SOUTHERN OHIO PORT AUTHORITY
SCIOTO COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2018-2017

OHIO AUDITOR OF STATE
KEITH FABER

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SCIOTO COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Southern Ohio Port Authority
Scioto County
602 Seventh Street, Room 310
Portsmouth, Ohio 45662

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Southern Ohio Port Authority, Scioto County, Ohio (the Port Authority), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Ohio Port Authority, Scioto County, Ohio, as of December 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof 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 13 to the 2018 and 2017 financial statements, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 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
Auditor of State

Columbus, Ohio

September 16, 2020

The discussion and analysis of the Southern Ohio Port Authority's (the Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole. Readers should also review the basic financial statements and the 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:

- Total assets decreased $19,725, or 2%, between 2018 and 2017. Total liabilities decreased $98,087, or 24%, between 2018 and 2017. Total net position decreased $31,102, or 4%, between 2018 and 2017.
- Total operating revenues decreased $771,913, or 92%, between 2018 and 2017. Total operating expenses decreased $959,573, or 91%, between 2018 and 2017.

Using This Annual Financial Report

This financial report contains the basic financial statements of the Port Authority, as well as the management's discussion and analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, and a statement of cash flows. As the Port Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Port Authority's net position and changes in net position. This change in net position is important because it tells the reader, for the Port Authority as a whole, whether the financial position has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the availability of revolving line of credit funds, the condition of assets held for resale, and other factors.

Notes to the Basic Financial Statements

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

Recall that the statement of net position provides the perspective of the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net position as of December 31, 2018 and 2017.

Table 1
Net Position

	2018	2017*
Assets		
Current and Other Assets	$107,189	$126,914
Capital Assets	998,130	998,130
Total Assets	1,105,319	1,125,044
Deferred Outflows of Resources	18,105	72,540
Liabilities		
Current and Other Liabilities	38,401	41,498
Long-Term Liabilities	272,510	367,500
Total Liabilities	310,911	408,998
Deferred Inflows of Resources	58,586	3,557
Net Position		
Net Investment in Capital Assets	902,896	902,896
Unrestricted (Deficit)	(148,969)	(117,867)
Total Net Position	$753,927	$785,029

*As restated. See note 12 of the notes to the basic financials for more information.

Current and other assets decreased significantly due to a decrease in cash balances and the sale of four properties held for resale. Capital assets did not change between years as there were no additions or deletions during the year. Deferred outflows of resources decreased due to changes in actuarially-determined amounts reported for the Port Authority's retirement system. The Port Authority's proportionate share significantly decreased between years which was largely part of the decrease. Current and other liabilities decreased due to the decrease in accounts payable and accrued liabilities. Long-term liabilities decreased significantly due to a decrease in net pension and OPEB liabilities for changes in actuarially-determined amounts reported for the Port Authority's retirement system. Deferred inflows of resources increased due to changes in actuarially-determined amounts reported for the Port Authority's retirement system.

Table 2 shows the changes in net position for the years ended December 31, 2018 and 2017.

Table 2
Changes in Net Position

	2018	2017
Operating Revenues		
Government Contributions	$8,979	$375,000
Individual and Corporate Contributions	62,000	429,000
Rental Income	0	1,200
Service Fees	0	37,831
Miscellaneous	139	0
Total Operating Revenues	71,118	843,031
Operating Expenses		
Employee Costs	14,507	152,215
Marketing	325	3,937
Professional Fees	13,369	38,158
Property Management	6,469	1,558
Registration Fees and Dues	300	14,869
Rent	0	13,980
Service Fees-Bank	105	281
Special Projects	65,000	814,882
Supplies and Fees	563	6,365
Travel	0	13,688
Utilities	0	278
Total Operating Expenses	100,638	1,060,211
Net Nonoperating Revenues and Expenses	(1,582)	(113,716)
Change in Net Position	(31,102)	(330,896)
Net Position, Beginning of Year-Restated	785,029	N/A
Net Position, End of Year	$753,927	$785,029

Operating revenues decreased significantly between years due to additional governmental grants and corporation contributions received during the prior year that was not similarly received in the current year. Operating expenses also decreased related to these contributions. Nonoperating expenses decreased between years due to a loss recognized for sale of properties and reductions in values due to reappraisals of properties in the prior year that was larger than the current year.

Capital Assets and Long-Term Debt

Capital Assets

The Port Authority had nondepreciable assets at December 31, 2018 valued at $998,130. This balance did not change from the prior year as there were no additions or disposals of any properties. This balance is further disclosed in note 3 of the notes to the basic financial statements.

Long-Term Debt

The Port Authority held one note payable with Scioto County, which is further discussed in note 4 of the notes to the basic financial statements.

Known Facts, Decisions, and Conditions

In the past, the Port Authority has also handled the economic development duties for Scioto County with a 23-member board. This is no longer the case. The County has opened an Economic Development Department to handle economic development moving forward. Therefore, the Port Authority's Board has been reduced to seven seats. There are currently four active members and three seats that will be filled before the end of October 2020. All members are voluntary members. We currently have no salaried or paid employees. The Port Authority has been restructured to do Port Authority business only (bonding, land deals, property acquisitions, and building and owning facilities) with private companies for tax incentives to encourage them to locate in Scioto County. It will now be a tool for the Economic Development Department to use, when applicable. The bonding and other activities will also be a source of revenue to keep the Port Authority viable. We are close to closing a bond deal with PureCycle for $350,000,000. We are also in the process of setting up for some PACE finance bonding with the ESID's that we have recently set up for Harrison Township and the City of Portsmouth. With the above in place, we feel the Port Authority is in a great position to become and remain viable into 2021 and the years to follow.

Contacting the Port Authority's Financial Management

This financial report is designed to provide a general overview of the Port Authority's finances for all parties with an interest in the Port Authority's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Robert Horton, Board Chair, 602 Seventh Street, Room 310, Portsmouth, Ohio 45662.

