LANCASTER PORT AUTHORITY
FAIRFIELD COUNTY
REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2024

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Millhuff-Stang, CPA, Inc.
8841 Ohio River Road / Wheelersburg, Ohio 45694 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

OHIO AUDITOR OF STATE
KEITH FABER

65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Directors
Lancaster Port Authority
110 East Main Street, Room 106
Lancaster, Ohio 43130

We have reviewed the *Independent Auditor's Report* of the Lancaster Port Authority, Fairfield County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2024 through December 31, 2024. 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 Lancaster Port Authority is responsible for compliance with these laws and regulations.

KEITH FABER
Ohio Auditor of State

Tiffany L Ridenbaugh

Tiffany L Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

September 30, 2025

This page intentionally left blank.

Lancaster Port Authority
(A Component Unit of the City of Lancaster)
Fairfield County
Table of Contents
For the Year Ended December 31, 2024

This page intentionally left blank.

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Board of Directors
Lancaster Port Authority
104 East Main Street
Lancaster, Ohio 43130

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Lancaster Port Authority, (the Port Authority), a component unit of the City of Lancaster, Ohio as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Lancaster Port Authority, as of December 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with 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 (*Government Auditing Standards*). 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 Port 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 13 to the financial statements, the Port Authority discovered errors in previously reported prepaid gas supply balances which resulted in a restatement of the December 31, 2023 net position. We did not modify our opinion regarding 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.

Millhuff-Stang, CPA, Inc.
8841 Ohio River Road / Wheelersburg, Ohio 45694 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

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 Port 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 Port 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 Port 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, the schedules of the Port Authority's proportionate share of the net pension/OPEB liabilities/assets, and the schedules of the Port Authority's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 June 18, 2025 on our consideration of the Port Authority's internal control over financial reporting and on 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 Port 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 Port Authority's internal control over financial reporting and compliance.

Millhuff-Stang CPA Inc.

Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

June 18, 2025

This Page Intentionally Left Blank

Management's Discussion and Analysis
For the Year Ended December 31, 2024 ***Unaudited***

The discussion and analysis of the Lancaster Port Authority's (the "Port Authority") financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2024. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2024 are as follows:

- Assets increased from $546,749,805 to $547,946,917 due to the prepayment for additional gas. This was partially offset by the decrease in the fair value of the derivative instrument as the price of gas increased.

- Liabilities decreased due to paying principal on mortgage revenue bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. These statements are organized so the reader can understand the financial position of the Port Authority. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities and deferred inflows are included on the statement of net position. The statement of net position represents the basic statement of position for the Port Authority. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position. The statement of cash flows reflects how the Port Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

This space intentionally left blank.

Management's Discussion and Analysis
For the Year Ended December 31, 2024 ***Unaudited***

FINANCIAL ANALYSIS OF THE PORT AUTHORITY

The following tables represent the Port Authority's condensed financial information for 2024 and 2023 derived from the statement of net position and the statement of revenues, expenses, and changes in net position.

	2024	Restated 2023
Current Assets	$17,778,608	$18,147,319
Other Assets	530,070,474	528,585,352
Net OPEB Asset	5,171	0
Capital Assets, Net	92,664	17,134
Total Assets	547,946,917	546,749,805
Deferred Outflows of Resources	61,394	137,428
Current Liabilities	8,312,258	6,163,685
Net Pension Liability	160,748	246,659
Net OPEB Liability	0	4,905
Long-term Debt Outstanding	324,923,368	330,139,462
Total Liabilities	333,396,374	336,554,711
Deferred Inflows of Resources	242,017,932	227,353,613
Net Position:		
Investment in Capital Assets	92,664	17,134
Restricted	5,171	0
Unrestricted	(27,503,830)	(17,038,225)
Total Net Position	($27,405,995)	($17,021,091)

This space intentionally left blank.

Changes in Net Position – The following table shows the changes in net position for 2024 compared to 2023:

	2024	2023
Revenues		
Gas Supply	$3,826,657	$4,042,258
Other Operating Revenue	10,452	10,452
Total revenues	3,837,109	4,052,710
Expenses		
Personal Services	132,664	197,091
Supplies and Materials - Cost of Gas Sold	0	1,243,935
Contractual Services	3,180,432	191,803
Depreciation	1,501	1,501
Total expenses	3,314,597	1,634,330
Operating Income	522,512	2,418,380
Nonoperating Revenues/(Expenses)		
Intergovernmental Grant	0	30,000
Investment Earnings	360,949	309,245
Interest on Long-term Debt	(16,749,501)	(13,252,783)
Gain on Derivative Instruments	5,082,935	0
Other Nonoperating Revenue	321,170	130,084
Capital Contribution	77,031	0
Total Change in Net Position	(10,384,904)	(10,365,074)
Beginning Net Position, Restated	(17,021,091)	(6,656,017)
Ending Net Position	($27,405,995)	($17,021,091)

Net Position decreased by $10,384,904. This is the result of recognizing the consumption of the current year's portion of the prepaid gas contract.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the Port Authority had $92,664 net of accumulated depreciation invested in capital assets. The following table shows 2024 and 2023 balances:

	2024	2023	Increase (Decrease)
Land	$87,207	$10,176	$77,031
Equipment	15,012	15,012	0
Less: Accumulated Depreciation	(9,555)	(8,054)	(1,501)
Totals	$92,664	$17,134	$75,530

The increase in Capital Assets is the result of transferring two parcels of land from the City of Lancaster. Additional information on the Port Authority's capital assets can be found in Note 4.

