SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019-2018

OHIO AUDITOR OF STATE
KEITH FABER

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY
DECEMBER 31, 2019 AND 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Southeastern Ohio Port Authority
Washington County
204 Front Street
Marietta, Ohio 45750

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southeastern Ohio Port Authority, Washington County, Ohio as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 and 12 to the financial statements for the years ended December 31, 2019 and 2018, respectively, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Port Authority. We did not modify our opinion regarding this matter. Also, as discussed in Note 3 to the financial statements for the year ended December 31, 2018, the Port Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, Schedules of Net Pension and Other Post-Employment Benefit Liabilities/Assets, and Pension and Other Post-Employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2020, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

October 7, 2020

The Southeastern Ohio Port Authority's (the Port Authority) Management's Discussion and Analysis is designed to a) assist the reader in focusing on significant financial issues; b) provide an overview of the Port Authority's financial activity; c) identify changes in the Port Authority's financial position (its ability to address the next and subsequent years challenges); and d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Port Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Port Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,853,811 at the close of the year ended December 31, 2019. Of this amount, the Port Authority had an unrestricted balance of $164,258 that may be used to meet the Port Authority's ongoing obligations to citizens and creditors.
- The Port Authority's total net position increased by $5,359. This increase is attributable to revenues exceeding expenses.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Port Authority's basic financial statements consist of the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows, and the accompanying notes to the basic financial statements. These statement report information about the Port Authority and its activities.

The Port Authority utilizes a single enterprise fund using proprietary fund accounting. The enterprise method of accounting is similar to accounting used by private sector accounting. The statements are presented using the economic resources measurement focus and the accrual basis of accounting. In addition to the basic financial statements, the Port Authority presents required supplementary information which discloses information about the Port Authority's net pension and net OPEB liability.

The statement of net position is similar to a balance sheet. This statement reports the resources owned by the Port Authority (assets and deferred outflows of resources), obligations owed by the Port Authority (liabilities and deferred inflows of resources), and the Port Authority's net position (the difference between these components).

The focus of the statement of net position (unrestricted net position) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Port Authority. Net position is reported in three broad categories:

> <u>Net Investment in Capital Assets:</u> This component of net position consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
>
> <u>Restricted:</u> This component of net position consists of restricted assets, upon which constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
>
> <u>Unrestricted:</u> Consists of net position that does not meet the definition of Net Investment in Capital Assets, or Restricted.

The statement of revenues, expenses and change in net position is similar to an income statement. This statement includes operating revenues, operating expenses, and non-operating revenue and expenses.

OVERVIEW OF BASIC FINANCIAL STATEMENTS (CONTINUED)

Revenue is reported when earned and expenses are reported when incurred.

The focus of the statement of revenues, expenses and changes in net position is the "change in net position", which is similar to net income or loss.

The statement of cash flows provides information about the Port Authority's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing, and financing activities.

The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

NET POSITION

The statement of net position looks at the Port Authority as a whole. Capital assets are reported less accumulated depreciation. The Port Authority is engaged only in business-type activities. Table 1 provides a summary of the Port Authority's net position for 2019 compared to 2018:

Table 1
Net Position

	2019	2018	Change
Assets			
Current and Other Assets	$ 362,836	$ 293,643	$ 69,193
Capital Assets, Net	2,041,591	2,086,125	(44,534)
Total Assets	2,404,427	2,379,768	24,659
Deferred Outflows of Resources			
Pension	75,059	19,278	55,781
OPEB	23,164	4,475	18,689
Total Outflows of Resources	98,223	23,753	74,470
Liabilities			
Current and Other Liabilities	51,004	44,091	6,913
Long-Term Liabilities:			
Due Within One Year	31,873	30,932	941
Due in More than One Year:			
Net Pension Liability	141,871	45,338	96,533
Net OPEB Liability	98,173	60,812	37,361
Other Amounts	323,759	355,719	(31,960)
Total Liabilities	646,680	536,892	109,788
Deferred Inflows of Resources			
Pension	1,893	13,647	(11,754)
OPEB	266	4,530	(4,264)
Total Deferred Inflows of Resources	2,159	18,177	(16,018)
Net Position			
Net Investment in Capital Assets	1,689,553	1,703,155	(13,602)
Unrestricted	164,258	145,297	18,961
Total Net Position	$ 1,853,811	$ 1,848,452	$ 5,359

NET POSITION (CONTINUED)

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

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

GASB 68 and GASB 75 requires the net pension liability and the net OPEB liability to equal the Port Authority's proportional share of each pan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Port Authority is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension and OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

NET POSITION (CONTINUED)

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Net position increased by $5,359 in total, less than one percent. Even though there was an immaterial change in net position, assets and deferred outflows increased $99,129, including depreciation of $44,534 on capital assets. Liabilities and deferred inflows increased by $93,770 in total, partially offset by principal payments on the Loan Payable of $30,932.

CHANGES IN UNRESTRICTED NET ASSETS

Table 2 presents details on the changes in unrestricted net assets.

Table 2
Changes in Unrestricted Net Assets

	2019	2018
Beginning Unrestricted	$ 145,297	$ 150,017
Results of Operations	18,961	(4,720)
Ending Unrestricted	$ 164,258	$ 145,297

While the result of operations is a significant measure of the Port Authority's activities, the analysis of the changes in unrestricted funds provide a clearer change in the financial well-being.

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

Table 3 reflects the changes in net position for 2019 as compared to 2018:

Table 3
Changes in Net Position

	2019	2018	Change
Operating Revenues			
Donations	79,575	77,697	1,878
Charges for Services	4,613	6,506	(1,893)
Rent	90,750	99,000	(8,250)
County Contributions	81,000	67,500	13,500
Miscellaneous	39,331	39,127	204
Total Operating Revenues	295,269	289,830	5,439
Operating Expenses			
Salaries and Benefits	181,345	169,500	11,845
Contractual Services	39,330	41,527	(2,197)
Office Expenses, Professional Fees, Travel and Memberships, and Marketing	11,216	32,404	(21,188)
Insurance and Bonding	4,548	3,200	1,348
Depreciation	44,534	44,907	(373)
Total Operating Expenses	280,973	291,538	(10,565)
Non-Operating Revenues/(Expenses)			
Interest Income	2,122	5	2,117
Interest and Fiscal Charges	(11,059)	(11,904)	845
Total Non-Operating Revenues/(Expenses)	(8,937)	(11,899)	2,962
Change in Net Position	5,359	(13,607)	18,966
Net Position, Beginning of Year	1,848,452	1,862,059	(13,607)
Net Position, End of Year	1,853,811	1,848,452	5,359

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenues increased $5,439 or 1.9% due to the increase in County Contributions. Operating expenses decreased $10,565 or 3.6% due to the decrease in office expenses, professional fees, travel and memberships, and marketing.

Two of the larger operating revenues are donations and county contributions in the amounts of $79,575 and $81,000, respectively. These amounts collectively represent 54.4% of total operating revenues and demonstrate the reliance the Port Authority has on these revenues from outside sources. The Port Authority also receives rent from a local vendor in turn for the use of one of their buildings. This rental income amounted to $90,750 and represents the Port Authority's largest revenue source.

RECAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the Port Authority had $2,041,591 invested in capital assets, net of accumulated depreciation. Table 4 shows 2019 balances compared to 2018.

Table 4
Capital Assets, Net of Depreciation

	2019	2018
Land	$ 124,950	$ 124,950
Buildings and Improvements	1,909,824	1,952,943
Machinery and Equipment	6,817	8,232
Totals	$ 2,041,591	$ 2,086,125

The total decrease in the Port Authority's capital assets, net of accumulated depreciation, for the current year was $44,534, or 2.1%. This change mainly is the result of depreciation exceeding capitalizations in the current period.

For additional information on capital assets, see Note 5 to the basic financial statements.

Debt

At December 31, 2019, the Port Authority has outstanding debt of $352,038 in the form of a Rural Industrial Park Loan. In addition to this debt instrument, the Port Authority's long-term obligations consist of the net pension liability, the net OPEB liability, and sick leave payables. For additional information on the Port Authority's long-term obligations, see Note 10 to the basic financial statements.

CURRENT ISSUES

During 2019, Executive Director Andy Kuhn continued to effectively manage the Port Authority and economic development activities guided by a Board of Directors led by Chairman Nate Long. The SEOPA Board of Directors meet every other month, at venues throughout the county. The Port Authority utilizes Board Committees to monitor specific functions, and Committee Chairs select various Board Members and volunteers to service on their Committees.

The Port Authority continues operations in the Ketter Block Building at 204 Front Street in downtown Marietta.

CONTACT INFORMATION

The financial report is designed to provide our citizens, taxpayers, contributors, and creditors with a general overview of the Port Authority's finances and to reflect the Port Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jesse Roush, Executive Director, Southeastern Ohio Port Authority, 204 Front Street, Marietta, Ohio 45750.

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2019

Assets	
Current Assets:	
Cash and Cash Equivalents	$322,788
Accounts Receivable	39,330
Prepaid Items	718
Total Current Assets	362,836
Non-Current Assets:	
Non-Depreciable Capital Assets	124,950
Depreciable Capital Assets, Net	1,916,641
Total Non-Current Assets	2,041,591
Total Assets	2,404,427
Deferred Outflows of Resources	
Pension	75,059
OPEB	23,164
Total Deferred Outflows of Resources	98,223
Total Assets and Deferred Outflows	2,502,650
Liabilities	
Current Liabilities:	
Accrued Payroll and Taxes	2,004
Intergovernmental Payable	39,330
Accrued Interest Payable	880
Accrued Leave Benefits Payable	8,790
Current Portion of Loan Payable	31,873
Total Current Liabilities	82,877
Long-Term Liabilities:	
Loan Payable	320,165
Long-Term Sick Leave Payable	3,594
Net Pension Liability	141,871
Net OPEB Liability	98,173
Total Long-Term Liabilities	563,803
Total Liabilities	646,680
Deferred Inflows of Resources	
Pension	1,893
OPEB	266
Total Deferred Inflows of Resources	2,159
Net Position:	
Net Investment in Capital Assets	1,689,553
Unrestricted	164,258
Total Net Position	$1,853,811

See accompanying notes to the basic financial statements

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Operating Revenues:	
Donations	$79,575
Charges for Services	4,613
Rent	90,750
County Contribution	81,000
Miscellaneous	39,331
Total Operating Revenues	295,269
Operating Expenses:	
Salaries and Benefits	181,345
Contractual Services	39,330
Office Expenses	1,658
Travel and Memberships	6,759
Marketing	2,799
Insurance and Bonding	4,548
Depreciation Expense	44,534
Total Operating Expenses	280,973
Operating Income	14,296
Non-Operating Revenues/(Expenses)	
Interest Income	2,122
Interest and Fiscal Charges	(11,059)
Total Non-Operating Revenues/(Expenses)	(8,937)
Change in Net Position	5,359
Net Position, Beginning of Year	1,848,452
Net Position, End of Year	$1,853,811

See accompanying notes to the basic financial statements

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Donors	$160,575
Cash Received from Customers	4,410
Cash Received from Rent	90,750
Cash Payments for Employee Services and Benefits	(129,558)
Cash Payments for Goods and Services	(54,530)
Other Operating Revenues	39,331
Net Cash Provided by Operating Activities	110,978
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Debt	(30,932)
Interest Paid on Debt	(11,136)
Net Cash Used by Capital and Related Financing Activities	(42,068)
Cash Flows from Investing Activities:	
Interest Earned from Bank Accounts	2,122
Net Cash Provided by Investing Activities	2,122
Net Increase in Cash and Cash Equivalents	71,032
Cash and Cash Equivalents - January 1	251,756
Cash and Cash Equivalents - December 31	$322,788
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income	14,296
Depreciation/Amortization	44,534
Decrease (Increase) in Accounts Receivable	(203)
Decrease (Increase) in Prepaid Items	2,042
Decrease (Increase) in Deferred Outflows - Pension and OPEB	(74,470)
Increase/(Decrease) in Accrued Payroll and Taxes	2,004
Increase/(Decrease) in Accounts Payable	(810)
Increase/(Decrease) in Intergovernmental Payable	(668)
Increase/(Decrease) in Accrued Leave Benefits Payable	6,464
Increase/(Decrease) in Sick Leave Payable	(87)
Increase/(Decrease) in Net Pension and OPEB Liability	133,894
Increase (Decrease) in Deferred Inflows - Pension and OPEB	(16,018)
Net Cash Provided by Operating Activities	$110,978

See accompanying notes to the basic financial statements

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NOTE 1 – REPORTING ENTITY

The Southeastern Ohio Port Authority, Washington County, (the Port Authority), was created during 2003 by the Washington County Commissioners pursuant to Sections 4582.202 through 4582.58, inclusive of the Ohio Revised Code, for the purpose of promoting the manufacturing, commerce, distribution, research, and development interests of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region. Other purposes include inducing the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities to purchase, subdivide, sell and lease real property in Southeastern Ohio. The Port Authority also strives to erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio.

The Port Authority's Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Washington County Commissioners. As such, it is considered a discretely presented component unit of Washington County. Currently, eleven Directors serve on the Board.

The Port Authority's management believes these financial statements present all activities for which the Southeastern Ohio Port Authority is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard – setting body for establishing governmental accounting and financial reporting principles. The most significant of the Port Authority's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The Port Authority's financial statements consist of government-wide statements, including a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

B. Measurement Focus

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 total net position. The Statement of Cash Flows provides information about how the Port Authority finances and meets the cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Port Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to these items are explained in Notes 7 and 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Port Authority, deferred inflows of resources consist of pension and OPEB and are reported on the statement of net position.

Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

C. Budgetary Process

The Ohio Revised Code requires that the Port Authority's Board of Directors prepare an annual budget.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

Encumbrances

The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

Cash assets are maintained in non-interest bearing and interest-bearing checking and money market accounts.

The Port Authority had no investments during the year or at year end.

