meeting for consideration and passage. The adopted budget shall not exceed the total of the estimated revenues available for expenditure.

2. Estimated Resources

The Director, Finance and Compliance and Chief Executive Officer prepare estimated revenues by fund prior to consideration of the annual appropriation resolution. The Authority must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

3. Appropriations

An annual appropriation resolution must be passed by the Board of Directors for the following year in December. The appropriation resolution establishes spending controls at the fund and object level (i.e. personnel services, materials and supplies, contractual services, and capital outlay). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources. The allocation of appropriations among objects within the fund may be modified during the year by a resolution of the Board of Directors.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Budgetary Process (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

5. Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent year and need not be reappropriated.

### F. Cash and Cash Equivalents

Cash balances of the Authority's funds are pooled and invested in investments in order to provide improved cash management. Individual fund integrity is maintained through the Authority's records and is presented as "Cash and Cash Equivalents" on the financial statements.

During 2021, investments were limited to a sweep account and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as the sweep account are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of 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 its 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 an NAV per share that approximates fair value.

For 2021, 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 $100 million. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

Interest revenue earned and credited during 2021 amounted to $2,603.

For purpose of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### G. Fair 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. All investments of the Authority are reported at cost.

### H. Capital Assets and Depreciation

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $1,000. Property, plant and equipment acquired by the enterprise funds are stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Donated capital assets are recorded at their acquisition value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

| Description | Estimated Lives (in years) |
|---|---|
| Infrastructure | 20 – 50 |
| Buildings | 20 – 50 |
| Building Improvements | 10 – 50 |
| Improvements Other than Buildings | 10 – 20 |
| Vehicles | 3 – 15 |
| Furniture & Equipment | 3 – 25 |
| Computer Equipment | 3 – 15 |

### I. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," compensated absences are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Employees earn vacation leave based on length of service and position. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

Employees earn 10 days of sick leave per year, which may be carried over to subsequent years. There is no liability for unpaid accumulated sick leave since upon separation or retirement; employees do not receive any payment for unused sick time.

### J. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB 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 plan.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### J. Pensions/Other Postemployment Benefits (OPEB)

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 plans report investments at fair value.

### K. Deferred Outflows of Resources and Deferred Inflows 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 have been reported for the following two items related the Authority's net pension and net OPEB liability/(asset): (1) the difference between expected and actual experience of the pension systems, and (2) the Authority's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the Authority reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources have been reported for the following items related the Authority's net pension and net OPEB liability/(asset): (1) the difference between expected and actual experience of the pension systems, and (2) the Authority's contributions to the pension systems subsequent to the measurement date. Deferred inflows of resources are also recognized for long-term leases whereas the Authority is the lessor.

### L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets is reported net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net position would consist of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements.

### M. Operating Revenues & Expenses

Operating revenues consist primarily of fees for services, rents and charges for use of facilities, and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues include intergovernmental grants and interest from investments. Nonoperating expenses include interest expense on long-term debt and various other nonoperating expenses.

### N. Economic Dependency

The Authority receives approximately 95% of its operating revenue from tenant leases. Due to the significance of this revenue, the Authority is considered economically dependent on lease revenues.

## NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of the Authority are combined to form a pool of cash and investments. The Authority has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Authority to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income. Statutes require the classification of funds held by the Authority into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the Authority. Such funds must be maintained either as cash in the Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

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

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

- Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within a ten year form the date of settlement, bonds and other obligations of a political subdivision of the State of Ohio, if training requirements have been met;

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

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

- The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio), and

**NOTE 2 – POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one period.

**Deposits**

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 the 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 either be insured or protected by (1) eligible securities pledged to the Authority's 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 2021, the Authority's financial institution was approved for a 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.

At year end the carrying amount of the Authority's deposits was $1,659,125 and based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures",* as of December 31, 2021, the Authority's bank balance of $1,661,448 was covered by the FDIC up to $250,000 with the remaining balance secured by the Ohio Pooled Collateral System.

**Investments**

The Authority invested in STAR Ohio that was reported at amortized cost of $5,300,192 and an overnight sweep account, which has no credit rating, in the amount of $5,181,736.

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

***Concentration of 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's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

***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.

## NOTE 3 – ACCOUNTABILITY

**Change in Accounting Principles**

For 2021, the Authority has implemented GASB Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period.*"

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of this GASB did not have an impact on the financial statements of the Authority.