Debt

The following table summarizes the Port Authority's debt outstanding as of December 31, 2024 and 2023:

	2024	2023
Revenue Bonds Payable	$324,923,368	$330,139,462
Totals	$324,923,368	$330,139,462

Additional information on the Port Authority's long-term debt can be found in Note 5.

ECONOMIC FACTORS

The Lancaster Port Authority's (LPA) primary focus is job creation facilitated by land acquisitions, industrial development, business retention and marketing. The LPA's effort to drive affordable housing in the city continues. A new developer has taken over the previously announced "House in the Middle" project site within the opportunity zone. Construction is scheduled to begin by summer 2025. Following the completed Comprehensive Plan for Fairfield County, the LPA has contributed to a county-led housing study which will analyze Lancaster's current housing market and uncover gaps in housing types in order for the city to create a balanced housing market.

In an effort to bring more affordable housing to Lancaster, the LPA retained control of a City of Lancaster property along Ety Road. The intention of the developer is approximately 120 workforce housing units. The location is ideal as it sits between the Rock Mill Industrial Park (job center) and Memorial Drive (community retail and amenities).

The LPA is finalizing details on the civil and architectural design work for a new 50,000 square foot speculative industrial building within the Rock Mill Industrial Park. After a successful gas-prepay renewal, the LPA has the financial stability to begin construction. The hope is that this speculative development will help attract new industrial users and create good paying jobs.

In 2024, while industrial development was quiet in anticipation of the Presidential election, as is typical, the LPA used this time to further prepare sites for development. One way to prepare sites is by combining and splitting parcels where needed. The LPA is continuing efforts to authenticate approximately 60 acres of land in the Rock Mill Industrial Park through the JobsOhio Site Authentication process. The LPA utilized the state's demolition program which funded demolition of the remaining home, garage and outbuildings on the northern portion of the site. The site authentication process is in its final stages.

One major effort the LPA focused on in 2024 was surrounding the impending closure of the Post Holdings cereal manufacturing facility. The closure was announced in December of 2023, with a prospective closure date of September 2024. Collaboration with the Area 20 Workforce Development Board and Post Holdings provided the 200 employees with support, including job fairs and one-on-one support with resumes and interview skills. The LPA marketed the building and hosted clients. The facility did indeed close in October of 2024 and the building was officially sold to another snack food manufacturer in November of 2024. The intent at closing was to reopen the facility with three dry snack food lines, job creation and investment in machinery and equipment.

Zoresco Equipment Company opened a facility in Lancaster in an existing building after considering the Rock Mill Industrial Park. Zoresco, a truck body manufacturer, is committed to creating 18 full-time jobs. Zoresco was awarded a 1.2% job creation tax credit and an $80,000 grant to support their first facility in Central Ohio.

Serving existing employers is a large component of the LPA's body of work. In 2024 Cirba Solutions continued to expand their footprint with a 110,000 square foot addition as their initial investment of $250 million grows to almost $400 million. In August, the David Crane, the Under Secretary for Infrastructure at the U.S. Department of Energy, and Giulia Siccardo, Director of the U.S. DOE Office of Manufacturing and Energy Supply Chains (MESC), visited the site to oversee their progress. Cirba was recently granted $150,000 to rebuild a rail spur for delivery of bulk raw materials.

In June, Google announced they are investing an additional $2.3 billion in its three data center sites in central Ohio. That is in addition to the $4.4 billion already spend since they arrived in central Ohio in 2019. While we don't know how much of that will go specifically to Lancaster, Google continues to build out their commitments. In 2024, the first facility was up and running and a second began construction. Anchor Hocking is adding 200 jobs to the Lancaster manufacturing and distribution facilities after acquisition of brands and closing a facility in Pennsylvania.

The Lancaster Port Authority was awarded $2 million to go toward the Gateway development at the corners of Memorial and Main Street. The Gateway development, at full build out, will include a hotel and market rate apartments. The money, awarded by the One-Time Strategic Fund, will go toward a publicly owned parking garage.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Port Authority's finances and to show the Port Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stephanie Bosco Executive Director of the Lancaster Port Authority.

Statement of Net Position
December 31, 2024

ASSETS	
Current assets:	
Cash and Cash Equivalents	$12,447,076
Accounts Receivable	534,593
Prepaid Gas Supply - Current	4,796,939
Total Current Assets	17,778,608
Noncurrent Assets:	
Prepaid Gas Supply - Long Term	317,782,770
Land Held for Resale	2,962,482
Fair Value of Derivative Instruments	206,695,252
Net OPEB Asset	5,171
Restricted Assets:	
Cash and cash equivalents	2,629,970
Capital Assets	
Capital Assets Not Being Depreciated	87,207
Capital Assets Being Depreciated, net	5,457
Total Capital Assets	92,664
Total Noncurrent Assets	530,168,309
Total Assets	547,946,917
DEFERRED OUTFLOWS OF RESOURCES	
Pension	56,957
OPEB	4,437
Total Deferred Outflow of Resources	61,394
LIABILITIES	
Current Liabilities:	
Accounts Payable	400
Accrued Wages and Benefits	4,899
Intergovernmental Payable	1,960
Accrued Interest	6,298,675
Unearned Revenue	2,006,324
Bond Payable-current	715,000
Total Current Liabilities	9,027,258
Noncurrent Liabilities:	
Bond Payable-long term	324,208,368
Net Pension Liability	160,748
Total Noncurrent Liabilities	324,369,116
Total Liabilities	333,396,374