E. Receivables and Payables

Receivables and payables are recorded on the Port Authority's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and, in the case of receivables, collectability.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Port Authority does not have any investments; so all cash balances are included in the statement of cash flows.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. All capital assets are depreciated, except land. Depreciation is computed using the straight-line method over five years of the useful lives for machinery and equipment and over 50 years for buildings.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as “leave benefits payable”, rather than long term liabilities, as the balances are to be used by employees in the year following the year in which the benefit was earned.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Port Authority has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the Port Authority's termination policy. The Port Authority records a liability for accumulated, unused sick leave for all employees when they start working per the Port Authority's employee policy.

J. Pension/OPEB

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

K. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and liabilities used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Port Authority does not have restricted net position.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Port Authority. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority. Revenues and expenses not meeting these definitions are reported as non-operating.

M. Estimates

The preparation of the 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.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The Port Authority did not have any extraordinary or special items in 2019.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority into three categories.

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

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

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

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

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

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

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

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

4. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty 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

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Investment may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the Port Authority's bank balances of $326,349 were insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Port Authority to a successful claim by the FDIC.

The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the Port Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

One of the Port Authority's two financial institutions was enrolled in OPCS. As of December 31, 2019, the remaining two financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

NOTE 4 – RECEIVABLES

Receivables at December 31, 2019, consisted of an accounts receivable in the amounts of $39,330 arising from the reimbursement of the 2019 Real Estate Taxes. All receivables are considered collectible in full.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended December 31, 2019 was as follows:

	Balance at 12/31/2018	Additions	Deletions	Balance at 12/31/2019
Non-Depreciable Capital Assets:				
Land	$ 124,950	$ -	$ -	$ 124,950
Depreciable Capital Assets:				
Buildings	2,155,962	-	-	2,155,962
Machinery and Equipment	22,858	-	-	22,858
Total Depreciable Capital Assets	2,178,820	-	-	2,178,820
Less Accumulated Depreciation:				
Buildings	(203,019)	(43,119)	-	(246,138)
Machinery and Equipment	(14,626)	(1,415)	-	(16,041)
Total Accumulated Depreciation	(217,645)	(44,534)	-	(262,179)
Total Depreciable Capital Assets, net	$ 1,961,175	$ (44,534)	$ -	$ 1,916,641
Total Capital Assets, net	$ 2,086,125	$ (44,534)	$ -	$ 2,041,591

NOTE 6 – 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 employees; and natural disasters. The Port Authority contracts with Peoples Insurance Agency who, on behalf of the Port Authority, negotiates property and casualty insurance coverage with Cincinnati Insurance Company and CNA Insurance Company for management and professional insurance coverage. The following lists the coverage limits and deductibles:

Property ($500 Deductible):	
Contents	$50,000
Crime ($250 Deductible):	
Employee Dishonesty/Forgery or Alteration	50,000
General Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Products-Completed Operations Aggregate Limit	2,000,000
Personal & Advertising Injury Limit	1,000,000
Hired and Non-owned Auto Liability	1,000,000
Fire Damage Limit	100,000
Medical Expense Limit	5,000
Directors & Officers Liability:	
Each Occurrence	1,000,000
Scheduled Retention	2,500/5,000

NOTE 6 – RISK MANAGEMENT (CONTINUED)

Bond Coverage for the Secretary/Treasurer is included in Non-Profit Organization and Management Liability Insurance Policy.

There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years.

The Port Authority pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

The net pension asset and liability reported on the statement of net position represents an assets and a liability, respectively, 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 asset and liability represent 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 asset and 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 asset and liability is solely the asset and obligation, respectively, 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's excess funded or unfunded benefits is presented as a long-term net pension asset or 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.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description

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

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

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

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

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's contractually required contributions for the traditional plan for 2019 were $14,952. 100% has been contributed for 2019. Of the amount for 2019, $875 is reported as intergovernmental payable.

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2019 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's contractually required contribution to the Traditional Plan was $10,015 for 2019. Pension expense for the Member-Directed Plan for 2019 was $3,527. Of this amount, $1,071 is reported as an Intergovernmental payable.

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

The net pension asset and liability were measured as of December 31, 2018, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of that date. The Port Authority's proportions of the net pension asset and liability were 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 and pension expense:

	Traditional Pension Plan
Proportionate Share of the Net Pension Liability/(Asset)	$ 141,871
Proportion of the Net Pension Liability/(Asset)	0.000518%
Increase/(decrease) in % from prior proportion measured	0.000229%
Pension Expense	$ 43,950

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At December 31, 2019, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Pension Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 19,256
Changes in assumptions	12,349
Differences between expected and actual experience	8
Changes in proportion and differences Authority's contributions and proportionate share of contributions	28,494
Authority's contributions subsequent to the measurement date	14,952
Total Deferred Outflows of Resources	$ 75,059
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 1,863
Changes in proportion and differences Authority's contributions and proportionate share of contributions	30
Total Deferred Inflows of Resources	$ 1,893

$14,952 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal year Ending December 31:	Traditional Pension Plan
2020	$ 28,896
2021	18,575
2022	1,786
2023	8,957
Total	$ 58,214

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2018
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

During 2018 OPERS manage investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan. Within the defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first on 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 loss of 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2018	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.79%
Domestic Equities	19.00%	6.21%
Real Estate	10.00%	4.90%
Private Equity	10.00%	10.81%
International Equities	20.00%	7.83%
Other Investments	18.00%	5.50%
Total	100.00%	5.95%

Discount Rate The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

Employer's Net Pension Liability	1% Decrease 6.2%	Current Discount Rate 7.2%	1% Increase 8.2%
Traditional Pension Plan	$ 209,583	$ 141,871	$ 85,600

NOTE 8 – POST-EMPLOYMENT BENEFITS

Net OPEB Liability

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 net OPEB liability 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 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. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA).

NOTE 8 – POST-EMPLOYMENT BENEFITS (CONTINUED)

At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance. In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority 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, health care was no longer being funded. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. 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. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's contractually required contribution was $1,411 for 2019. Of this amount, $429 is reported as an intergovernmental payable.

Net OPEB Liability

The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port Authority's proportion of the net OPEB liability was based on the Port Authority's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

NOTE 8 – POST-EMPLOYMENT BENEFITS (CONTINUED)

	OPERS
Proportionate Share of the Net OPEB Liability	$ 98,173
Proportion of the Net OPEB Liability	0.000753%
Increase/(decrease) in % from prior proportion measured	0.000193%
OPEB Expense	$ 15,819

At December 31, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 4,501
Changes in assumptions	3,165
Differences between expected and actual experience	33
Changes in proportion and differences between government contributions and proportionate share of contributions	14,054
District contributions subsequent to the measurement date	1,411
Total Deferred Outflows of Resources	$ 23,164
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 266
Total Deferred Inflows of Resources	$ 266

$1,411 reported as deferred outflows of resources related to OPEB resulting from Port Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020.