Southern Ohio Port Authority
Scioto County
Statement of Net Position
As of December 31, 2018

Assets	
Current Assets	
Cash and Cash Equivalents	$52,660
Grants Receivable	8,979
Property for Resale	45,550
Total Current Assets	107,189
Noncurrent Assets	
Nondepreciable Capital Assets	998,130
Total Noncurrent Assets	998,130
Total Assets	1,105,319
Deferred Outflows of Resources	
Pension	12,990
OPEB	5,115
Total Deferred Outflows of Resources	18,105
Liabilities	
Current Liabilities	
Unearned Revenue	38,401
Total Current Liabilities	38,401
Long-Term Liabilities	
Loans Payable-Scioto County	95,234
Net Pension Liability	107,777
Net OPEB Liability	69,499
Total Long-Term Liabilities	272,510
Total Liabilities	310,911
Deferred Inflows of Resources	
Pension	43,922
OPEB	14,664
Total Deferred Inflows of Resources	58,586
Net Position	
Net Investment in Capital Assets	902,896
Unrestricted (Deficit)	(148,969)
Total Net Position	$753,927

See accompanying notes to the basic financial statements.

Southern Ohio Port Authority
Scioto County
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2018

Operating Revenue	
Government Contribution	$8,979
Individual and Corporate Contributions	62,000
Miscellaneous	139
Total Operating Revenue	71,118
Operating Expenses	
Employee Costs	
Payroll Taxes	14
PERS Employer Contributions	14,493
Total Employee Costs	14,507
Marketing	325
Professional Fees	13,369
Property Management	6,469
Registration Fees and Dues	300
Service Fees-Bank	105
Special Projects	65,000
Supplies and Fees	563
Total Operating Expenses	100,638
Net Loss	(29,520)
Nonoperating Revenues (Expenses)	
Interest Income	208
Loss on Sale of Property	(1,790)
Total Nonoperating Revenues (Expenses)	(1,582)
Change in Net Position	(31,102)
Net Position-Beginning of Year-Restated	785,029
Net Position-End of Year	$753,927

See accompanying notes to the basic financial statements.

Southern Ohio Port Authority
Scioto County
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows from Operating Activities	
Cash from Contributions	$62,000
Cash from Other Sources	166
Cash for Employees Costs	(1,593)
Cash Payments for Grants	(65,000)
Cash Payments for Goods and Services	(22,668)
Net Cash Used by Operating Activities	(27,095)
Cash Flows from Investing Activities	
Cash from Investment Earnings	208
Cash from Property Sales	18,150
Net Cash Provided by Investing Activities	18,358
Net Decrease in Cash and Cash Equivalents	(8,737)
Cash and Cash Equivalents-Beginning of Year	61,397
Cash and Cash Equivalents-End of Year	$52,660
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	($29,520)
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	27
(Increase) Decrease in Grants Receivable	(8,979)
Increase (Decrease) in Accounts Payable	(1,537)
Increase (Decrease) in Other Accrued Liabilities	(1,560)
(Increase) Decrease in Deferred Outflows of Resources	54,435
Increase (Decrease) in Deferred Inflows of Resources	55,029
Increase (Decrease) in Net Pension Liability	(85,925)
Increase (Decrease) in Net OPEB Liability	(9,065)
Net Cash Used by Operating Activities	($27,095)

See accompanying notes to the basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of the Southern Ohio Port Authority (the Port Authority) is presented to assist in understanding the Port Authority's financial statements. The financial statements and notes are representations of the Port Authority's management and board who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles for governmental agencies including those principles prescribed by the Governmental Accounting Standard Board (GASB), the American Institute of Certified Public Accountants in the Publication entitled "Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards," and by the Financial Accounting Standards Board (FASB), when applicable. The above policies have been consistently applied in the preparation of the financial statements.

Reporting Entity

The Southern Ohio Port Authority, Scioto County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.02 of the Ohio Revised Code. The Port Authority is governed by a ten member Board of Directors. Members of the Board are appointed by the Scioto County Commissioners. The purpose of the Port Authority is to be involved in the activities that enhance foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Scioto County. The Port Authority is statutorily created as a separate and distinct political subdivision of the State. Scioto County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Scioto County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of its general operating fund. Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organizations, or (2) the Port Authority is legally entitled to or can otherwise access the organization's resources; the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits or to provide financial support to the organizations; or the Port Authority is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent of the Port Authority if the Port Authority approves the budget, the issuance of debt, or the levying of taxes. The Port Authority has no component units. The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed on September 22, 1983.

Basis of Accounting

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 of establishing governmental accounting and financial reporting principles. The Port Authority's financial statements consist of a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows. The Port Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resource measurement focus. All assets, deferred outflows of resources, 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 fund net position present 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 of its enterprise activity.

Fund Accounting

The Port Authority maintains an enterprise fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

Budgetary Process

Ohio Revised Code Section 4582.13 requires the Port Authority to annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

Cash, Cash Equivalents and Investments

The Ohio Revised Code prescribes allowable deposits and investments. For purposes of the statement of cash flows, the Port Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments would be reported at fair value, which is based on quoted market prices.

Capital Assets

Capital assets utilized by the Port Authority are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their acquisition values as of the date received. The Port Authority maintains a capitalization threshold of five thousand dollars. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life or not. The Port Authority only owns land and as such, they have no established useful lives or depreciation method.

Property Held for Resale

Property held for resale represent properties purchased by or donated to the Port Authority. These properties are held with the intention to sale. These properties are valued based upon the purchase price or tax valuation if no cost was incurred.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The Port Authority did not have any restricted net position for 2018.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are contributions received from public and private donors and miscellaneous reimbursements. 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 nonoperating.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Port Authority has deferred outflows of resources related to pensions and OPEB, which is further discussed in notes 5 and 6.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Port Authority has deferred inflows of resources related to pensions and OPEB, which will be further discussed in notes 5 and 6.

Unearned Revenue

The Port Authority reports unearned revenue on the statement of net position when monies have been received prior to being earned. The Port Authority reported unearned revenue for grant monies received but not yet expended.

Pensions/OPEB

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

Note 2 – Deposits and Investments

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits represent interim monies that 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 account including passbook accounts. Interim monies can be deposited or invested in the following securities:

1. Notes, bills, bonds, 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, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage

Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in item (1) and (2) of this note and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the Port Authority lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Port Authority's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Port Authority's average portfolio.

