SOUTHEASTERN OHIO
PORT AUTHORITY
WASHINGTON COUNTY ECONOMIC DEVELOPMENT

GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Prepared by SEOPA Finance Committee

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY, OHIO

General Purpose Financial Statements
For the Year Ended December 31, 2018

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Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Southeastern Ohio Port Authority's (Port Authority) financial activities for the year ended December 31, 2018. The MD&A should be read in conjunction with the basic financial statements and notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

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

Using this Annual Financial Report

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

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

The Port Authority as a Whole

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

Table 1
Net Position

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

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

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

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

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

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

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

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

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

Net Position decreased by $13,607 in total, less than one percent. This was attributed to a decrease in Total Assets by $31,300 including depreciation of $44,907 on Capital Assets and a decrease of $27,732 in Total Liabilities, partially offset by principal payments on the Loan Payable of $32,020.

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

Table 2
Changes in Net Position

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

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

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

Capital Assets and Debt Administration

Capital Assets

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

Table 3
Capital Assets
(Net of Depreciation)

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

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

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

Debt

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

Current Issues

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

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

Contacting the Port Authority's Financial Management

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

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2018

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

See accompanying notes to the basic financial statements

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY, OHIO

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

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

See accompanying notes to the basic financial statements

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY, OHIO

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

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Donors	$145,197
Cash Received from Customers	6,506
Cash Received from Rent	99,000
Cash Payments for Employee Services and Benefits	(127,415)
Cash Payments for Goods and Services	(107,617)
Other Operating Revenues	39,330
Net Cash Provided by Operating Activities	55,001
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(6,000)
Principal Paid on Debt	(30,019)
Interest Paid on Debt	(11,979)
Net Cash Used for Capital and Related Financing Activities	(47,998)
Cash Flows from Investing Activities	
Interest Earned from Bank Accounts	5
Net Increase in Cash and Cash Equivalents	7,008
Cash and Cash Equivalents Beginning of Year	244,748
Cash and Cash Equivalents End of Year	$251,756
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	($1,708)
Depreciation	44,907
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	203
Increase in Prepaid Items	(802)
Increase in Deferred Outflows of Resources – Net Pension and OPEB	(1,679)
Increase in Accounts Payable	9
Decrease in Intergovernmental Payables	(817)
Increase in Accrued Leave Benefits Payable	947
Increase in Sick Leave Payable	1,983
Increase in Net Pension and OPEB Liability	240
Increase in Deferred Inflows of Resources – Net Pension and OPEB	11,718
Net Cash Provided by Operating Activities	$55,001

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Measurement Focus

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Port Authority are included on the Statement of Net Position.

The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The Statement of Cash Flows provides information about how the Port Authority finances and meets the cash flow needs.

C. Basis of Accounting

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

D. Budgetary Process

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

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

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

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

E. Cash and Cash Equivalents

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

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

F. Receivables and Payables

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

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

H. Capital Assets

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

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

I. Compensated Absences

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

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

J. Pension and Other Post Employment Benefits (OPEB)

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

K. Net Position

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Operating Revenues and Expenses

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

M. Estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Extraordinary and Special Items

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2017, the Port Authority implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1.* These changes were incorporated in the Port Authority's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of the Port Authority's bank balances of $251,756 were covered by the FDIC. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Port Authority to a successful claim by the FDIC.

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

Eligible securities pledged to the Port Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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

NOTE 5 - RECEIVABLES

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

NOTE 6 - CAPITAL ASSETS

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

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018
Non-Depreciable Capital Assets:				
Land	$124,950	$0	$0	$124,950
Depreciable Capital Assets:				
Buildings	2,155,962	0	0	2,155,962
Machinery and Equipment	16,858	6,000	0	22,858
Total Depreciable Capital Assets	2,172,820	6,000	0	2,178,820
Accumulated Depreciation:				
Buildings	(159,900)	(43,119)	0	(203,019)
Machinery and Equipment	(12,838)	(1,788)	0	(14,626)
Total Accumulated Depreciation	(172,738)	(44,907)	0	(217,645)
Total Depreciable Capital Assets, Net	2,000,082	(42,907)	0	1,961,175
Capital Assets, Net	$2,125,032	($42,907)	$0	$2,086,125

NOTE 7 - RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port Authority contracts with Peoples Insurance Agency who, on behalf of the Port Authority, negotiates property and casualty insurance coverage with Cincinnati Insurance Company and CNA Insurance Company for management and professional insurance coverage. The following lists the coverage limits and deductibles:

Property ($500 deductible):	
Contents	$50,000
Crime ($250 Deductible):	
Employee Dishonesty / Forgery or Alteration	50,000
General Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000

NOTE 7 - RISK MANAGEMENT (Continued)

Products-Completed Operations Aggregate Limit	2,000,000
Personal & Advertising Injury Limit	1,000,000
Hired and Non-owned Auto Liability	1,000,000
Fire Damage Limit	100,000
Medical Expense Limit	5,000
Directors & Officers Liability:	
Each Occurrence	1,000,000
Scheduled Retention	2,500/5,000

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

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

The Port Authority's contractually required contribution to the Traditional Plan was $9,100 for 2018. Pension expense for the Member- Directed Plan for 2017 was $3,915.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port Authority's proportion of the net pension liability was based on the Port Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

$9,100 reported as deferred outflows of resources related to pension resulting from Port Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2019	$361
2020	6,556
2021	4,000
2022	0
Total	$10,917

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, compared with December 31, 2016, are presented below.