The Authority also implemented GASB Statement No. 87 "*Leases*" and GASB Implementation Guide 2019-3 "*Leases*" which enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Implementation of this accounting principle resulted in a restatement to beginning net position of $760,805 from $41,541,984 to $42,302,789.

For 2021, the Authority has applied GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*" to GASB Statement Nos. 91, 92 and 93, which were originally due to be implemented in 2021. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncements are postponed and the Authority has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The implementation of the above GASB Statement No. 95 did not have an effect on the financial statements of the Authority at December 31, 2021.

## NOTE 4 - CAPITAL ASSETS

A summary of capital assets at December 31, 2021:

| | Balance 12/31/2020 | Additions | Deletions | Balance 12/31/2021 |
|---|---|---|---|---|
| **Nondepreciable Capital Assets** | | | | |
| Land | $9,074,642 | $53,042 | $0 | $9,127,684 |
| Construction in Progress | 572,517 | 1,749,331 | (169,997) | 2,151,851 |
| Total Nondepreciable Capital Assets | 9,647,159 | 1,802,373 | (169,997) | 11,279,535 |
| **Depreciable Capital Assets** | | | | |
| Buildings and Improvements | 38,072,204 | 94,071 | (974,650) | 37,191,625 |
| Infrastructure | 2,707,393 | 299,181 | (238,813) | 2,767,761 |
| Furniture and Fixtures | 174,420 | - | - | 174,420 |
| Machinery and Equipment | 7,013,669 | 1,659,703 | - | 8,673,372 |
| Vehicles | 68,860 | - | - | 68,860 |
| Total at Historical Cost | 48,036,546 | 2,052,955 | (1,213,463) | 48,876,038 |
| Less: Accumulated Depreciation | | | | |
| Buildings and Improvements | (13,044,502) | (1,008,267) | 139,032 | (13,913,737) |
| Infrastructure | (998,117) | (95,171) | 238,813 | (854,475) |
| Furniture and Fixtures | (66,311) | (3,271) | - | (69,582) |
| Machinery and Equipment | (4,777,551) | (582,301) | - | (5,359,852) |
| Vehicles | (9,800) | (6,886) | - | (16,686) |
| Total Accumulated Depreciation | (18,896,281) | (1,695,896) | 377,845 | (20,214,332) |
| Depreciable Capital Assets, Net of Accumulated Depreciation | 29,140,265 | 357,059 | (835,618) | 28,661,706 |
| Capital Assets, Net | $38,787,424 | $2,159,432 | ($1,005,615) | $39,941,241 |

## NOTE 5 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability and Net OPEB Asset***

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

**NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)**

The 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/OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability/asset. Resulting adjustments to the net pension/OPEB liability/asset would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits.

The remainder of this note includes the pension disclosures. See Note 6 for the OPEB disclosures.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group.

## NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

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 Annual Comprehensive Financial Report referenced above for additional information):

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>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:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| **Formula:**<br>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:**<br>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:**<br>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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost–of–living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

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. 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. 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 members' 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.

**NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)**

Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), 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. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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 |
|---|---|
| **2021 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| **2021 Actual Contribution Rates** | |
| Employer: | |
| Pension | 14.0 % |
| Post-employment Health Care Benefits | 0.0 |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution was $72,137 for 2021. Of this amount, $5,649 is reported as a component of accrued wages and benefits.

***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, 2020, 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 contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

**NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)**

| | OPERS |
|---|---|
| **Traditional Plan** | |
| Proportion of the net pension liability prior measurement date | 0.00383500% |
| Proportion of the net pension liability current measurement date | 0.00381800% |
| Change in proportionate share | -0.00001700% |
| | |
| Proportionate share of the net pension liability - Traditional Plan | $ 565,363 |
| Pension expense | $ 6,340 |

At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS |
|---|---|
| **Deferred Outflows of Resources** | |
| Authority contributions subsequent to the measurement date | $72,137 |
| Total Deferred Outflows of Resources | $72,137 |
| | |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $23,650 |
| Net difference between projected and actual earnings on pension plan investments | 220,362 |
| Total Deferred Inflows of Resources | $244,012 |

$72,137 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)**

| | OPERS |
|---|---|
| Year Ending December 31: | |
| 2022 | ($93,025) |
| 2023 | (31,107) |
| 2024 | (89,826) |
| 2025 | (30,054) |
| Total | ($244,012) |