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity.

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

Custodial credit risk is the risk that in the event of a bank failure, the Port Authority's deposits may not be returned to it. The Port Authority's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. At December 31, 2018, the carrying amount of the Port Authority's deposits was $52,660, which was covered by federal depository insurance.

The Port Authority had no investments at December 31, 2018.

Note 3 – Capital Assets

Capital assets activity for the fiscal year ended December 31, 2018 was as follows:

	Balance at 12/31/17	Additions	Deletions	Balance at 12/31/18
Land	$998,130	$0	$0	$998,130

Note 4 – Long-Term Debt

	Balance at 12/31/17	Additions	Deletions	Balance at 12/31/18	Due Within One Year
Scioto County	$95,234	$0	$0	$95,234	$0

The Scioto County note is secured by real estate and payment is due on demand of sale of real estate.

To assist the private sector in acquiring and constructing facilities deemed to be in the public interest, the Port Authority issued $10 million in industrial revenue bonds on May 8, 2008. Mortgages on the facilities secure the bonds. The bonds are payable solely from payments received on the underlying mortgage loans. The Port Authority, the State, nor any other political subdivision is obligated in any manner for paying the bonds, which are not reflected in the debt schedule above.

Note 5 – Defined Benefit Pension Plan

Net Pension Liability

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

The net pension liability represents the Port Authority's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the 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). The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement system to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension 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 system to provide health care to eligible benefit recipients.

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

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/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans 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
Traditional Plan 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	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% service for the first 30 years and 2.5%	**Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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 traditional plan 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. Members retiring under the combined plan receive a cost–of–living adjustment of the defined benefit portion of their pension benefit. 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:

Statutory Maximum Contribution Rates	2018	2017
Employer	14.0 %	14.0 %
Employee*	10.0 %	10.0 %
Actual Contribution Rates		
Employer:		
Pension**	14.0 %	13.0 %
Post-employment Health Care Benefits**	0.0	1.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

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

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

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

The Port Authority's contractually required contribution was $0 for 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 of the Port Authority's defined benefits pension plan and pension expense:

Proportionate Share of the Net Pension Liability:	
Current Measurement Date	0.00068700%
Prior Measurement Date	0.00085300%
Change in Proportionate Share	-0.00016600%
Proportionate Share of the:	
Net Pension Liability	$107,777
Pension Expense	13,082

At December 31, 2018, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	
Differences between expected and actual experience	$109
Changes of assumptions	12,881
Total Deferred Outflows of Resources	$12,990
Deferred Inflows of Resources	
Differences between expected and actual experience	$2,124
Net difference between projected and actual earnings on pension plan investments	23,139
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	18,659
Total Deferred Inflows of Resources	$43,922

$0 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:	
2019	($404)
2020	(12,282)
2021	(18,042)
2022	(204)
Total	($30,932)

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 (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.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre-1/7/2013 retirees: 3 percent, simple Post-1/7/2013 retirees: 3 percent, simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
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 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 is 16.82% 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 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	$191,384	$107,777	$38,074

<u>Note 6 – Defined Benefit OPEB Plan</u>

Net OPEB Liability

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

The net OPEB liability represents the Port Authority's proportionate share of the OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the 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 system may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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). 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 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, 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. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board 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 Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources

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

Proportionate Share of the Net OPEB Liability:	
Current Measurement Date	0.00064000%
Prior Measurement Date	0.00077784%
Change in Proportionate Share	-0.00013784%
Proportionate Share of the:	
Net OPEB Liability	$69,499
OPEB Expense	1,392

At December 31, 2018, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	
Differences between expected and actual experience	$54
Changes of assumptions	5,061
Total Deferred Outflows of Resources	$5,115
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$5,178
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	9,486
Total Deferred Inflows of Resources	$14,664

$0 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 2019. 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:	
2019	($3,384)
2020	(3,384)
2021	(1,485)
2022	(1,296)
Total	($9,549)

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 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 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 percent for 2017.

The allocation of investment assets with 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 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 Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. 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 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Port Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Port Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Port Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Port Authority's proportionate share of the net OPEB liability	$92,333	$69,499	$51,027

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 percent lower or 1.0 percent 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 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Port Authority's proportionate share of the net OPEB liability	$66,496	$69,499	$72,602

Note 7 – Related Party Transactions

The Port Authority owes $95,234 to Scioto County at December 31, 2018. The Port Authority is a related organization of Scioto County.

Note 8 – Concentration of Credit Risk

The Port Authority's primary assets consist of land, buildings, rail facilities and river dock located in Portsmouth, Ohio. The Port Authority's primary source of income was contributions. The purpose of the Port Authority's sale of industrial property is to promote the creation of industrial related jobs in Scioto County and property sales are typically made at below cost. The Port Authority has been totally dependent on outside contributions for its continued existence.

Note 9 - Contingencies

Environmental

The Port Authority has no known outstanding environmental issues as of the date of this report. The Port Authority has an agreement with Ohio EPA in which the Port Authority performs environmental inspections and corrects resulting problems on Brownfield property at the time the title is transferred to a prospective buyer in return for the Ohio EPA's covenant not to sue and becoming a part of the deed transferred to the buyer.

Note 10 – Risk Management

The Port Authority is included in Scioto County's County Risk Sharing Authority Joint Self Insurance Pool formed under Ohio Revised Code Section 2744. It provided for the following: comprehensive property and general liability coverage; vehicles; and errors and omissions. During 2018, the Port Authority had no settlements that exceeded insurance coverage in any of the past three years. There were also no significant changes in coverage from the prior year.

Note 11 – Conduit Debt Obligations

In order to provide financial assistance to private sector entities for the acquisition and construction of commercial and industrial facilities deemed to be in the public interest, the Port Authority, has from time to time, issued conduit debt. This debt is secured by the property financed and is payable solely from payments received on the underlying mortgage loans.

Ownership of the acquired facilities transfers to the private sector entity served by the bond issuance upon repayment of the bonds. The Port Authority, the State, nor any other political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the conduit debt is not reported as liabilities in the accompanying financial statements.