	December 31, 2017	December 31, 2016
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2016, 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.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

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

During 2016, OPERS managed 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.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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 percent 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%	2.20%
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 for 2018 was 7.5 percent. The discount rate for 2017 was also 7.5 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 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%)
County's proportionate share of the net pension liability	$80,510	$45,338	$16,016

NOTE 9 - DEFINED BENEFIT POST RETIREMENT HEALTH CARE

Net OPEB Liability

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. 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 2017 was 4.0 percent.

Substantially all of the Port Authority's contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2018, 2017, 2016, and 2015, were $0, $111, $193, and $193, respectively. The full amount has been contributed for all four years.

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

At December 31, 2018, the Port Authority reported a liability of $60,812 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port Authority proportion of the net OPEB liability was based on a projection of the Port Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the Port Authority's proportion was .00056 percent.

For the year ended December 31, 2018, the Port Authority recognized OPEB expense of $60,867, including the cumulative effect of the accounting change. 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	Deferred Inflows of Resources
Differences between expected and actual experience	$47	$0
Changes in assumptions	4,428	0
Net difference between projected and actual earnings on OPEB plan investments	0	4,530
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	0	0
Port Authority contributions subsequent to the measurement date	0	0
Total	$4,475	$4,530

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

Year ended December 31,	OPEB Net Deferred Inflow/(Outflows) of Resources
2019	($1,007)
2020	937
2021	1,133
2022	0
Thereafter	0
Total	$1,063

Actuarial assumptions. 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:

Actuarial Information:	
Actuarial Valuation Date	December 31, 2016
Rolled-Forward Measurement Date	December 31, 2017
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions:	
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Wage Inflation	3.25%
Projected Salary Increases	3.25%-10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028

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

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

Asset Class	Target Allocation for 2017	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	34.00%	1.88%
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
TOTAL	100.00%	4.98%

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

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

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

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

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.
Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

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

NOTE 10 - OTHER EMPLOYER BENEFITS

Compensated Absences

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

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

NOTE 11 - LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS

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

	Principal Outstanding 12/31/17	Additions	Deductions	Principal Outstanding 12/31/18	Amounts Due within One Year
Rural Industrial					
Development Loan - 3%	$414,990	$0	$32,020	$382,970	$30,932
Net Pension Liability - OPERS	55,408	0	10,070	45,338	0
Net OPEB Liability – OPERS	50,502	10,310	0	60,812	0
Sick Leave Payable	1,698	1,983	0	3,681	0
Total Long-Term Obligations	$522,598	$12,293	$42,090	$492,801	$30,932

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

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

Conduit Debt

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

NOTE 11 - LONG-TERM OBLIGATIONS AND OTHER OBLIGATIONS (Continued)

Conduit Debt (Continued)

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

During 2012, the Port Authority obtained a State Assistance Revenue Bond, Series 2012, in the amount of $4,175,000 to acquire, install, and construct a water screening, service water supply, and pumping system. The interest rate is 4.375% and the maturity date is June, 2027. As of December 31, 2017, $2,780,000 of the revenue bond is outstanding.

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

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

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

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

	2018	2017	2016	2015	2014
Port Authority's Proportion of the Net Pension Liability	.00028900%	.00024400%	.00025300%	.00025700%	.00036714%
Port Authority's Proportionate Share of the Net Pension Liability	$45,338	$55,408	$43,822	$30,996	$43,281
Port Authority's Covered Payroll	$70,000	$38,146	$31,529	$31,529	$31,529
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	64.77%	145.25%	138.99%	98.31%	137.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

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

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

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

Changes in Assumptions - OPERS

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

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

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

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

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

Required Supplementary Information

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

Last Two Years (1)

	2018	2017
Port Authority's proportion of the net OPEB liability	.0005600%	.0005000%
Port Authority's proportionate share of the net OPEB liability (asset)	$60,812	$50,502
Port Authority's covered-employee payroll	$70,000	$38,146
Port Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	86.87%	132.39%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	(2)

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

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

SOUTHEASTERN OHIO PORT AUTHORITY
WASHINGTON COUNTY

Required Supplementary Information

Schedule of Port Authority Contributions

Ohio Public Employees Retirement System OPEB Plan

Last Three Years (1)

	2018	2017	2016
Contractually Required Contribution	$0	$111	$193
Contributions in relation to the contractually required contribution	(0)	(111)	(193)
Contribution deficiency (excess)	$0	$0	$0
Port Authority's covered-employee payroll	$70,000	$38,146	$31,529
Contributions as a percentage of covered-employee payroll	0%	.29%	.61%

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