(Continued)

DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow from Derivative Instruments	206,695,252
Gain on Refunding	35,293,894
Pension	25,827
OPEB	2,959
Total Deferred Inflow of Resources	242,017,932
NET POSITION	
Investment in Capital Assets	92,664
Restricted for OPEB Asset	5,171
Unrestricted	(27,503,830)
Total Net Position	($27,405,995)

See accompanying notes to the basic financial statements

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2024

Operating Revenues:	
Gas Supply	$3,826,657
Other Operating Revenue	10,452
Total Operating Revenues	3,837,109
Operating Expenses:	
Personal Services	132,664
Contractual services	3,180,432
Depreciation	1,501
Total Operating Expenses	3,314,597
Operating Income	522,512
Nonoperating Revenues (Expenses):	
Investment Earnings	360,949
Interest on Long-term Debt	(16,749,501)
Other Nonoperating Revenues	321,170
Gain on Derivative Instrument	5,082,935
Total Nonoperating Revenues (Expenses)	(10,984,447)
Loss Before Capital Contributions	(10,461,935)
Capital Contribution	77,031
Change in Net Position	(10,384,904)
Net Position at Beginning of Year as Previously Reported	(133,214,117)
Prepaid Gas Correction	116,193,026
Net Position at Beginning of Year as Restated	(17,021,091)
Net Position at End of Year	($27,405,995)

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

Statement of Cash Flows
For the Year Ended December 31, 2024

Cash Flows from Operating Activities:	
Cash Received from Customers	$3,639,292
Cash Received from Swap Providers	13,832,597
Cash Payments for Personal Services	(124,538)
Cash Payments for Goods and Services	(34,254,899)
Other Miscellaneous Cash Receipts	331,250
Net Cash Used by Operating Activities	(16,576,298)
Cash Flows from Noncapital Financing Activities:	
Principal Payment on Revenue Bond Payable	(1,460,000)
Proceeds from Refunding Bonds	300,525,000
Proceeds from Premium on Refunding Bonds	24,811,900
Acquisition of Land Held for Resale	(50,610)
Grant Proceeds	2,000,000
Payment to Bond Escrow Agent	(295,746,123)
Interest Paid on Debt	(14,653,250)
Net Cash Provided by Noncapital Financing Activities	15,426,917
Cash Flows from Investing Activities:	
Receipts of Interest Earnings	360,949
Net Cash Provided by Investing Activities	360,949
Net Decrease in Cash and Cash Equivalents	(788,432)
Cash and Cash Equivalents at Beginning of Year	15,865,478
Cash and Cash Equivalents at End of Year	$15,077,046

(Continued)

Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income	$522,512
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Gain on Derivative Instrument	5,082,935
Miscellaneous Nonoperating Revenue	321,170
Depreciation Expense	1,501
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(187,365)
Increase in Prepaid Items	(22,323,611)
Increase in Net OPEB Asset	(5,171)
Decrease in Deferred Outflows-Pension	65,162
Decrease in Deferred Outflows-OPEB	10,872
Decrease in Accounts Payable	(1,194)
Increase in Accrued Wages and Benefits	817
Increase in Intergovernmental Payable	94
Decrease in Unearned Revenue	(372)
Decrease in Net Pension Liability	(85,911)
Decrease in Net OPEB Liability	(4,905)
Increase in Deferred Inflows-Pension	25,827
Increase in Deferred Inflows-OPEB	1,341
Total Adjustments	(17,098,810)
Net Cash Used by Operating Activities	($16,576,298)

Schedule of Noncash Investing Activities:

During 2024, the Port Authority received capital contributions of $77,031.

See accompanying notes to the basic financial statements

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lancaster Port Authority (the "Port Authority") was created on December 12, 2005 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."

The Port Authority operates under the direction of a five-member Board of Directors appointed by the Mayor of the City of Lancaster (the "City"). The Directors must be qualified electors of, or have their businesses or places of employment in the City. The Port Authority is considered a blended component unit of the City for reporting purposes, in accordance with accounting principles general accepted in the United States of America. The Port Authority was created for the purpose of enhancing, fostering, providing or promoting transportation, economic development, housing, recreation, education, government operations, and culture and research in the City.

The financial statements are presented as of December 31, 2024 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (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).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of accounting principles general accepted in the United States of America in that the financial statements include all organizations, activities, functions and component units for which the Port Authority (the primary government) is financially accountable. The Port Authority is financially accountable for an organization if it has (1) the ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on others, and (3) the entity's fiscal dependency on others.

Based on the foregoing, the Port Authority's financial reporting entity has no component units.

B. Basis of Presentation

The Port 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

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

D. Basis of Accounting

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

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market funds, and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements. The Port Authority considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the Port Authority records all its investments at fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 3, "Cash, Cash Equivalents and Investments."

During 2024, the Port Authority invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Port 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 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions 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.