As of December 31, 2018, there is one conduit debt outstanding, that was originally filed for $10,000,000. The Educational Facilities Development Revenue Bond is still outstanding, but is currently being paid by the Clark Foundation.

There is a second conduit debt outstanding that was issued in 2013 on behalf of Scioto County. The original issuance was for Economic Development Facilities Refunding Revenue Bonds in the amount of $1,815,000. As of December 31, 2018, the outstanding balance of this debt reported by Scioto County was $1,140,000.

Note 12 – New Accounting Pronouncements/Restatement of Beginning Net Position

For the fiscal year ended December 31, 2018, the Port Authority was required to implement Governmental Accounting Standards Board Statements No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," No. 85, "Omnibus 2017," and No. 86, "Certain Debt Extinguishment Issues."

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Among other things, Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Port Authority implemented GASB 75, which resulted in expanded note disclosures and required supplementary information, restatement of beginning net position, and recognition of additional deferred inflows and outflows of resources and liabilities.

GASB Statement No. 85 addresses issues found during the application of: 1) blending a component unit in circumstances in which the primary government is a business-type activity reporting in a single column for financial statement presentation; 2) reporting amounts previously reported as goodwill and "negative" goodwill; 3) classifying real estate held by insurance entities; 4) measuring certain money market investments and participating interest-earning investment contracts at amortized cost; 5) timing of the measurement of pension and other postemployment benefits (OPEB) liabilities and related expenditures recognized in financial statements prepared using the current financial resources measurement focus; 6) recognizing on-behalf payments for pensions or OPEB in employer financial statements; and 7) simplifying certain aspects of the alternative measurement method for OPEB. These changes were incorporated in the Port Authority's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Under Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," government entities must consider debt to be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. Statement No. 86 generally follows the same requirements as Statement No. 7 when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Except as noted above, none of these Statements had an impact on the Port Authority's financial statements or note disclosures. The implementation of GASB Statement No. 75 had the following effects on beginning net position.

Net Position, As Reported, December 31, 2017	$862,685
Restatements:	
GASB 75 Implementation:	
Deferred Outflows of Resources	908
Net OPEB Liability	(78,564)
Net Position, As Restated, January 1, 2018	$785,029

Other than employer contributions subsequent to the measurement date, the Port Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 13 – Subsequent Events

The Port Authority was awarded a grant from the U.S Environmental Protection Agency. The Port Authority began drawing those funds in 2019.

COVID-19 Update: The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the COVID-19 and the ensuing emergency measures may impact subsequent periods of the Port Authority. The Port Authority's investments of the pension and other employee benefit plan in which the Port Authority participates in have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Port Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Southern Ohio Port Authority
Required Supplementary Information
Schedule of the Port Authority's Proportionate Share of the Net Pension Liability
Last Five Years (1)

	2014	2015	2016	2017	2018
Ohio Public Employees Retirement System					
Port Authority's proportion of the net pension liability	0.000000%	0.000571%	0.000881%	0.000853%	0.000687%
Port Authority's proportionate share of the net pension liability	$0	$68,869	$152,600	$193,702	$107,777
Port Authority's covered-employee payroll	$0	$81,667	$109,692	$110,325	$90,769
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	84.33%	139.12%	175.57%	118.74%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%	84.85%

The amounts presented for each year were determined as of December 31 of the previous year, which is the Port Authority's measurement date.
(1) Information not available prior to 2014.
See the accompanying notes to the required supplementary information.

Southern Ohio Port Authority

Required Supplementary Information

Schedule of the Port Authority's Proportionate Share of the Net OPEB Liability

Last Two Years (1)

	2017	2018
Ohio Public Employees Retirement System		
Port Authority's proportion of the net OPEB liability	0.00077784%	0.00064000%
Port Authority's proportionate share of the net OPEB liability	$78,564	$69,499
Port Authority's covered-employee payroll	$110,325	$90,769
Port Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	71.21%	76.57%
Plan fiduciary net position as a percentage of the total OPEB	54.05%	54.14%

The amounts presented for each year were determined as of December 31 of the previous year, which is the Port Authority's measurement date.

(1) Information not available prior to 2017.

See the accompanying notes to the required supplementary information.

Southern Ohio Port Authority
Required Supplementary Information
Schedule of the Port Authority's Contributions
Last Ten Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ohio Public Employees Retirement System										
Contractually required contribution (pension)	$0	$0	$0	$0	$0	$9,800	$13,163	$13,239	$11,800	$0
Contractually required contribution (OPEB)	0	0	0	0	0	1,633	2,194	2,207	908	0
Contractually required contribution (total)	0	0	0	0	0	11,433	15,357	15,446	12,708	0
Contributions in relation to the contractually required contribution	0	0	0	0	0	11,433	15,357	15,446	12,708	0
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Port Authority's covered-employee payroll	$0	$0	$0	$0	$0	$81,667	$109,692	$110,325	$90,769	$0
Contributions as a percentage of covered-employee payroll (pension)	0.00%	0.00%	0.00%	0.00%	0.00%	12.00%	12.00%	12.00%	13.00%	14.00%
Contributions as a percentage of covered-employee payroll (OPEB)	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	1.00%	0.00%
Contributions as a percentage of covered-employee payroll (total)	0.00%	0.00%	0.00%	0.00%	0.00%	14.00%	14.00%	14.00%	14.00%	14.00%

See the accompanying notes to the required supplementary information.

Ohio Public Employees Retirement System

Pension

Changes in benefit terms

There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017. For fiscal year 2018, COLAs provided up to December 31, 2018 will be based upon a simple, 3% COLA. COLAs provided after December 31, 2018 continue to be simple, but will be based upon the annual percentage change in the Consumer Price Index (CPI), and not greater than 3%.

Changes in assumptions

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.75% to 3.25%, (b) payroll growth assumption was reduced from 4.25% to 3.25%, (c) assumed real wage growth was reduced from 0.50% to 0.00%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Healthy Annuitant Mortality Table adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015 for males and 2010 for females, (f) mortality among disabled members was updated to RP-2014 Disabled Mortality Table, 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, and (g) 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. There were no changes for fiscal year 2018.