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below:

| | |
|---|---|
| Wage inflation | 3.25% |
| Future salary increases, including inflation | 3.25% to 10.75% including wage inflation |
| COLA or ad hoc COLA | Pre 1/7/2013 retirees: 3.00%, simple<br>Post 1/7/2013 retirees: 0.50%, simple<br>through 2021, then 2.15% simple |
| Investment rate of return | |
| Current measurement date | 7.20% |
| Prior measurement date | 7.20% |
| Actuarial cost method | Individual entry age |

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2.15% 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 Healthy 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

**NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)**

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.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2020, 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 was 11.70% for 2020.

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, 2020, these best estimates are summarized in the following table.

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed income | 25.00 % | 1.32 % |
| Domestic equities | 21.00 | 5.64 |
| Real estate | 10.00 | 5.39 |
| Private equity | 12.00 | 10.42 |
| International equities | 23.00 | 7.36 |
| Other investments | 9.00 | 4.75 |
| Total | 100.00 % | 5.43 % |

***Discount Rate -*** The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2020 was 7.20%.

**NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)**

The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, 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 (6.20%) or one-percentage-point higher (8.20%) than the current rate:

| | 1% Decrease (6.20%) | Current Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|---|---|---|
| Authority's proportionate share of the net pension liability: | | | |
| Traditional Plan | $ 1,078,432 | $ 565,363 | $ 138,746 |

**NOTE 6 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Asset***

See Note 5 for a description of the net OPEB asset.

***Plan Description - Ohio Public Employees Retirement System (OPERS)***

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector.

**NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)**

The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self- insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS- covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled. OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re- employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report 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.

**NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)**

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' 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 and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2021 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $0 for 2021.

***Net OPEB asset***

The Authority's proportion of the net OPEB asset was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | OPERS |
|---|---|
| Proportion of the Net OPEB Asset: | |
| Current Measurement Date | 0.003556% |
| Prior Measurement Date | 0.003572% |
| Change in Proportionate Share | -0.0000160% |
| Proportionate Share of the Net OPEB Asset | $63,353 |
| OPEB Expense | ($386,448) |

## NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefit liabilities from the following sources:

| | OPERS |
|---|---|
| **Deferred Outflows of Resources** | |
| Changes of assumptions | $31,145 |
| Total Deferred Outflows of Resources | $31,145 |
| | |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $57,176 |
| Change in assumptions | 102,651 |
| Net difference between projected and actual earnings on plan investments | 33,743 |
| Total Deferred Inflows of Resources | $193,570 |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS |
|---|---|
| Year Ending December 31: | |
| 2022 | ($84,803) |
| 2023 | (58,986) |
| 2024 | (14,662) |
| 2025 | (3,974) |
| Total | ($162,425) |

### *Actuarial Assumptions - OPERS*

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

## NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)

| | |
|---|---|
| Wage Inflation | 3.25% |
| Projected Salary Increases, including inflation | 3.25 to 10.75% including wage inflation |
| Single Discount Rate: | |
| Current measurement date | 6.00% |
| Prior Measurement date | 3.16% |
| Investment Rate of Return | |
| Current measurement date | 6.00% |
| Prior Measurement date | 6.00% |
| Municipal Bond Rate | |
| Current measurement date | 2.00% |
| Prior Measurement date | 2.75% |
| Health Care Cost Trend Rate | |
| Current measurement date | 8.50% initial, 3.50% ultimate in 2035 |
| Prior Measurement date | 10.0%, initial 3.50%, ultimate in 2030 |
| Actuarial Cost Method | Individual Entry Age Normal |

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 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.

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

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 2020, 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, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. 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 was 10.50% for 2020.

**NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)**

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees 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 the benefits provided through the defined pension plans. Health care is a discretionary benefit. 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 34.00 % | 1.07 % |
| Domestic Equities | 25.00 | 5.64 |
| Real Estate Investment Trust | 7.00 | 6.48 |
| International Equities | 25.00 | 7.36 |
| Other investments | 9.00 | 4.02 |
| Total | 100.00 % | 4.43 % |

***Discount Rate*** A single discount rate of 6.00% was used to measure the total OPEB asset on the measurement date of December 31, 2020. 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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. 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 the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

***Change in Benefit Terms*** - On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the Authority at December 31, 2021. These changes significantly decreased the total OPEB asset for the measurement date December 31, 2020.