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

NOTE 8 – POST-EMPLOYMENT BENEFITS (CONTINUED)

Fiscal Year Ending December 31:	OPERS
2020	$ 10,440
2021	7,830
2022	950
2023	2,267
Total	$ 21,487

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. 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:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2017
Rolled-forward measurment date	December 31, 2018
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions:	
Single Discount Rate	3.96%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10.0% initial, 3.25% ultimate in 2029

The prior measurement period Single Discount Rate was 3.85 percent. The prior measurement period Municipal Bond Rate was 3.31 percent. The prior measurement period Health Care Cost Trend Rate was 7.25 percent, initial 3.25 percent, ultimate in 2028. In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was be effective for the 2018 valuation.

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

NOTE 8 – POST-EMPLOYMENT BENEFITS (CONTINUED)

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

The most recent experience study was completed for the five year period ended December 31, 2015. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.6 percent for 2018. The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate

A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%.

NOTE 8 – POST-EMPLOYMENT BENEFITS (CONTINUED)

The projection of cash flows used to determine this single discount rate assumed 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, 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 to Changes in the Discount Rate

The following table presents the OPEB liability calculated using the single discount rate of 3.96%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease 2.96%	Current Discount Rate 3.96%	1% Increase 4.96%
Authority's proportionate share of the net OPEB liability	$ 125,600	$ 98,173	$ 76,362

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. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Case Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$ 94,366	$ 98,173	$ 102,559

NOTE 9 – OTHER EMPLOYER BENEFITS

Each employee accrues 4.6 hours of sick time for each two-week pay period worked. Accrual continues during periods of approved paid leave. Unused sick leave is cumulative without limit. Upon retirement or separation of employment, employees are paid up to a maximum of 240 hours.

Unused vacation time and compensatory time are paid to a terminated employee at their rate of pay at the time of retirement as well up to 80 hours.

NOTE 10 – LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS

Changes in the Port Authority's long-term obligations during the year consisted of the following:

	Balance at December 31, 2018	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Development Loan - 3%	$ 382,970	$ -	$ (30,932)	352,038	31,873
Net Pension Liability	45,338	96,533	-	141,871	-
Net OPEB Liability	60,812	37,361	-	98,173	-
Sick Leave Payable	3,681	17,985	(9,282)	12,384	8,790
Total	$ 492,801	$ 151,879	$ (40,214)	$ 604,466	$ 40,663

On April 1, 2014, the Port Authority received a $484,970 Rural Industrial Park Loan from the Ohio Department of Development for completion of the Ingenuity Center located at 300 Commerce Drive in Marietta, Ohio. Only $458,719 was needed and received. Under the agreement, principal and interest payments were not required until September 1, 2019, unless the Center was rented before that date. During 2016, the Center started collecting rent and a new amortization schedule was created. Principal and interest payments required to retire the debt are as follows:

Year	Principal	Interest
2020	$ 31,873	$ 10,969
2021	32,842	9,919
2022	33,842	8,836
2023	34,871	7,128
2024	35,932	6,573
2025-2029	182,678	14,423
	$ 352,038	$ 57,848

Conduit Debt

Pursuant to State statue, the Port Authority has issued revenue bonds, hospital revenue bonds, and obtained an Ohio Water Development Authority (OWDA) loan to provide financial assistance to private sector entities for new construction or improvements. The Port Authority, the State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

During 2012, the obtained Hospital Facilities Revenue Refunding and Improvement Bonds, Series 2012. As of December 31, 2019, there are $129,660,000 of 2012 Hospital Facilities Revenue Refunding and Improvement Bonds outstanding. These Bonds mature in various annual amounts through 2042 with interest due semiannually at rates ranging from 3% to 6%. The original amount issued total $145,675,000.

The Port Authority entered into a private/public partnership with Eramet Marietta, LLC, Americas Styrenics, Solvay Advanced Polymers, and Energizer for the construction and rent of Good River Distribution, LLC. Good River Distribution, LLC, is a water production facility located across from the aforementioned industries on the banks of the Ohio River. The Good River Distribution, LLC, water production facility provides process water and fire water to the partner industries. Good River Distribution, LLC, is owned by the Port Authority until such time as the rent is complete.

NOTE 10 – LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS (CONTINUED)

During 2012, the Port Authority obtained a State Assistance Revenue Bond, Series 2012 to acquire, install, and construct a water screening, service water supply, and pumping system. The interest rate is 4.375% and the maturity date is June, 2027. As of December 31, 2019, the principal amount payable was $2,500,000. The original issued amount totaled $4,175,000.

During 2012, the Port Authority obtained a loan from the OWDA for construction, maintenance, and operation of Good River Distribution, LLC. The loan will be repaid solely by rent received from members of Good River Distribution, LLC. The maturity date is January, 2028. The original issued amount totaled $6,000,000 and the aggregate principal amount at December 31, 2019 was $3,514,354.

During 2015, the Port Authority and Marietta Area Health Care obtained Hospital Facilities Improvement Bonds. The bonds were issued for the purpose of acquisition, construction, renovation, equipping, and installation of electronic medical records system as well as various improvements to the health care facilities. The original issued amount totaled $60,000,000 and at December 31, 2019, $58,500,000 of the revenue bond is still outstanding.

NOTE 11 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many counties, including the geographical area in which the Port Authority operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions with the coronavirus will last and what the complete financial effect will be to the Port Authority, however, the Port Authority has enough significant liquidity to survive.

In addition, on September 29, 2020, the Board approved Resolution No. 2020-001 to authorize the issuance, not to exceed $34,000,000, in Economic Development Revenue Refunding Bonds, Series 2020 in one or more series, by the Port Authority for the Marietta College Project.

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SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PORT AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Ohio Public Employees Retirement System - Traditional Plan
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Port Authority's Proportion of the Net Pension Liability	0.000518%	0.000289%	0.000244%	0.000253%	0.000257%	0.000367%
Port Authority's Proportionate Share of the Net Pension Liability	$141,871	$45,338	$55,408	$43,822	$30,996	$43,281
Port Authority's Covered Payroll	$70,000	$38,146	$31,529	$31,529	$31,529	$71,677
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.67%	118.85%	175.74%	138.99%	98.31%	60.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each fiscal year.

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

See Accompanying Notes to the Required Supplementary Information

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PORT AUTHORITY'S PENSION CONTRIBUTIONS

Ohio Public Employees Retirement System - Traditional Plan
Last Seven Years (1)

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 10,015	$ 9,800	$ 4,959	$ 3,783	$ 3,783	$ 3,783	$ 9,318
Contributions in Relation to the Contractually Required Contribution	(10,015)	(9,800)	(4,959)	(3,783)	(3,783)	(3,783)	(9,318)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Port Authority Covered Payroll	$ 71,533	$ 70,000	$ 38,146	$ 31,529	$ 31,529	$ 31,529	$ 71,677
Contributions as Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2013 is not available. An additional column will be added each fiscal year

See Accompanying Notes to the Required Supplementary Information

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PORT AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Ohio Public Employees Retirement System
Last Three Years (1)

	2019	2018	2017
Port Authority's Proportion of the Net OPEB Liability	0.000753%	0.005600%	0.000500%
Port Authority's Proportionate Share of the Net OPEB Liability	$98,173	$60,812	$50,502
Port Authority's Covered Payroll	$70,000	$38,146	$31,529
Port Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	140.25%	159.42%	160.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	(2)

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

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each fiscal year

(2) Not published.