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Gas Supply

The Port Authority prepaid for deliveries of natural gas supplies with the proceeds from revenue bonds. Prepaid gas supplies are stated at the present value of the remaining fixed delivery amounts, as determined by the prepay contract.

H. Derivative Instruments

The Port Authority's derivative financial instruments are accounted for in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 99, *Omnibus 2022.* In connection with this Statement, the fair value of the Port Authority's derivative financial instruments is recorded on the Statement of Net Position, with an offsetting deferred outflow or inflow.

Derivative instruments are utilized by the Port Authority to manage market risk and reduce its exposure resulting from fluctuations in prices of natural gas in order to meet debt service requirements. These instruments include commodity swap agreements which convert index-priced natural gas revenues to fixed prices for servicing outstanding debt obligations.

I. Capital Assets and Depreciation

Capital Assets are defined by the Port Authority as assets with an initial, individual cost of more than $1,000.

Property, plant and equipment acquired is stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Donated capital assets are recorded at 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)
Equipment	10

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Investment in capital assets consists of capital assets, net of accumulated depreciation.

L. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, 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 positon have been determined on the same basis as they are reported by the pension/OPEB plan. 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.

M. Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Port Authority, these revenues are charges for services for sale of natural gas. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The deferred outflows of resources related to the pension and OPEB plans is explained in Notes 8 and 9.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the Port Authority, deferred inflows of resources include the cumulative increase in hedging derivatives, pension and OPEB. The deferred inflows of resources related to the pension and OPEB plans is explained in Notes 8 and 9.

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fair Value

The Port 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.

P. Assets Held for Resale

Original land available for sale is stated at its appraised value, which approximates market value at the time of donation. Subsequent land purchases and costs to prepare the land for sale are stated at cost. As land is sold, an allocation of cost for those acres sold is charged to operations.

NOTE 2 – DEFICIT NET POSITION

The accumulated deficit at December 31, 2024 of $27,405,995 is the result of recording the prepaid gas supply at the present value of the future shipments and the related bonds payable at outstanding par value. At the end of the contract period, the net result will be zero.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of the Port Authority are combined to form a pool of cash and investments. The Port 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 Auditor and Treasurer 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 Port 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 Port 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 obligation 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;
- Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
- Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds, and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- 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 the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of Port Authority cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Port Authority places deposits must pledged collateral for the amount of deposits not covered by the Federal Deposit Insurance Corporation (FDIC) by (1) maintaining eligible securities pledged to the Port Authority which are deposited with a qualified trustee by the public depository as security for the repayment whose market value at all times shall be 102 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 the State of Ohio to secure the repayment of all public monies deposited in the public depository. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or at a lower rate if so established by the Treasurer of State.

At year end the carrying amount of the Port Authority's deposits was $6,037,426 and the bank balance was $6,038,093. Federal depository insurance covered $500,000 of the bank balance, and $5,538,093 was uninsured. Of the remaining uninsured bank balance, the Port Authority was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's trust department not in the Port Authority's name	$5,538,093

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The Port Authority's investments at December 31, 2024 are summarized below:

			Investment Maturities (in Years)		
	Fair Value[2]	Credit Rating	less than 1	1-3	3-5
STAR Ohio	$9,039,620	AAAm [1]	$9,039,620	$0	$0
Total Investments	$9,039,620		$9,039,620	$0	$0

[1] Standard & Poor's
[2] Reported at Amortized Cost

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The Port Authority has no investment policy that limits investment purchases beyond the requirements of Ohio Revised Code.

Investment Credit Risk – The Port Authority has no investment policy that limits its investment choices other than the limitation of State statute for "interim" funds described previously.

Concentration of Credit Risk – The Port Authority places no limit on the amount the Port Authority may invest in one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Port Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Port Authority has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents	Investments
Per Financial Statements	$15,077,046	$0
STAR Ohio	(9,039,620)	9,039,620
Per GASB Statement No. 3	$6,037,426	$9,039,620

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 4 - CAPITAL ASSETS

Summary by category at December 31, 2024:

Historical Cost:

Class	December 31, 2023	Additions	Deletions	December 31, 2024
Capital assets not being depreciated:				
Land	$10,176	$77,031	$0	$87,207
Subtotal	10,176	77,031	0	87,207
Capital assets being depreciated:				
Equipment	15,012	0	0	15,012
Subtotal	15,012	0	0	15,012
Total Cost	$25,188	$77,031	$0	$102,219

Accumulated Depreciation:

Class	December 31, 2023	Additions	Deletions	December 31, 2024
Equipment	($8,054)	($1,501)	$0	($9,555)
Total Depreciation	($8,054)	($1,501)	$0	($9,555)
Net Value:	$17,134			$92,664

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 5 - LONG-TERM DEBT

Long-term debt obligations of the Port Authority at December 31, 2024 were as follows:

	Balance December 31, 2023	Additions	Deletions	Balance December 31, 2024	Amount Due Within One Year
Long-Term Debt					
5% Revenue Refunding Bonds 2019	$293,405,000	$0	($293,405,000)	$0	$0
Premium	36,734,462	0	(36,734,462)	0	0
5% Revenue Refunding Bonds 2024	0	300,525,000	0	300,525,000	715,000
Premium	0	24,811,900	(413,532)	24,398,368	0
Total Long-Term Debt	$330,139,462	$325,336,900	($330,552,994)	$324,923,368	$715,000

In November, 2024, the Port Authority issued $300,525,000 of gas supply revenue refunding bonds in a current refunding to redeem $291,945,000 of gas supply revenue refunding bonds issued in May, 2019 as well as provide for the prepayment of the extension of the original prepaid gas agreement through the year 2054. The 2024 gas supply revenue refunding bonds carry an interest rate of 5.00% and are scheduled to mature on February 1, 2055, with the bonds maturing after August 1, 2030 being subject to a mandatory tender as of that date.