OPEB

Changes in benefit terms

There were no changes in benefit terms for fiscal years 2017 or 2018.

Changes in assumptions

There were no changes in assumptions for fiscal year 2017. Changes in assumptions for fiscal year 2018 are as follows.

Single Discount Rate:	
Current measurement date	3.85 percent
Prior measurement date	4.23 percent

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The discussion and analysis of the Southern Ohio Port Authority's (the Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Total assets decreased $269,982, or 19%, between 2017 and 2016. Total liabilities increased $73,844, or 29%, between 2017 and 2016. Total net position decreased $330,896, or 28%, between 2017 and 2016.
- Total operating revenues increased $537,421, or 175%, between 2017 and 2016. Total operating expenses increased $716,914, or 209%, between 2017 and 2016.

Using This Annual Financial Report

This financial report contains the basic financial statements of the Port Authority, as well as the management's discussion and analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, and a statement of cash flows. As the Port Authority reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Port Authority's net position and changes in net position. This change in net position is important because it tells the reader, for the Port Authority as a whole, whether the financial position has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the availability of revolving line of credit funds, the condition of assets held for resale, and other factors.

Notes to the Basic Financial Statements

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

Recall that the statement of net position provides the perspective of the Port Authority as a whole. Table 1 provides a summary of the Port Authority's net position as of December 31, 2017 and 2016.

Table 1
Net Position

	2017	2016*
Assets		
Current and Other Assets	$126,914	$396,896
Capital Assets	998,130	998,130
Total Assets	1,125,044	1,395,026
Deferred Outflows of Resources	71,632	58,094
Liabilities		
Current and Other Liabilities	41,498	8,756
Long-Term Liabilities	288,936	247,834
Total Liabilities	330,434	256,590
Deferred Inflows of Resources	3,557	2,949
Net Position		
Net Investment in Capital Assets	902,896	902,896
Unrestricted (Deficit)	(40,211)	290,685
Total Net Position	$862,685	$1,193,581

*As restated. See note 12 of the notes to the basic financials for more information. Reclassifications were also made for consistency of reporting between years.

Current and other assets decreased significantly due to a decrease in cash balances, the sale of two properties held for resale, and a loss on the carrying value of those properties due to reappraisals. Deferred outflows of resources increased due to changes in actuarially-determined amounts reported for the Port Authority's retirement system. Current and other liabilities increased significantly due to the recognition of unearned revenue for unspent grant proceeds. Long-term liabilities increased due to an increase in net pension liability for changes in actuarially-determined amounts reported for the Port Authority's retirement system. Deferred inflows of resources increased due to changes in actuarially-determined amounts reported for the Port Authority's retirement system.

Table 2 shows the changes in net position for the years ended December 31, 2017 and 2016.

Table 2
Changes in Net Position

	2017	2016
Operating Revenues		
Government Contributions	$375,000	$175,000
Non-Profit Contributions	0	50,000
Individual and Corporate Contributions	429,000	79,350
Rental Income	1,200	1,260
Service Fees	37,831	0
Total Operating Revenues	843,031	305,610
Operating Expenses		
Employee Costs	152,215	128,672
Marketing	3,937	7,847
Professional Fees	38,158	46,166
Property Management	1,558	1,706
Registration Fees and Dues	14,869	13,419
Rent	13,980	6,390
Service Fees-Bank	281	187
Special Projects	814,882	116,345
Supplies and Fees	6,365	5,307
Travel	13,688	16,534
Utilities	278	724
Total Operating Expenses	1,060,211	343,297
Net Nonoperating Revenues and Expenses	(113,716)	68,952
Change in Net Position	(330,896)	31,265
Net Position, Beginning of Year-Restated	1,193,581	1,162,316
Net Position, End of Year	$862,685	$1,193,581

Operating revenues increased significantly between years due to additional governmental grants and corporation contributions received during the year, much of which was pass through funding to other governmental entities. The Port Authority also received service fees for the year related to potential conduit debt issuances. Operating expenses also increased related to these contributions. Nonoperating expenses increased between years due to a loss recognized for sale of properties and reductions in values due to reappraisals of properties.

Capital Assets and Long-Term Debt

Capital Assets

The Port Authority had nondepreciable assets at December 31, 2017 valued at $998,130. This balance did not change from the prior year as there were no additions or disposals of any properties. This balance is further discussed in note 3 of the notes to the basic financial statements.

Long-Term Debt

The Port Authority held one note payable with Scioto County, which is further discussed in note 4 of the notes to the basic financial statements.

Known Facts, Decisions, and Conditions

In the past, the Port Authority has also handled the economic development duties for Scioto County with a 23-member board. This is no longer the case. The County has opened an Economic Development Department to handle economic development moving forward. Therefore, the Port Authority's Board has been reduced to seven seats. There are currently four active members and three seats that will be filled before the end of October 2020. All members are voluntary members. We currently have no salaried or paid employees. The Port Authority has been restructured to do Port Authority business only (bonding, land deals, property acquisitions, and building and owning facilities) with private companies for tax incentives to encourage them to locate in Scioto County. It will now be a tool for the Economic Development Department to use, when applicable. The bonding and other activities will also be a source of revenue to keep the Port Authority viable. We are close to closing a bond deal with PureCycle for $350,000,000. We are also in the process of setting up for some PACE finance bonding with the ESID's that we have recently set up for Harrison Township and the City of Portsmouth. With the above in place, we feel the Port Authority is in a great position to become and remain viable into 2021 and the years to follow.

Contacting the Port Authority's Financial Management

This financial report is designed to provide a general overview of the Port Authority's finances for all parties with an interest in the Port Authority's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Robert Horton, Board Chair, 602 Seventh Street, Room 310, Portsmouth, Ohio 45662.