See Accompanying Notes to the Required Supplementary Information

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PORT AUTHORITY'S OPEB CONTRIBUTIONS

Ohio Public Employees Retirement System - OPEB Plan
Last Four Years (1)

	2019	2018	2017	2016
Contractually Required Contribution	$0	$0	$381	$631
Contributions in Relation to the Contractually Required Contribution	$0	$0	($381)	($631)
Contribution Deficiency (Excess)	$0	$0	$0	$0
District Covered Payroll	$71,533	$70,000	$38,146	$31,529
Contributions as Percentage of Covered Payroll	0.00%	0.00%	0.99%	2.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2016 is not available. An additional column will be added each fiscal year

See Accompanying Notes to the Required Supplementary Information

Changes in Assumptions – OPERS

Pension

Amounts reported for fiscal year 2019 (Measurement Period 2018) incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2018 (Measurement Period 2017) and prior are presented below:

Key Methods and Assumptions Used in Valution of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2018	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3/00% Simple through 2018, then 2.15% Simple

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions – OPERS (Continued)

OPEB

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost tend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Southeastern Ohio Port Authority's (Port Authority) financial activities for the year ended December 31, 2018. The MD&A should be read in conjunction with the basic 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 2018 are as follows:

> The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources at the close of the year ended December 31, 2018, by $1,848,452 (net position). Of this amount, $145,297 represents unrestricted net position that may be used to meet the Port Authority's ongoing obligations to citizens and creditors.
>
> Net position decreased $13,607 from the total net position at the beginning of 2018.

Using this Annual Financial Report

The Port Authority's basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the accompanying notes to the basic financial statements. These statements report information about the Port Authority and about its activities. The Port Authority utilizes a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using the economic resources measurement focus and the accrual basis of accounting. In addition to the basic financial statements, the Port Authority presents Required Supplementary Information which discloses information about the Port Authority's net pension liability.

The Statement of Net Position presents the Port Authority's financial position and reports the resources owned by the Port Authority (assets and deferred outflows of resources), obligations owed by the Port Authority (liabilities and deferred inflows of resources), and the Port Authority's net position (the difference between these components). The Statement of Revenues, Expenses and Changes in Net Position presents a summary of how the Port Authority's net position changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statement of Cash Flows provides information about the Port Authority's cash receipts and disbursements during the year. It summarizes net changes in cash resulting from operating, investing, and financing activities. The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

The Port Authority as a Whole

Recall that the Statement of Net Position looks at the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net position for 2018 compared to 2017:

Table 1
Net Position

	2018	2017	Change
Assets			
Current and Other Assets	$293,643	$286,036	$7,607
Capital Assets, Net	2,086,125	2,125,032	(38,907)
Total Assets	2,379,768	2,411,068	(31,300)
Deferred Outflows of Resources			
Pension	19,278	22,074	(2,796)
OPEB	4,475	0	4,475
Liabilities			
Current and Other Liabilities	44,091	44,026	65
Long-Term Liabilities:			
Due Within One Year	30,932	30,019	913
Due in More than One Year:			
Net Pension Liability	45,338	55,408	(10,070)
Net OPEB Liability	60,812	50,502	10,310
Other Amounts	355,719	384,669	(28,950)
Total Liabilities	536,892	564,624	(27,732)
Deferred Inflows of Resources			
Pension	13,647	6,459	7,188
OPEB	4,530	0	4,530
Net Position			
Net Investment in Capital Assets	1,703,155	1,712,042	(8,887)
Unrestricted	145,297	150,017	(4,720)
Total Net Position	$1,848,452	$1,862,059	($13,607)

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the Port Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Port Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

GASB 68 and GASB75 requires the net pension liability and the net OPEB liability to equal the Port Authority's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Port Authority is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

Net Position decreased by $13,607 in total, less than one percent. This was attributed to a decrease in Total Assets by $31,300 including depreciation of $44,907 on Capital Assets and a decrease of $27,732 in Total Liabilities, partially offset by principal payments on the Loan Payable of $30,019.

Table 2 reflects the changes in net position for 2018 as compared to 2017:

Table 2
Changes in Net Position

	2018	2017	Change
Operating Revenues			
Donations	$77,697	$107,800	($30,103)
Charges for Services	6,506	4,396	2,110
Rent	99,000	99,000	0
County Contributions	67,500	92,500	(25,000)
Miscellaneous	39,127	65,080	(25,953)
Total Operating Revenues	289,830	368,776	(78,946)
Operating Expenses			
Salaries and Benefits	169,500	171,253	(1,753)
Contractual Services	41,527	69,361	(27,834)
Office Expenses, Professional Fees, Travel and Memberships, and Marketing	32,404	43,638	(11,234)
Insurance and Bonding	3,200	2,714	486
Miscellaneous	0	886	(886)
Depreciation	44,907	44,953	(46)
Total Operating Expenses	291,538	332,805	(41,267)
Non-Operating Revenues/(Expenses)			
Interest Income	5	5	0
Operating Grants	0	0	0
Interest and Fiscal Charges	(11,904)	(13,864)	1,960
Total Non-Operating Revenues/(Expenses)	(11,899)	(13,859)	1,960
Change in Net Position	(13,607)	22,112	(35,719)
Net Position Beginning of Year	1,862,059	1,839,947	22,112
Net Position End of Year	$1,848,452	$1,862,059	($13,607)

Two of the largest sources of operating revenues are rental income and donations, in the amounts of $99,000 and $77,697, respectively. These two categories of revenue collectively represent 61 percent of total operating revenues and demonstrate the reliance the Port Authority has on these revenues from outside sources. During 2015, the Port Authority started receiving rent from a local company for the use of our Ingenuity Center building. All operating revenues, except charges for services and rent, decreased from 2017 to 2018.

Operating expenses decreased by $41,267 as a result of a decrease of $27,834 achieved by replacing the part-time consulting arrangement of the former Executive Director with a full-time Executive Director; along with a decrease of $11,234 in Office Expenses after moving the Port Authority to its new location at 204 Front Street in Marietta.

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the Port Authority had $2,086,125 invested in capital assets, net of accumulated depreciation. Table 3 shows 2018 balances compared to 2017.

Table 3
Capital Assets
(Net of Depreciation)

	2018	2017
Land	$124,950	$124,950
Buildings and Improvements	1,952,943	1,996,062
Machinery and Equipment	8,232	4,020
Totals	$2,086,125	$2,125,032

The total decrease in the Port Authority's capital assets, net of accumulated depreciation, for the current year was $38,907, or two percent. This change is the result of depreciation substantially exceeding new asset additions during 2018.

For additional information on capital assets, see Note 6 to the basic financial statements.

Debt

At December 31, 2018, the Port Authority has outstanding debt of $382,970 in the form of a Rural Industrial Park Loan. In addition to this debt instrument, the Port Authority's long-term obligations consist of the net pension liability and sick leave payables. For additional information on the Port Authority's long-term obligations, see Note 11 to the basic financial statements.