The City of Lancaster will purchase the scheduled monthly gas at a specified index less a discount from such index price for the entire term of January 2025 through December 2054. The revenue bonds are secured by a pledge of the gas supply revenues derived from the related prepay transaction.

	Mortgage Revenue Bonds		
Years	Principal	Interest	Total
2025	$715,000	$11,144,469	$11,859,469
2026	1,135,000	14,977,000	16,112,000
2027	1,185,000	14,919,625	16,104,625
2028	1,290,000	14,859,625	16,149,625
2029	1,315,000	14,794,250	16,109,250
2030-2034	39,745,000	70,052,000	109,797,000
2035-2039	51,425,000	58,135,125	109,560,125
2040-2044	58,435,000	44,510,875	102,945,875
2045-2049	66,295,000	29,040,625	95,335,625
2050-2054	71,360,000	11,907,875	83,267,875
2055	7,625,000	190,625	7,815,625
Totals	$300,525,000	$284,532,094	$585,057,094

NOTE 6 - GAS PURCHASE AND SALES AGREEMENTS

The Port Authority has entered into long-term gas purchase and supply contracts for which prepayments have been made and an amount remaining of $322,579,709 is reflected in both current and noncurrent asset categories at December 31, 2024. Long-term sales agreements also exist with the City to take delivery of the natural gas over a period continuing through 2055. The sales price to the City for these contracts is at specified index prices less a discount. Swap agreements are used to convert these variable index prices to fixed prices sufficient to meet debt service requirements.

NOTE 7 - DERIVATIVE INSTRUMENTS

Composition of Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding as of December 31, 2024, classified by type, are as follows:

	Notional Amount	Fair Value	Counterparty Credit Rating
Positive Cash Flow Hedge:			
Pay-variable, receive fixed commodity swap	61,142,491 mmbtu	$ 206,695,252	A-

All fair values are classified as derivative instruments on the Statement of Net Position. The decrease in fair values of these derivatives instruments was $20,656,743 for 2024. As these commodity swaps are considered hedging derivatives instruments, the change in fair value is reflected within deferred inflows on the Statement of Net Position. The fair values of the commodity swaps are based on forward prices from established indexes for the applicable region and discounted using established interest rate indexes. The fair value of the derivatives is calculated based on current market rates (Level 2 inputs).

NOTE 7 - DERIVATIVE INSTRUMENTS (Continued)

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the Port Authority hedging derivative instruments outstanding at December 31, 2024:

Type	Objective	Maturity Date	Terms
Pay-variable, receive fixed commodity swap	The Port Authority has entered into a fixed to floating commodity swap in connection with the natural gas prepay transaction. The purpose of the Commodity Swap is to correlate gas sales revenues the Port Authority receives based on floating natural gas indices to a fixed stream of payments necessary to make debt service payments on its Bonds.	2055	The commodity swap extends to the date of the final maturity of the related Natural Gas Supply Agreements. The commodity swap requires monthly payments based on a notional quantity of natural gas that corresponds to the volume of natural gas sold pursuant to the related Natural Gas Supply Agreements. Payments under the commodity swap are based on nationally published gas indices at the gas delivery points.

Commodity Swap Risks

Termination Risk: The Commodity Swaps terminate in the event of a “triggering event” under the related Prepaid Natural Gas Sales Agreements, in the event of the Port Authority or counterparty nonperformance, and in connection with other specified events. Under the Commodity Swaps no payment, in the amount of the fair value or otherwise, is to be made by the Swap Counterparty in connection with an early termination of such swap. However, if the Commodity Swaps are terminated as a result of the Port Authority’s default or as a result of the termination of the Prepaid Natural Gas Sales Agreements, the Port Authority would be obligated to pay a termination payment to the Swap Counterparty based on the net present value of the remaining notional quantities of gas during the remaining term multiplied by a fixed amount.

Credit Risk: The Commodity Swaps are tied to related gas prepay transactions and terminate in the event such transactions terminate. Therefore, the only credit risk associated with the Commodity Swaps is for margins lost on future commodity deliveries associated with a termination of the related gas prepay transactions in the event of a counterparty’s inability to perform in accordance with the terms of the related Commodity Swaps. Generally, the only amounts due upon termination of the Commodity Swap would be previously accrued but unpaid amounts. If the Swap Counterparty is rated below "A1" by Moody’s Investors Service, Inc., the Swap Counterparty is permitted to post collateral or post an alternative security arrangement within twenty-five Local Business Days of such downgrade. The Swap Counterparty must provide the Port Authority adequate assurances of Swap Counterparty’s ability to continue performing under all Transactions, which adequate assurances must be satisfactory to the Port Authority.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Port Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. In October 2023, the legislature approved House Bill (HB) 33 which allows for the consolidation of the combined plan with the traditional plan with the timing of the consolidation at the discretion of OPERS. As of December 31, 2023, the consolidation has not been executed.