Southern Ohio Port Authority
Scioto County
Statement of Net Position
As of December 31, 2017

Assets	
Current Assets	
Cash and Cash Equivalents	$61,397
Accounts Receivable	27
Property Held for Resale	65,490
Total Current Assets	126,914
Noncurrent Assets	
Nondepreciable Capital Assets	998,130
Total Noncurrent Assets	998,130
Total Assets	1,125,044
Deferred Outflows of Resources	
Pension	71,632
Total Deferred Outflows of Resources	71,632
Liabilities	
Current Liabilities	
Accounts Payable	1,537
Accrued Liabilities	1,560
Unearned Revenue	38,401
Total Current Liabilities	41,498
Long-Term Liabilities	
Note Payable-Scioto County	95,234
Net Pension Liability	193,702
Total Long-Term Liabilities	288,936
Total Liabilities	330,434
Deferred Inflows of Resources	
Pension	3,557
Total Deferred Inflows of Resources	3,557
Net Position	
Net Investment in Capital Assets	902,896
Unrestricted (Deficit)	(40,211)
Total Net Position	$862,685

See accompanying notes to the basic financial statements.

Southern Ohio Port Authority
Scioto County
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2017

Operating Revenue	
Government Contributions	$375,000
Individual and Corporate Contributions	429,000
Rental Income	1,200
Service Fees	37,831
Total Operating Revenue	843,031
Operating Expenses	
Employee Costs	
Employee Wages	
Asset Manager Salary	28,222
Executive Director Salary	72,450
Intern Wages	8,175
Total Employee Wages	108,847
Payroll Taxes	2,410
PERS Employer Contributions	12,719
Pension Expense	28,172
Other Employer Costs	67
Total Employee Costs	152,215
Marketing	3,937
Professional Fees	38,158
Property Management	1,558
Registration Fees and Dues	14,869
Rent	13,980
Service Fees-Bank	281
Special Projects	814,882
Supplies and Fees	6,365
Travel	13,688
Utilities	278
Total Operating Expenses	1,060,211
Net Loss	(217,180)
Nonoperating Revenues and Expenses	
Interest Income	487
Loss on Sale of Property	(114,199)
Interest Expense	(4)
Total Nonoperating Revenues and Expenses	(113,716)
Change in Net Position	(330,896)
Net Position-Beginning of Year-Restated	1,193,581
Net Position-End of Year	$862,685

See accompanying notes to the basic financial statements.

Southern Ohio Port Authority
Scioto County
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities	
Cash from Contributions	$816,500
Cash from Rent	1,200
Cash from Service Fees	63,732
Cash for Employees Costs	(126,856)
Cash Payments for Grants	(814,882)
Cash Payments for Goods and Services	(87,085)
Net Cash Used by Operating Activities	(147,391)
Cash Flows from Investing Activities	
Cash from Investment Earnings	487
Cash from Property Sales	871
Net Cash Provided by Investing Activities	1,358
Cash Flows from Financing Activities	
Cash Payments for Interest	(4)
Net Cash Used by Financing Activities	(4)
Net Decrease in Cash and Cash Equivalents	(146,037)
Cash and Cash Equivalents-Beginning of Year	207,434
Cash and Cash Equivalents-End of Year	$61,397
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	($217,180)
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	8,490
(Increase) Decrease in Other Assets	225
(Increase) Decrease in Vendor Credits	160
Increase (Decrease) in Accounts Payable	(2,846)
Increase (Decrease) in Other Accrued Liabilities	(2,813)
Increase (Decrease) in Unearned Revenue	38,401
(Increase) Decrease in Deferred Outflows of Resources	(13,538)
Increase (Decrease) in Deferred Inflows of Resources	608
Increase (Decrease) in Net Pension Liability	41,102
Net Cash Used by Operating Activities	($147,391)

See accompanying notes to the basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of the Southern Ohio Port Authority (the Port Authority) is presented to assist in understanding the Port Authority's financial statements. The financial statements and notes are representations of the Port Authority's management and board who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles for governmental agencies including those principles prescribed by the Governmental Accounting Standard Board (GASB), the American Institute of Certified Public Accountants in the Publication entitled "Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards," and by the Financial Accounting Standards Board (FASB), when applicable. The above policies have been consistently applied in the preparation of the financial statements.

Reporting Entity

The Southern Ohio Port Authority, Scioto County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.02 of the Ohio Revised Code. The Port Authority is governed by a nineteen member Board of Directors. Members of the Board are appointed by the Scioto County Commissioners. The purpose of the Port Authority is to be involved in the activities that enhance foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Scioto County. The Port Authority is statutorily created as a separate and distinct political subdivision of the State. Scioto County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Scioto County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of its general operating fund. Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organizations, or (2) the Port Authority is legally entitled to or can otherwise access the organization's resources; the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits or to provide financial support to the organizations; or the Port Authority is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent of the Port Authority if the Port Authority approves the budget, the issuance of debt, or the levying of taxes. The Port Authority has no component units. The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed on September 22, 1983.

Basis of Accounting

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 of establishing governmental accounting and financial reporting principles. The Port Authority's financial statements consist of a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows. The Port Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resource measurement focus. All assets, deferred outflows of resources, 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 fund net position present 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 of its enterprise activity.

Fund Accounting

The Port Authority maintains an enterprise fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

Budgetary Process

Ohio Revised Code Section 4582.13 requires the Port Authority to annually prepare a budget. No further approvals or actions are required under Section 4582 of the Ohio Revised Code.

Cash, Cash Equivalents and Investments

The Ohio Revised Code prescribes allowable deposits and investments. For purposes of the statement of cash flows, the Port Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments would be reported at fair value, which is based on quoted market prices.

Capital Assets

Capital assets utilized by the Port Authority are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their acquisition values as of the date received. The Port Authority maintains a capitalization threshold of five thousand dollars. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life or not. The Port Authority only owns land and as such, they have no established useful lives or depreciation method.

Property Held for Resale

Property held for resale represent properties purchased by or donated to the Port Authority. These properties are held with the intention to sale. These properties are valued based upon the purchase price or tax valuation if no cost was incurred.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The Port Authority did not have any restricted net position for 2017.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are rental income, contributions received from public and private donors, and service fees. 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 nonoperating.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Port Authority has deferred outflows of resources related to pensions, which is further discussed in note 5.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Port Authority has deferred inflows of resources related to pensions, which will be further discussed in note 5.