Current Issues

Executive Director Andy Kuhn continued to effectively manage the Port Authority and economic development activities guided by a Board of Directors led by Chairman Nate Long. The SEOPA Board of Directors meets every other month, at venues throughout the County. The Port Authority utilizes Board Committees to monitor specific functions, and Committee Chairs select various Board Members and volunteers to serve on their Committees.

During 2018, the Port Authority relocated its offices from Washington State Community College to the Ketter Block Building at 204 Front Street in downtown Marietta. The move reduced rent and office expenses, and enabled easier access to companies considering moving to Washington County, as well as other development groups with whom the Port Collaborates.

Contacting the Port Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, contributors, and creditors with a general overview of the Port Authority's finances and to reflect the Port Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Andy Kuhn, Executive Director, Southeastern Ohio Port Authority, 204 Front Street, Marietta, Ohio 45750.

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SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2018

Assets	
Current Assets:	
Cash and Cash Equivalents	$251,756
Accounts Receivable	39,127
Prepaid Items	2,760
Total Current Assets	293,643
Non-Current Assets:	
Non-Depreciable Capital Assets	124,950
Depreciable Capital Assets, Net	1,961,175
Total Non-Current Assets	2,086,125
Total Assets	2,379,768
Deferred Outflows of Resources	
Pension	19,278
OPEB	4,475
Total Deferred Outflows of Resources	23,753
Total Assets and Deferred Outflows	2,403,521
Liabilities	
Current Liabilities:	
Accrued Payroll and Taxes	810
Intergovernmental Payable	39,998
Accrued Interest Payable	957
Accrued Leave Benefits Payable	2,326
Current Portion of Loan Payable	30,932
Total Current Liabilities	75,023
Long-Term Liabilities:	
Loan Payable	352,038
Long-Term Sick Leave Payable	3,681
Net Pension Liability	45,338
Net OPEB Liability	60,812
Total Long-Term Liabilities	461,869
Total Liabilities	536,892
Deferred Inflows of Resources	
Pension	13,647
OPEB	4,530
Total Deferred Inflows of Resources	18,177
Net Position:	
Net Investment in Capital Assets	1,703,155
Unrestricted	145,297
Total Net Position	$1,848,452

See accompanying notes to the basic financial statements

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenues:	
Donations	$77,697
Charges for Services	6,506
Rent	99,000
County Contribution	67,500
Miscellaneous	39,127
Total Operating Revenues	289,830
Operating Expenses:	
Salaries and Benefits	169,500
Contractual Services	41,527
Office Expenses	9,997
Professional Fees	14,536
Travel and Memberships	4,579
Marketing	3,292
Insurance and Bonding	3,200
Depreciation Expense	44,907
Total Operating Expenses	291,538
Operating Income	(1,708)
Non-Operating Revenues/(Expenses)	
Interest Income	5
Interest and Fiscal Charges	(11,904)
Total Non-Operating Revenues/(Expenses)	(11,899)
Change in Net Position	(13,607)
Net Position, Beginning of Year	1,862,059
Net Position, End of Year	$1,848,452

See accompanying notes to the basic financial statements

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Donors	$145,197
Cash Received from Customers	6,506
Cash Received from Rent	99,000
Cash Payments for Employee Services and Benefits	(156,806)
Cash Payments for Goods and Services	(78,226)
Other Operating Revenues	39,330
Net Cash Provided by Operating Activities	55,001
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(6,000)
Principal Paid on Debt	(30,019)
Interest Paid on Debt	(11,979)
Net Cash Used by Capital and Related Financing Activities	(47,998)
Cash Flows from Investing Activities:	
Interest Earned from Bank Accounts	5
Net Cash Provided by Investing Activities	5
Net Increase in Cash and Cash Equivalents	7,008
Cash and Cash Equivalents - January 1	244,748
Cash and Cash Equivalents - December 31	$251,756
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income	(1,708)
Depreciation/Amortization	44,907
Decrease (Increase) in Accounts Receivable	203
Decrease (Increase) in Prepaid Items	(802)
Decrease (Increase) in Deferred Outflows - Pension and OPEB	(1,679)
Increase/(Decrease) in Accounts Payable	9
Increase/(Decrease) in Intergovernmental Payable	(817)
Increase/(Decrease) in Accrued Leave Benefits Payable	947
Increase/(Decrease) in Sick Leave Payable	1,983
Increase/(Decrease) in Net Pension and OPEB Liability	240
Increase (Decrease) in Deferred Inflows - Pension and OPEB	11,718
Net Cash Provided by Operating Activities	$55,001

See accompanying notes to the basic financial statements

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NOTE 1 - REPORTING ENTITY

The Southeastern Ohio Port Authority, Washington County (the Port Authority), was created during 2003 by the Washington County Commissioners pursuant to Sections 4582.202 through 4582.58, inclusive of the Ohio Revised Code, for the purpose of promoting the manufacturing, commerce, distribution, research, and development interests of Southeastern Ohio, including rendering financial and other assistance to such enterprises situated in the region. Other purposes include inducing the location in Southeastern Ohio of other manufacturing, commerce, distribution, and research entities to purchase, subdivide, sell, and lease real property in Southeastern Ohio. The Port Authority also strives to erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Southeastern Ohio.

The Port Authority Board of Directors consists of the number of Directors it deems necessary and they are appointed by the Washington County Commissioners. As such, it is considered a discretely presented component unit of Washington County. Currently, eleven Directors serve on the Board.

The Port Authority's management believes these financial statements present all activities for which the Southeastern Ohio Port Authority is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Port Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Port Authority's accounting policies are described below.

A. Basis of Presentation

The Port Authority's financial statements consist of government-wide statements, including a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

B. Measurement Focus

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 total net position. The Statement of Cash Flows provides information about how the Port Authority finances and meets the cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Port Authority, deferred outflows of resources are reported on the government-wide statements of net position for pension and other post-employment benefits (OPEB). The deferred outflows of resources related to these items are explained in Notes 8 and 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Port Authority, deferred inflows of resources consist of pension and OPEB and are reported on the statement of net position. (See Notes 8 and 9)

Expenses are recognized on the accrual basis of accounting, and are reported at the time they are incurred.

D. Budgetary Process

The Ohio Revised Code requires that the Port Authority Board of Directors prepare an annual budget.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

Encumbrances The Ohio Revised Code requires the Port Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and re-appropriated in the subsequent year.

E. Cash and Cash Equivalents

Cash assets are maintained in non-interest bearing and interest bearing checking and money market accounts.

The Port Authority had no investments during the year or at year end.

F. Receivables and Payables

Receivables and payables are recorded on the Port Authority's financial statements to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and, in the case of receivables, collectability.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. All capital assets are depreciated, except land. Depreciation is computed using the straight-line method over five years of the useful lives for Machinery and Equipment and over 50 years for Buildings.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the employer will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "leave benefits payable", rather than long term liabilities, as the balances are to be used by employees in the year following the year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Port Authority has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the Port Authority's termination policy. The Port Authority records a liability for accumulated, unused sick leave for all employees when they start working per the Port Authority's employee policy.