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Traditional plan state and local 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 amount of a member's pension benefit vests at retirement. Law enforcement and public safety members who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. Combined plan members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

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.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the member's original 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 on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	State and Local
2024 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2024 Actual Contribution Rates	
Employer:	
Pension*	14.0 %
Post-employment Health Care Benefits*	0.0
Total Employer	14.0 %
Employee	10.0 %

*These pension and employer health care rates are for the traditional and combined plans. The employer contribution rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's contractually required contribution was $14,860 for 2024.

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, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port Authority's proportion of the net pension liability was based on the Port Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net Pension Liability	$160,748
Proportion of the Net Pension Liability-2024	0.000614%
Proportion of the Net Pension Liability-2023	0.000835%
Percentage Change	(0.000221%)
Pension Expense	$19,938

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2024, the Port 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	$2,628
Net difference between projected and actual earnings on pension plan investments	32,445
Change in proportionate share	7,024
City contributions subsequent to the measurement date	14,860
Total Deferred Outflows of Resources	$56,957
Deferred Inflows of Resources	
Change in proportionate share	$25,827
Total Deferred Inflows of Resources	$25,827

$14,860 reported as deferred outflows of resources related to pension resulting from Port Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. 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:	
2025	($2,859)
2026	3,043
2027	20,706
2028	(4,620)
Total	$16,270

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.

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

The total pension liability in the December 31, 2023 and December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2023
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.0 percent, simple
Post-January 7, 2013 Retirees	2.3 percent, simple through 2024, then 2.05 percent, simple
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

	December 31, 2022
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3.0 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2023. 2.05 percent simple, thereafter
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent 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 percent 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 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care 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 11.2 percent for 2023.

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric 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, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	2.85%
Domestic Equities	21.00	4.27
Real Estate	13.00	4.46
Private Equity	15.00	7.52
International Equities	20.00	5.16
Risk Parity	2.00	4.38
Other investments	5.00	3.46
Total	100.00%	

Discount Rate The discount rate used to measure the total pension liability was 6.9 percent. The discount rate for the prior year was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Port Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Port Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what the Port Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Port Authority's proportionate share of the net pension liability	$253,060	$160,748	$83,971

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

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

The net OPEB liability (asset) represents the Port Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability (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 these estimates annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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.

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. 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. Retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Age 65 or older Retirees Minimum of 20 years of qualifying service credit

Age 60 to 64 Retirees Based on the following age-and-service criteria:

Group A 30 years of total service with at least 20 years of qualified health care service credit;

Group B 31 years of total service credit with at least 20 years of qualified health care service credit; or

Group C 32 years of total service credit with at least 20 years of qualified health care service credit.

Age 59 or younger Based on the following age-and-service criteria:

Group A 30 years of qualified health care service credit;

Group B 32 years of qualified health care service credit at any age or 31 years of qualified heath care service credit and at least age 52; or

Group C 32 years of qualified health care service credit and at least page 55.

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Retirees who do not meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

Group A	Group B	Group C
Age and Service Requirements	**Age and Service Requirements**	**Age and Service Requirements**
December 1, 2014 or Prior	***December 1, 2014 or Prior***	***December 1, 2014 or Prior***
Any Age with 10 years of service credit	Any Age with 10 years of service credit	Any Age with 10 years of service credit
January 1, 2015 through December 31, 2021	***January 1, 2015 through December 31, 2021***	***January 1, 2015 through December 31, 2021***
Age 60 with 20 years of service credit or Any Age with 30 years of service credit	Age 52 with 31 years of service credit or Age 60 with 20 years of service credit or Any Age with 32 years of service credit	Age 55 with 32 years of service credit or Age 60 with 20 years of service credit

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

The base allowance is determined by OPERS and is currently $1,200 per month for non-Medicare retirees and $350 per month for Medicare retirees. The retiree receives a percentage of the base allowance, calculated based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance for both non-Medicare and Medicare retirees.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Members who elect the Member-Directed Plan after July 1, 2015, will vest in the RMA over 15 years at a rate of 10 percent each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in the RMA over a five-year period at a rate of 20 percent per year. Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For fiscal year 2024, state and local employers contributed at a rate of 14.0 percent of earnable salary. 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 2024, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan which has continued through 2024. 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 2024 was 4.0 percent. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's contractually required contribution was $0 for 2024.

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Port Authority's proportion of the net OPEB liability (asset) was based on the Port 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
Proportionate Share of the Net OPEB Liability (Asset)	($5,171)
Proportion of the Net OPEB Liability (Asset)-2024	0.000573%
Proportion of the Net OPEB Liability (Asset)-2023	0.000778%
Percentage Change	(0.000205%)
OPEB Expense	$2,137

At December 31, 2024, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Changes in assumptions	$1,330
Net difference between projected and actual earnings on OPEB plan investments	3,107
Total Deferred Outflows of Resources	$4,437
Deferred Inflows of Resources	
Changes in assumptions	$2,223
Differences between expected and actual experience	736
Total Deferred Inflows of Resources	$2,959

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

	OPERS
Year Ending December 31:	
2025	($130)
2026	240
2027	2,417
2028	(1,049)
Total	$1,478

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 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 was determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023. 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	2.75 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	5.70 percent
Prior measurement date	5.22 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	3.77 percent
Prior measurement date	4.05 percent
Health Care Cost Trend Rate:	
Current measurement date	5.5 percent initial, 3.5 percent ultimate in 2038
Prior measurement date	5.5 percent initial, 3.5 percent ultimate in 2036
Actuarial Cost Method	Individual Entry Age Normal

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent 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 percent 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 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care 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 14.0 percent for 2023.