## NOTE 6 – DEFINED BENEFIT OPEB PLANS (Continued)

***Sensitivity of the Authority's Proportionate Share of the Net OPEB asset to Changes in the Discount Rate*** The following table presents the Authority's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the Authority's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|---|---|---|
| Authority's proportionate share of the net OPEB asset | $15,753 | $63,353 | $102,484 |

***Sensitivity of the Authority's Proportionate Share of the Net OPEB asset to Changes in the Health Care Cost Trend Rate*** Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB liability/(asset) if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

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 2021 is 8.50%. 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% in the most recent valuation.

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|---|---|---|
| Authority's proportionate share of the net OPEB asset | $64,897 | $63,353 | $61,625 |

## NOTE 7 – LONG-TERM DEBT

Long-term debt obligations of the Authority at December 31, 2021 were as follows:

**NOTE 7 – LONG-TERM DEBT (Continued)**

| *Direct Borrowings:* | Outstanding 12/31/20 | Additions | Reductions | Outstanding 12/31/21 | Due in One Year |
|---|---|---|---|---|---|
| MISTRAS building loan | $ 3,435,330 | $ - | $ (212,965) | $ 3,222,365 | $ 220,878 |
| 660 international drive | 1,440,542 | - | (70,206) | 1,370,336 | 76,699 |
| 30K speculative building | - | 203,411 | - | 203,411 | - |
| 670 Kaiser drive | 2,115,165 | - | (134,948) | 1,980,217 | 139,962 |
| *Total direct borrowings* | 6,991,037 | 203,411 | (418,119) | 6,776,329 | 437,539 |
| Compensated absences | 4,384 | 39,088 | (39,991) | 3,481 | 3,481 |
| Net OPEB liability | 493,386 | - | (493,386) | - | - |
| Net pension liability | 758,014 | - | (192,651) | 565,363 | - |
| Total long-term obligations | $ 8,246,821 | $ 242,499 | $ (1,144,147) | $ 7,345,173 | $ 441,020 |

The MISTRAS Building loan was approved in 2015 and relates the construction of a new speculative building for the MISTRAS Group. MISTRAS is a leading "one source" global provider of technology-enabled asset protection solutions used to evaluate the structural integrity of critical energy, industrial and public infrastructure. The Authority was approved up to $4,300,000 at an interest rate of 4.82% with the building as loan collateral. During 2020, the Port Authority refinanced the existing loan reducing its interest rate from 4.82% to 3.6%. There were no additional loan proceeds issued and other terms did not change.

On April 2, 2018, the Authority issued $2,400,000 taxable series 2018 revenue bonds, at an interest rate of 4.951% per annum, for the purpose of purchasing land and constructing a speculative building located at 670 Kaiser Drive. During 2020, the Port Authority retired these outstanding revenue bonds and secured a loan in the amount of $2,159,556 at an interest rate of 3.6% with the final payment due 2033.

The Authority entered into a loan agreement in the amount not to exceed $1,445,000 for the construction of a speculative building located at 660 International Drive at an interest rate of 3.6%. At December 31, 2020, the Authority had borrowed a total of $1,445,000 collateralized by the land and building. Final payment is due 2035.

On September 9, 2021, the Authority secured financing for the purpose of constructing a 30,000 square foot speculative industrial building at 1680 James Parkway in Heath, Ohio. The Authority was approved for a loan up to $2,550,000 at an interest rate of 3.67% for the first 10 years then plus 2.27% thereafter amortized over 20 years. Once this project is finalized an amortization schedule will be provided.

The total principal and interest requirements to retire the Authority's outstanding debt:

## NOTE 7 – LONG-TERM DEBT (Continued)

| | 670 Kaiser Drive | | | MISTRAS Building Loan | | |
|---|---|---|---|---|---|---|
| Year Ending December 31, | Principal | Interest | Total | Principal | Interest | Total |
| 2022 | $ 139,962 | $ 69,947 | $ 209,909 | $ 220,878 | $ 113,938 | $ 334,816 |
| 2023 | 145,157 | 64,752 | 209,909 | 229,076 | 105,740 | 334,816 |
| 2024 | 150,373 | 59,536 | 209,909 | 237,298 | 97,518 | 334,816 |
| 2025 | 156,127 | 53,782 | 209,909 | 246,387 | 88,429 | 334,816 |
| 2026 | 161,921 | 47,988 | 209,909 | 255,532 | 79,284 | 334,816 |
| 2027-2031 | 904,426 | 145,319 | 1,049,745 | 1,426,969 | 247,111 | 1,674,080 |
| 2032-2035 | 322,251 | 9,918 | 332,169 | 606,225 | 21,968 | 628,193 |
| Total | $ 1,980,217 | $ 451,242 | $ 2,431,459 | $ 3,222,365 | $ 753,988 | $ 3,976,353 |

| | 660 International Drive | | |
|---|---|---|---|
| Year Ending December 31, | Principal | Interest | Total |
| 2022 | $ 76,699 | $ 48,072 | $ 124,771 |
| 2023 | 79,506 | 45,265 | 124,771 |
| 2024 | 82,295 | 42,476 | 124,771 |
| 2025 | 85,428 | 39,343 | 124,771 |
| 2026 | 88,555 | 36,216 | 124,771 |
| 2027-2031 | 493,732 | 130,123 | 623,855 |
| 2032-2035 | 464,121 | 34,948 | 499,069 |
| Total | $ 1,370,336 | $ 376,443 | $ 1,746,779 |

## NOTE 8 - RISK MANAGEMENT – RISK POOL MEMBERSHIP

The Authority belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first $250,000 casualty treaty and 30% of the first $1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between $200,000 and $1,000,000. The reimbursement is based on the amount of loss between $200,000 and $1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first $250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

## NOTE 8 - RISK MANAGEMENT – RISK POOL MEMBERSHIP (Continued)

Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first $250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first $250,000 casualty treaty. OPRM had 771 members as of December 31, 2020 (the latest information available):

| | 2020 |
|---|---|
| Assets | $18,826,974 |
| Liabilities | (13,530,267) |
| Members' Equity | $5,296,707 |

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

## NOTE 9 – LEASE RECEIVABLE

The revenues related to all leases, tenancy, or occupancy agreements and security deposits and guarantees affecting the Authority's campus are included in these financial statements. Lease revenue is accounted for by the straight-line method whereby such revenue is reflected over the period of the related leases. Revenue on these agreements is recognized when the lessees report the amounts owed, which approximates the period in which the revenue was earned.

The Authority leases space to tenants under noncancelable operating leases with various terms contingent on the tenant. Management expects to negotiate and extend tenant leases once they have expired. The following is a schedule of estimated future minimum rentals under the current tenant lease terms:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 3,657,327 | $ 961,121 | $ 4,618,448 |
| 2023 | 3,702,380 | 828,260 | 4,530,640 |
| 2024 | 3,883,837 | 692,458 | 4,576,295 |
| 2025 | 4,094,418 | 549,188 | 4,643,606 |
| 2026 | 4,314,780 | 398,177 | 4,712,957 |
| 2027-2031 | 8,710,460 | 411,204 | 9,121,664 |
| Total | $ 28,363,202 | $ 3,840,408 | $ 32,203,610 |

## NOTE 10 - CONDUIT DEBT

To further economic development in the County, the Authority has issued bonds that meet the definition of a conduit debt obligation. Those bonds have provided private-sector entities with access to capital for the acquisition and construction of industrial and commercial facilities. The bonds are secured by the property they finance and are payable solely from payments received from the private-sector entities on the underlying mortgage or promissory notes.

## NOTE 10 - CONDUIT DEBT (Continued)

The Authority has not extended any additional commitments for the debt service payments of the bonds beyond the collateral and the payments from the private-sector entities on the underlying mortgage or promissory notes and maintenance of the tax-exempt status of the conduit debt obligation. At December 31, 2021, the bonds have an aggregate principal amount payable of $530,691,063, none of which was recognized as a liability by the Authority.

## NOTE 11 – 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 pension and other employee benefits plan in which the Authority participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized 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.