J. Pension and Other Post Employment Benefits (OPEB)

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

K. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and liabilities used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Port Authority does not have restricted net position.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Port Authority. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority. Revenues and expenses not meeting these definitions are reported as non-operating.

M. Estimates

The preparation of the 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.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and that are either unusual in nature or infrequent in occurrence. The Port Authority did not have any extraordinary or special items in 2018.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For 2018, the Port Authority implemented the Governmental Accounting Standards Board's (GASB) 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* As a result, 2017 New Position was restated from $1,912,561 to $1,862,059, a decrease of $50,502.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Port Authority into three categories.

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

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

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

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

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

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

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

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

4. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio.

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty 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

8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

Investment may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the Port Authority's bank balances of $252,221 were covered by the FDIC. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Port Authority to a successful claim by the FDIC.

The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the Port Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Two of the Port Authority's four financial institutions have joined OPCS. As of December 31, 2018, the remaining two financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2018, consisted of an accounts receivable in the amount of $39,127 arising from the reimbursement of the 2018 Real Estate Taxes. All receivables are considered collectible in full.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was a follows:

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018
Non-Depreciable Capital Assets:				
Land	$124,950	$0	$0	$124,950
Depreciable Capital Assets:				
Buildings	2,155,962	0	0	2,155,962
Machinery and Equipment	16,858	6,000	0	22,858
Total Depreciable Capital Assets	2,172,820	6,000	0	2,178,820
Accumulated Depreciation:				
Buildings	(159,900)	(43,119)	0	(203,019)
Machinery and Equipment	(12,838)	(1,788)	0	(14,626)
Total Accumulated Depreciation	(172,738)	(44,907)	0	(217,645)
Total Depreciable Capital Assets, Net	2,000,082	(38,907)	0	1,961,175
Capital Assets, Net	$2,125,032	($38,907)	$0	$2,086,125

NOTE 7 - 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 employees; and natural disasters. The Port Authority contracts with Peoples Insurance Agency who, on behalf of the Port Authority, negotiates property and casualty insurance coverage with Cincinnati Insurance Company and CNA Insurance Company for management and professional insurance coverage. The following lists the coverage limits and deductibles:

Property ($500 deductible):	
Contents	$50,000
Crime ($250 Deductible):	
Employee Dishonesty / Forgery or Alteration	50,000
General Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Products-Completed Operations Aggregate Limit	2,000,000
Personal & Advertising Injury Limit	1,000,000
Hired and Non-owned Auto Liability	1,000,000
Fire Damage Limit	100,000

Medical Expense Limit	5,000
Directors & Officers Liability:	
Each Occurrence	1,000,000
Scheduled Retention	2,500/5,000

Bond Coverage for the Secretary/Treasurer is included in Non-Profit Organization and Management Liability Insurance Policy.

There were no significant reductions in coverage from prior years. Settlements have not exceeded coverage in any of the last three years.

The Port Authority pays the State Workers' Compensation System a premium for employee injury coverage based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Port Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Port Authority employees) may elect the member directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan;

therefore, the following disclosures focus on the traditional pension plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, 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 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

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 purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Port Authority's contractually required contribution to the Traditional Plan was $9,100 for 2018. Pension expense for the Member-Directed Plan for 2018 was $3,915. All contributions were paid in 2018.

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, 2017, 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 and pension expense:

	OPERS
Proportion of the Net Pension Liability:	
Current Measurement Date	0.00028900%
Prior Measurement Date	0.00024400%
Change in Proportionate Share	0.00004500%
Proportionate Share of the Net Pension Liability	$45,338

At December 31, 2018, 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	
Net difference between projected and actual earnings on pension plan investments	$4,714
Difference between expected and actual experience	46
Change in assumptions	5,418
Port Authority contributions subsequent to the measurement date	9,100
Total Deferred Outflows of Resources	$19,278
Deferred Inflows of Resources	
Differences between expected and actual experience	$893
Difference between projected and actual investment earnings	9,734
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	3,020
Total Deferred Inflows of Resources	$13,647

$9,100 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2019	$3,484
2020	1,334
2021	(4,286)
2022	(4,001)
Total	($3,469)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Port Authority's proportionate share of the net pension liability	$80,510	$45,338	$16,016

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the Port Authority's net pension liability is not known.

NOTE 9 - DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, "115 HealthCare Trust", which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

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 2018.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, 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 respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.00056000%
Prior Measurement Date	0.00050000%
Change in Proportionate Share	0.00006000%
Proportionate Share of the Net OPEB Liability	$60,812
OPEB Expense	8,279

At December 31, 2018, 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	
Difference between expected and actual experience	$47
Change in assumptions	4,428
Total Deferred Outflows of Resources	$4,475
Deferred Inflows of Resources	
Difference between projected and actual investment earnings	$4,530
Total Deferred Inflows of Resources	$4,530

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

Year Ending December 31:	OPEB Net Deferred Inflows/(Outflows) of Resources
2019	$1,007
2020	1,007
2021	(938)
2022	(1,131)
Total	($55)

Actuarial assumptions. 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, 2016, rolled forward to the measurement date of December 31, 2017. 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	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The table below displays the OPERS Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2017.

Discount rate. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

The following table presents the OPEB liability calculated using the single discount rate of 3.85%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

As of December 31, 2017	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Port Authority Net OPEB Liability	$80,791	$60,812	$44,649

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

As of December 31, 2017	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Port Authority Net OPEB Liability	$58,184	$60,812	$63,526

NOTE 10 - OTHER EMPLOYER BENEFITS

Compensated Absences

Each employee accrues 4.6 hours of sick time for each two week pay period worked. Accrual continues during periods of approved paid leave. Unused sick leave is cumulative without limit. Upon retirement or separation of employment, employees are paid up to a maximum of 240 hours.

Unused vacation time and compensatory time are paid to a terminated employee at their rate of pay at the time of retirement as well up to 80 hours.

NOTE 11 - LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS

Changes in the Port Authority's long-term obligations during the year consisted of the following:

	Restated Principal Outstanding 12/31/17	Additions	Deductions	Principal Outstanding 12/31/18	Amounts Due within One Year
Rural Industrial Development Loan - 3%	$412,990	$0	$30,020	$382,970	$30,932
Net Pension Liability - OPERS	55,408	0	10,070	45,338	0
Net OPEB Liability - OPERS	50,502	10,310	0	60,812	0
Sick Leave Payable	1,698	1,983	0	3,681	0
Total Long-Term Oblligations	$520,598	$12,293	$40,090	$492,801	$30,932

On April 1, 2014, the Port Authority received a $484,970 Rural Industrial Park Loan from the Ohio Department of Development for completion of the Ingenuity Center located at 300 Commerce Drive in Marietta, Ohio. Only $458,719 was needed and received. Under the agreement, principal and interest payments were not required until September 1, 2019, unless the Center was rented before that date. During 2016, the Center started collecting rent and a new amortization schedule was created. Principal and interest payments required to retire the debt are as follows:

Year	Principal	Interest
2019	$30,932	$11,988
2020	31,873	10,969
2021	32,842	9,919
2022	33,842	8,836
2023	34,871	7,128
2024-2027	150,417	19,636
2028-2029	68,193	1,954
	$382,970	$70,430

Conduit Debt

Pursuant to State statue, the Port Authority has issued revenue bonds, hospital revenue bonds, and obtained an Ohio Water Development Authority (OWDA) loan to provide financial assistance to private sector entities for new construction or improvements. The Port Authority, the State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as liabilities in the accompanying financial statements.