Unearned Revenue

The Port Authority reports unearned revenue on the statement of net position when monies have been received prior to being earned. The Port Authority reported unearned revenue for grant monies received but not yet expended.

Pensions

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

Note 2 – Deposits and Investments

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits represent interim monies that 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 account including passbook accounts. Interim monies can be deposited or invested in the following securities:

1. Notes, bills, bonds, 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, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in item (1) and (2) of this note and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the Port Authority lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Port Authority's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Port Authority's average portfolio.

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity.

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

Custodial credit risk is the risk that in the event of a bank failure, the Port Authority's deposits may not be returned to it. The Port Authority's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. At December 31, 2017, the carrying amount of the Port Authority's deposits was $61,397, which was covered by federal depository insurance.

The Port Authority did not have any investments in 2017.

Note 3 – Capital Assets

Capital assets activity for the fiscal year ended December 31, 2017 was as follows:

	Balance at 12/31/16	Additions	Deletions	Balance at 12/31/17
Nondepreciable Capital Assets				
Land	$998,130	$0	$0	$998,130

Note 4 – Long-Term Debt

	Balance at 12/31/16	Additions	Deletions	Balance at 12/31/17	Due Within One Year
Scioto County	$95,234	$0	$0	$95,234	$0

The Scioto County note is secured by real estate and payment is due on demand of sale of real estate.

To assist the private sector in acquiring and constructing facilities deemed to be in the public interest, the Port Authority issued $10 million in industrial revenue bonds on May 8, 2008. Mortgages on the facilities secure the bonds. The bonds are payable solely from payments received on the underlying mortgage loans. The Port Authority, the State, nor any other political subdivision is obligated in any manner for paying the bonds, which are not reflected in the debt schedule above.

Note 5 – Defined Benefit Pension Plan

Net Pension Liability

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

The net pension liability represents the Port Authority's proportionate share of the pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the 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 plan to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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 follow disclosure focuses on the traditional pension plan.

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

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be 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.

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

2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employee	10.0 %

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

The Port Authority's contractually required contribution was $11,800 for 2017.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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:

Proportionate Share of the Net Pension Liability	$193,702
Proportion of the Net Pension Liability	0.000853%
Pension Expense	$39,972

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

Deferred Outflows of Resources	
Differences between expected and actual experience	$262
Changes of assumptions	30,724
Net difference between projected and actual earnings on pension plan investments	28,846
Port Authority contributions subsequent to the measurement date	11,800
Total Deferred Outflows of Resources	$71,632
Deferred Inflows of Resources	
Differences between expected and actual experience	$1,153
Changes in proportion between Port Authority contributions and proportionate share of contributions	2,404
Total Deferred Inflows of Resources	$3,557

$11,800 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2018	$23,052
2019	23,915
2020	9,102
2021	206
Total	$56,275

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 (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 in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre-1/7/2013 retirees: 3 percent, simple Post-1/7/2013 retirees: 3 percent, simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are 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.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study that was completed for the five year period ended December 31, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.75% to 3.25%, (b) payroll growth assumption was reduced from 4.25% to 3.25%, (c) assumed real wage growth was reduced from 0.50% to 0.00%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Healthy Annuitant Mortality Table adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015 for males and 2010 for females, (f) mortality among disabled members was updated to RP-2014 Disabled Mortality Table, 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, and (g) mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. The prior experience study was completed for the five year period ended December 31, 2010.

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.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The

Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability for the measurement period ended December 31, 2016 was 7.5 percent. The discount rate used to measure the total pension liability for the measurement period ended December 31, 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Port Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Port Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 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	$295,923	$193,702	$108,519

Note 6 – Post-Employment Benefits

Plan Description

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). 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 health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, 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 health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0% 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% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% 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 for Member-Directed Plan participants for 2017 was 4.0%.

The Port Authority's contributions to fund post-employment benefits for the years ended December 31, 2017, 2016, and 2015 were $908, $2,206, and $2,194, respectively, which were equal to the required contributions for those years.

Note 7 – Related Party Transactions

The Port Authority owes $95,234 to Scioto County at December 31, 2017. The Port Authority is a related organization of Scioto County.

Note 8 – Concentration of Credit Risk

The Port Authority's primary assets consist of land, buildings, rail facilities and river dock located in Portsmouth, Ohio. The Port Authority's primary source of income was contributions. The purpose of the Port Authority's sale of industrial property is to promote the creation of industrial related jobs in Scioto County and property sales are typically made at below cost. The Port Authority has been totally dependent on outside contributions for its continued existence.

Note 9 - Contingencies

Environmental

The Port Authority has no known outstanding environmental issues as of the date of this report. The Port Authority has an agreement with Ohio EPA in which the Port Authority performs environmental inspections and corrects resulting problems on Brownfield property at the time the title is transferred to a prospective buyer in return for the Ohio EPA's covenant not to sue and becoming a part of the deed transferred to the buyer.

Note 10 – Risk Management

The Port Authority is included in Scioto County's County Risk Sharing Authority Joint Self Insurance Pool formed under Ohio Revised Code Section 2744. It provided for the following: comprehensive property and general liability coverage; vehicles; and errors and omissions. During 2017, the Port Authority had no settlements that exceeded insurance coverage in any of the past three years. There were also no significant changes in coverage from the prior year.

Note 11 – Conduit Debt Obligations

In order to provide financial assistance to private sector entities for the acquisition and construction of commercial and industrial facilities deemed to be in the public interest, the Port Authority, has from time to time, issued conduit debt. This debt is secured by the property financed and is payable solely from payments received on the underlying mortgage loans.

Ownership of the acquired facilities transfers to the private sector entity served by the bond issuance upon repayment of the bonds. The Port Authority, the State, nor any other political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the conduit debt is not reported as liabilities in the accompanying financial statements.

As of December 31, 2017, there is one conduit debt outstanding, that was originally filed for $10,000,000. The Educational Facilities Development Revenue Bond is still outstanding, but is currently being paid by the Clark Foundation. There is a second conduit debt outstanding that was issued in 2013 on behalf of Scioto County. The original issuance was for Economic Development Facilities Refunding Revenue Bonds in the amount of $1,815,000. As of December 31, 2017, the outstanding balance of this debt reported by Scioto County was $1,280,000.