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00%	2.82%
Domestic Equities	25.00	4.27
Real Estate Investment Trust	5.00	4.68
International Equities	25.00	5.16
Risk Parity	3.00	4.38
Other investments	5.00	2.43
Total	100.00%	

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Discount Rate A single discount rate of 5.70 percent was used to measure the total OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22 percent. 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 percent and a municipal bond rate of 3.77 percent. (Fidelity Index's "20-Year Municipal GO AA Index")

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 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Port Authority's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the Port Authority's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.70 percent, as well as what the Port Authority's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.70 percent) or one-percentage-point higher (6.70 percent) than the current rate:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
Port Authority's proportionate share of the net OPEB liability (asset)	$2,842	($5,171)	($11,810)

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Port Authority's Proportionate Share of the Net OPEB Liability 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 liability or asset. The following table presents the net OPEB liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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 health care; the trend starting in 2024 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is 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 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Port Authority's proportionate share of the net OPEB liability (asset)	($5,386)	($5,171)	($4,928)

NOTE 10 - RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to agents and others; and natural disasters. The Port Authority carries commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. Claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 11 - RELATED PARTY TRANSACTIONS

All of the Port Authority's natural gas sales have been to the City of Lancaster (the "City"). At December 31, 2024, accounts receivable due from the City was $534,593. For 2024, the Port Authority reported gas sales to the City in the amount of $3,826,657.

Notes to the Basic Financial Statements
For the Year Ended December 31, 2024

NOTE 12 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Major Suppliers

The Port Authority purchased all of its natural gas supply from the Royal Bank of Canada. There are a limited number of national gas suppliers with which the Port Authority could contract under prepay gas transactions and any disruption of deliveries under the supply contracts could have an impact on the Port Authority's operations.

Current Economic Conditions

The Port Authority survived the past few years of economic decline with relatively minor implications of both industrial demand for natural gas and the overall economy and revenue. The City of Lancaster's growth of all economic sectors of residential, commercial, and industrial activities has resumed to pre-recession levels and is expected to grow its population at historic level of approximately one percent per year.

The Port Authority continually monitors the demand for natural gas against the provisions of the pre-pay transaction to assess the long-term feasibility of continuing the program as it is currently structured. The Port Authority continues to make all financial decisions and commitments with available cash and will not borrow funds against this transaction. The Port Authority is exploring other types of projects as it moves forward to maintain its overall goal of improving the economic development within the City of Lancaster.

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT OF NET POSITION

For 2024 the Port Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 99, "*Omnibus 2022",* Statement No. 100, "Accounting Changes and Error Corrections" and Statement No. 101, "Compensated Absences". The implementation of these statements had no effect on beginning net position.

Adjustments were necessary to beginning of year net position to correct errors in accounting for the valuation of prepaid gas. The correction of prepaid gas balances had the following effect on net position as reported December 31, 2023:

	Enterprise Fund
Net Position at December 31, 2023, as Reported	($133,214,117)
Prepaid Gas Correction	116,193,026
Net Position at December 31, 2023, as Restated	($17,021,091)

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Port Authority's Proportionate Share of the Net Pension Liability Last Four Years

Ohio Public Employees Retirement System

Year	2021	2022	2023	2024
Port Authority's proportion of the net pension liability (asset)	0.000485%	0.000629%	0.000835%	0.000614%
Port Authority's proportionate share of the net pension liability (asset)	$71,818	$54,726	$246,659	$160,748
Port Authority's covered payroll	$68,286	$91,300	$129,429	$101,086
Port Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	105.17%	59.94%	190.58%	159.02%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	92.62%	75.74%	79.01%

Source: Lancaster Port Authority and the Ohio Public Employees Retirement System

Notes: The Port Authority's first year of retirement contributions was 2020.
The schedule is intended to show ten years of information. Additional years will be displayed as they become available.
The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.
See notes to the required supplementary information

Schedule of Port Authority's Pension Contributions
Last Five Years

Ohio Public Employees Retirement System

Year	2020	2021	2022	2023	2024
Contractually required contribution	$9,560	$12,782	$18,120	$14,152	$14,860
Contributions in relation to the contractually required contribution	9,560	12,782	18,120	14,152	14,860
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Port Authority's covered payroll	$68,286	$91,300	$129,429	$101,086	$106,143
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

Source: Lancaster Port Authority and the Ohio Public Employees Retirement System

Notes: The Port Authority's first year of retirement contributions was 2020.
The schedule is intended to show ten years of information. Additional years will be displayed as they become available.