The Port Authority entered into a private/public partnership with Eramet Marietta, LLC, Americas Styrenics, Solvay Advanced Polymers, and Energizer for the construction and rental a water production facility located across from the aforementioned industries on the banks of the Ohio River. Organized as Good River Distribution LLC, the water production facility provides process water and fire water to the partner industries. Good River Distribution LLC's assets are controlled by the Port Authority until such time as the rental agreement expires.

During 2012, the Port Authority obtained a State Assistance Revenue Bond, Series 2012, in the amount of $4,175,000 to acquire, install, and construct a water screening, service water supply, and pumping system. The interest rate is 4.375% and the maturity date is June, 2027. As of December 31, 2018, $2,780,000 of the revenue bond is outstanding.

During 2012, the Port Authority obtained a loan in the amount of $6,000,000 from the OWDA for construction, maintenance, and operation of Good River Distribution, LLC. The loan will be repaid solely by rent received from members of Good River Distribution, LLC. The maturity date is January, 2028. As of December 31, 2018, $3,908,558 remains on the loan.

During 2015, the Port Authority and Marietta Area Health Care issued $60,000,000 in Hospital Facilities Improvement Bonds. The bonds were issued for the purpose of acquisition, construction, renovation, equipping, and installation of electronic medical records system as well as various improvements to the health care facilities. As of December 31, 2018, $59,500,000 of the revenue bond is outstanding.

As of December 31, 2018, there are $132,155,000 of 2012 Hospital Facilities Revenue Refunding and Improvement Bonds outstanding. These Bonds mature in various annual amounts through 2042, interest is due semiannually at rates ranging from 3% to 6%.

NOTE 12 - SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many counties, including the geographical area in which the Port Authority operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions with the coronavirus will last and what the complete financial effect will be to the Port Authority, however, the Port Authority has enough significant liquidity to survive.

In addition, on September 29, 2020, the Board approved Resolution No. 2020-001 to authorize the issuance, not to exceed $34,000,000, in Economic Development Revenue Refunding Bonds, Series 2020 in one or more series, by the Port Authority for the Marietta College Project.

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY, OHIO
Required Supplementary Information
Schedule of the Port Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

	2018	2017	2016	2015	2014
Port Authority's Proportion of the Net Pension Liability	.00028900%	.00024400%	.00025300%	.00025700%	.00036714%
Port Authority's Proportionate Share of the Net Pension Liability	$45,338	$55,408	$43,822	$30,996	$43,281
Port Authority's Covered Payroll	$38,146	$31,529	$31,529	$31,529	$71,677
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.85%	175.74%	138.99%	98.31%	60.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each fiscal year.

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

See Accompanying Notes to the Required Supplementary Information

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY
Required Supplementary Information
Schedule of Port Authority Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Six Years (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$9,800	$4,959	$3,783	$3,783	$3,783	$9,318
Contractually Required Contribution	(9,800)	(4,959)	(3,783)	(3,783)	(3,783)	(9,318)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
Port Authority Covered Payroll	$70,000	$38,146	$31,529	$31,529	$31,529	$71,677
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2013 is not available. An additional column will be added each fiscal year.

See Accompanying Notes to the Required Supplementary Information

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

Required Supplementary Information

Schedule of the Port Authority's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System OPEB Plan

Last Two Years (1)

	2018	2017
Port Authority's proportion of the net OPEB liability	.0005600%	.0005000%
Port Authority's proportionate share of the net OPEB liability (asset)	$60,812	$50,502
Port Authority's covered-employee payroll	$38,146	$31,529
Port Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	159.42%	160.18%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	(2)

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each fiscal year.
(2) Not published.

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

See Accompanying Notes to the Required Supplementary Information

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY
Required Supplementary Information
Schedule of Port Authority Contributions
Ohio Public Employees Retirement System OPEB Plan
Last Three Years (1)

	2018	2017	2016
Contractually Required Contribution	$0	$381	$631
Contributions in relation to the contractually required contribution	(0)	(381)	(631)
Contribution deficiency (excess)	$0	$0	$0
Port Authority's covered-employee payroll	$70,000	$38,146	$31,529
Contributions as a percentage of covered-employee payroll	0%	.99%	2.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2016 is not available. An additional column will be added each fiscal year.

See Accompanying Notes to the Required Supplementary Information

Changes in Assumptions - OPERS

Amounts reported for 2018 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	December 31, 2018	December 31, 2017 and Prior
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.05 percent including wage inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2018 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions- OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Southeastern Ohio Port Authority
Washington County
204 Front Street
Marietta, Ohio 45750

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the basic financial statements of the Southeastern Ohio Port Authority, Washington County, Ohio (the Port Authority), a component unit of Washington County, Ohio, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2020, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Port Authority. We also noted the Port Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, that we consider a material weakness. We consider finding 2019-001 to be material weaknesses.

Compliance and Other Matters

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

Port Authority's Response to Finding

The Port Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not subject the Port Authority's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

October 7, 2020

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

For the year ended December 31, 2019, the Port Authority incorrectly classified a County Contribution receipt of $20,250 as a Donation. For the year ended December 31, 2018, the Port Authority incorrectly classified a portion of expenditures on the Statement of Cash Flows resulting in an increase of Cash Payments for Goods and Services and a decrease in Cash Payments for Employee Services of $29,391. These misstatements were caused by confusion over proper posting. As a result, the reclassification, with which the Port Authority's management agrees, was made to the financial statements and ledgers, and is reflected in the accompanying financial statements. Adjustments were also made to correct footnote disclosures and required supplementary information.

The Executive Director and Board should take additional care in posting transactions to the Port Authority's ledgers in order to ensure the financial statements reflect the appropriate classifications.

Official's Response: In November 2019, after 13 years of service, the Port Authority's Administrative Assistant retired leaving the Executive Director to handle 100% of the organizational needs. Said Executive Director, who left the Port Authority in February 2020, incorrectly entered the deposit in QuickBooks by selecting account 430-00 County Contributions, rather than account 400-000 Direct Contributions. This was a data entry error that was missed by Perry & Associates in our 2019 Compilation Report and with 100% turnover in employees from November 2019 to March 2020, it went uncorrected internally. Our Board Treasurer does not work within QuickBooks; only reviewing the reports presented, so there is no way he could have caught it. The Port Authority has since implemented a vigorous review process of the monthly P&L and deposit statements to ensure 100% accuracy in our reporting going forward.

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OHIO AUDITOR OF STATE
KEITH FABER

SOUTHEASTERN OHIO PORT AUTHORITY

WASHINGTON 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 10/20/2020

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This report is a matter of public record and is available online at
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