Note 12 –Restatement of Beginning Net Position

The Port Authority was required to implement Governmental Accounting Standards Statement No. 68 in a prior year but did not do so. In 2017, the Port Authority opted to correct beginning net position by implementing this accounting standard. This implementation had the following effect on beginning net position.

Net Position, As Reported, December 31, 2016	$1,291,036
Restatements:	
GASB 68 Implementation:	
Deferred Outflows of Resources	58,094
Deferred Inflows of Resources	(2,949)
Net Pension Liability	(152,600)
Net Position, As Restated, January 1, 2017	$1,193,581

Note 13 – Subsequent Events

The Port Authority was awarded a grant from the U.S Environmental Protection Agency. The Port Authority began drawing those funds in 2019.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the COVID-19 and the ensuing emergency measures may impact subsequent periods of the Port Authority. The Port Authority's investments of the pension and other employee benefit plan in which the Port Authority participates in have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Port Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Southern Ohio Port Authority
Required Supplementary Information
Schedule of the Port Authority's Proportionate Share of the Net Pension Liability
Last Four Years (1)

	2014	2015	2016	2017
Ohio Public Employees Retirement System				
Port Authority's proportion of the net pension liability	0.000000%	0.000571%	0.000881%	0.000853%
Port Authority's proportionate share of the net pension liability	$0	$68,869	$152,600	$193,702
Port Authority's covered-employee payroll	$0	$81,667	$109,692	$110,325
Port Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	84.33%	139.12%	175.57%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

The amounts presented for each year were determined as of December 31 of the previous year, which is the Port Authority's measurement date.
(1) Information not available prior to 2014.

Southern Ohio Port Authority
Required Supplementary Information
Schedule of the Port Authority's Contributions
Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Ohio Public Employees Retirement System										
Contractually required contribution	$0	$0	$0	$0	$0	$0	$9,800	$13,163	$13,239	$11,800
Contributions in relation to the contractually required contribution	0	0	0	0	0	0	9,800	13,163	13,239	11,800
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Port Authority's covered-employee payroll	$0	$0	$0	$0	$0	$0	$81,667	$109,692	$110,325	$90,769
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	12.00%	12.00%	12.00%	13.00%

See the accompanying notes to the required supplementary information.

Ohio Public Employees Retirement System

Pension

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

Changes in assumptions: Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.75% to 3.25%, (b) payroll growth assumption was reduced from 4.25% to 3.25%, (c) assumed real wage growth was reduced from 0.50% to 0.00%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Healthy Annuitant Mortality Table adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015 for males and 2010 for females, (f) mortality among disabled members was updated to RP-2014 Disabled Mortality Table, 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, and (g) 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.

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OHIO AUDITOR OF STATE
KEITH FABER

Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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

Southern Ohio Port Authority
Scioto County
602 Seventh Street, Room 310
Portsmouth, Ohio 45662

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 financial statements of the Southern Ohio Port Authority, Scioto County, (the Port Authority) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements, and have issued our report thereon dated September 16, 2020**.** We did note the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Port Authority.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Port Authority's internal control. Accordingly, we have not opined on it.

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

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

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001 thru 2018-003.

Port Authority*'s Response to Findings*

The Port Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Port Authority's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

September 16, 2020

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. **Ohio Rev. Code § 4582.39,** also requires the board of directors of a port authority created in accordance with section 4582.22 of the Revised Code shall annually prepare a budget for the port authority. It further states that rents and charges received by the port authority shall be used for the general expenses of the port authority and to pay interest, amortization, and retirement charges on money borrowed. If there remains, at the end of any calendar year, any surplus of such funds after providing for the above uses, the board of directors may pay such surplus into the general funds of the political subdivisions creating and comprising the port authority in proportion to the taxable value of all property within the port authority which shall be listed on the general tax lists for the respective subdivisions.

The Port Authority Board of Directors approved the 2017 budget as required; however, no budget was approved for 2018. It is the responsibility of the Board to approve such a budget and they failed to do so for 2018, and as a result, none of the 2018 Port Authority expenditures were appropriated. Lack of an official budget restricts management's ability to plan, monitor and control expenditures, and could result in spending in excess of available resources.

We recommend the Port Authority Board of Directors approve an annual budget as required.

Officials' Response:

The Port Authority will strive to correct this in the future.

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Port Authority had expenditures in excess of appropriations of $100,638 and $77,730 as of December 31, 2018 and 2017, respectively.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, resulting in deficit spending practices.

The Board of Directors should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Treasurer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

The Port Authority will strive to correct this in the future.

FINDING NUMBER 2018-003

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Rev. Code.

- "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

  Amounts less than $100 in counties and less than $3,000 in all other subdivisions may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

- Blanket Certificate – The auditor or fiscal officer may prepare "blanket" certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

- Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

FINDING NUMBER 2018-003
(Continued)

From January to September 2017, the Port Authority did attempt to follow the above guidance. Purchase Orders were issued when necessary. However, after September 2017, there was no indication that the Port Authority did any type of certification of funds available prior to expenditure (i.e. issued purchase orders). This was mainly due to the change in administration and the fact they were not aware this was required. This caused the Port Authority to be noncompliant with the section of Ohio Rev. Code above. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Port Authority's funds exceeding budgetary spending limitations, the Treasurer should certify the funds are or will be available prior to obligation by the Port Authority. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

The Port Authority will strive to correct this in the future.

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Southern Ohio Port Authority
Scioto County

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2018 and 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Improper Implementation of GASB Standards	Corrected	
2016-002	Sound Financial Reporting	Corrected	
2016-003	Ohio Rev. Code § 5705.41(B)	Not corrected	Reissued. See official's response on Finding # 2018-002.
2016-004	Not reporting a Cash Flow Statement	Corrected	

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OHIO AUDITOR OF STATE
KEITH FABER

SOUTHERN OHIO PORT AUTHORITY

SCIOTO COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 9/22/2020

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