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**
**LAST EIGHT YEARS**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Authority's Proportion of the Net Pension Liability - Traditional Plan | 0.003818% | 0.003835% | 0.0038460% |
| Authority's Proportionate Share of the Net Pension Liability - Traditional Plan | $ 565,363 | $ 758,014 | $ 1,053,341 |
| Authority's Covered-Employee Payroll | $ 537,736 | $ 539,629 | $ 519,743 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 105.14% | 140.47% | 202.67% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Traditional Plan | 86.88% | 82.17% | 74.70% |

Note: Information prior to 2014 was unavailable. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

| 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|
| | 0.0038080% | | 0.0038150% | | 0.003850% | | 0.003762% | | 0.003762% |
| $ | 597,401 | $ | 866,322 | $ | 666,869 | $ | 453,739 | $ | 443,491 |
| $ | 525,469 | $ | 493,167 | $ | 479,250 | $ | 381,892 | $ | 440,431 |
| | 113.69% | | 175.67% | | 139.15% | | 118.81% | | 100.69% |
| | 84.66% | | 77.25% | | 81.08% | | 86.45% | | 86.36% |

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF AUTHORITY'S PENSION CONTRIBUTIONS**
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**
**LAST TEN YEARS**

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Contractually Required Contribution | $ 72,137 | $ 75,283 | $ 75,548 | $ 72,764 |
| Contributions in Relation to the Contractually Required Contribution | (72,137) | (75,283) | (75,548) | (72,764) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| Authority's Covered-Employee Payroll | $ 515,264 | $ 537,736 | $ 539,629 | $ 519,743 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 14.00% | 14.00% |

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

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| $ 68,311 | $ 59,180 | $ 57,510 | $ 45,827 | $ 57,256 | $ 54,265 |
| (68,311) | (59,180) | (57,510) | (45,827) | (57,256) | (54,265) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $ 525,469 | $ 493,167 | $ 479,250 | $ 381,892 | $ 440,431 | $ 542,650 |
| 13.00% | 12.00% | 12.00% | 12.00% | 13.00% | 10.00% |

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY/(ASSET)**
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**
**LAST FIVE YEARS**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Authority's Proportion of the Net OPEB Liability/(Asset) | 0.0035556% | 0.0035720% | 0.0035810% | 0.0035500% | 0.003460% |
| Authority's Proportionate Share of the Net OPEB Liability(Asset) | $ (63,353) | $ 493,386 | $ 466,878 | $ 385,504 | $ 349,472 |
| Authority's Covered-Employee Payroll | $ 537,736 | $ 539,629 | $ 519,743 | $ 525,469 | $ 493,167 |
| Authority's Proportionate Share of the Net OPEB Liability /(Asset) as a Percentage of its Covered-Employee Payroll | -11.78% | 91.43% | 89.83% | 73.36% | 70.86% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | | | | | |
| Traditional Plan | 115.57% | 47.80% | 46.33% | 54.14% | 54.14% |

Note: Information prior to 2017 was unavailable. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF AUTHORITY'S OPEB CONTRIBUTIONS**
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**
**LAST TEN YEARS**

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Contractually Required Contribution | $ - | $ - | $ - | $ - |
| Contributions in Relation to the Contractually Required Contribution | - | - | - | - |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| Authority's Covered-Employee Payroll | $ 515,264 | $ 537,736 | $ 539,629 | $ 519,743 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.00% | 0.00% | 0.00% | 0.00% |

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

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| $ 4,877 | $ 9,866 | $ 9,585 | $ 6,544 | $ 4,089 | $ 14,650 |
| (4,877) | (9,866) | (9,585) | (6,544) | (4,089) | (14,650) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $ 525,469 | $ 493,167 | $ 479,250 | $ 381,892 | $ 440,431 | $ 542,650 |
| 1.00% | 2.00% | 2.00% | 1.71% | 0.93% | 2.70% |

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**
**LICKING COUNTY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

## PENSION

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2021.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 through 2021, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate was 7.20%.

## OTHER POSTEMPLOYMENT BENEFITS (OPEB)

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2017-2020. For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements, however, they are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.50%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030. For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.00%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035.

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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*

Heath-Newark-Licking County Port Authority
Licking County
851 Irving-Wick Drive West
Heath, Ohio 43056

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Heath-Newark-Licking County Port Authority, Licking County, Ohio (the Authority) as of and for the years ended December 31, 2022 and 2021, 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, 2023, wherein we noted the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases* for the year ended December 31, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E Harris Associates

***Charles E. Harris & Associates, Inc.***
August 23, 2023

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OHIO AUDITOR OF STATE
**KEITH FABER**

**HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY**

**LICKING 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 11/21/2023**

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