Schedule of Port Authority's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability (Asset)
Last Four Years

Ohio Public Employees Retirement System

Year	2021	2022	2023	2024
Port Authority's proportion of the net OPEB liability (asset)	0.000451%	0.000585%	0.000778%	0.000573%
Port Authority's proportionate share of the net OPEB liability (asset)	($8,035)	($18,323)	$4,905	($5,171)
Port Authority's covered payroll	$68,286	$91,300	$129,429	$101,086
Port Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(11.77%)	(20.07%)	3.79%	(5.12%)
Plan fiduciary net position as a percentage of the total OPEB liability	115.57%	128.23%	94.79%	107.76%

Source: Port Authority Auditor's Office and the Ohio Public Employees Retirement System

Notes: The Port Authority's first year of retirement contributions was 2020.
The schedule is intended to show ten years of information. Additional years will be displayed as they become available.
The schedule is reported as of the measurement date of the Net OPEB Liability, which is the prior year end.
See notes to the required supplementary information

Schedule of Port Authority's Other Postemployment Benefit (OPEB) Contributions Last Five Years

Ohio Public Employees Retirement System

Year	2020	2021	2022	2023	2024
Contractually required contribution	$0	$0	$0	$0	$0
Contributions in relation to the contractually required contribution	0	0	0	0	0
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Port Authority's covered payroll	$68,286	$91,300	$129,429	$101,086	$106,143
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Port Authority Auditor's Office and the Ohio Public Employees Retirement System

Notes: The Port Authority's first year of retirement contributions was 2020.
The schedule is intended to show ten years of information. Additional years will be displayed as they become available.

Notes to the Required Supplementary Information
For the Year Ended December 31, 2024

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

NET PENSION LIABILITY

Changes in benefit terms: There were no changes in benefit terms for the period 2020-2024.

Changes in assumptions:

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:
- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

2021: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:
- Change in COLA from 1.4% to 0.5% for post 1/7/13 retirees.

2022: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:
- Change in COLA from 0.5% to 3.00% for post 1/7/13 retirees.
- Reduction in actuarial assumed rate of return from 7.20% to 6.90%.
- Pre-retirement mortality rates are based on Pub-2010 General Employee/Safety Employee mortality tables.
- Post-retirement mortality rates are based on PubG-2010 Retiree mortality tables.
- Post-retirement mortality rates for disabled retirees are based on PubNS-2010 Disabled Retiree mortality tables for all divisions.

2023-2024: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

Notes to the Required Supplementary Information
For the Year Ended December 31, 2024

NET OPEB LIABILITY (ASSET)

Changes in benefit terms: There were no changes in benefit terms for the periods 2020-2021 and 2023-2024.

2022: Group plans for non-Medicare retirees and re-employed retirees replaced with individual medical plans. OPERS will provide a subsidy or allowance via an HRA.

Changes in assumptions:

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The single discount rate changed from 3.16% to 6.00%.
- Change in health care cost trend rate from 10.5% to 8.5%
- The Municipal Bond Rate changed from 2.75% to 2.00%

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- Change in health care cost trend rate from 8.5% to 5.5%
- The Municipal Bond Rate changed from 2.00% to 1.84%
- Pre-retirement mortality rates are based on Pub-2010 General Employee/Safety Employee mortality tables.
- Post-retirement mortality rates are based on PubG-2010 Retiree mortality tables.
- Post-retirement mortality rates for disabled retirees are based on PubNS-2010 Disabled Retiree mortality tables for all divisions.

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The Municipal Bond Rate changed from 1.84% to 4.05%
- The single discount rate changed from 6.00% to 5.22%.

2024: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The Municipal Bond Rate changed from 4.05% to 3.77%
- The single discount rate changed from 5.22% to 5.70%.

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Lancaster Port Authority
104 East Main Street
Lancaster, Ohio 43130

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the business-type activities of Lancaster Port Authority, (the Port Authority), a component unit of the City of Lancaster, Ohio as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements, and have issued our report thereon dated June 18, 2025, wherein we noted the Port Authority discovered errors in previously reported prepaid gas supply balances which resulted in a restatement of the December 31, 2023 net position.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2024-001 that we consider to be a material weakness.

Millhuff-Stang, CPA, Inc.
8841 Ohio River Road / Wheelersburg, Ohio 45694 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port 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*.

Port Authority's Responses to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Port Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Port Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Millhuff-Stang CPA Inc.

Millhuff-Stang, CPA, Inc.
Chillicothe, Ohio

June 18, 2025

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2024-001

Material Weakness – Financial Reporting

A monitoring system by the Port Authority should be in place to prevent or detect misstatements for the accurate presentation of the Port Authority's financial statements. An error was identified by the Port Authority related to the prepaid gas supply balance originally recorded in 2019 as a result of the 2019 bond refunding. This error resulted in a restatement of net position as of January 1, 2024 and is reflected in the financial statements. Also, during testing we identified an overstatement of accrued interest and interest expense. The misstatement was deemed immaterial to the financial statements as a whole and, consequently, correction was waived. The Port Authority should implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements.

Client Response:
As documented in Note 13, adjustments were necessary to rectify the undervaluation of the Port Authority's prepaid gas and accurately reflect the increase in the beginning of year net position. While the Port Authority's financial management consultant ultimately detected, identified, and self-reported these inaccuracies, the Port Authority will immediately engage an additional accounting firm with energy sector expertise to independently audit the financial statements prepared by its financial management consultant. This should prevent any undervaluation of the Port Authority's assets in the future and ensure such a finding does not reoccur.

OHIO AUDITOR OF STATE
KEITH FABER

LANCASTER PORT AUTHORITY

FAIRFIELD 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 10/14/2025

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