



Dave Yost • Auditor of State

**LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lake County Ohio Port & Economic Development Authority
Lake County
One Victoria Place, Suite 165A
Painesville, Ohio 44077

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Lake County Ohio Port & Economic Development Authority, Lake County, Ohio, a component unit of Lake County, (the Authority), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the 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 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 Authority's internal control. Accordingly, we express no 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 respective financial position of each major fund of the Lake County Ohio Port & Economic Development Authority, Lake County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 liabilities and pension 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, 9 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2016

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Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2015

Unaudited

The discussion and analysis of the Lake County Ohio Port & Economic Development Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the Authority's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The Authority's total net position increased by \$453,278, from a balance of \$9,375,518 (restated) to \$9,828,796.
- During 2015, the Authority had overall operating income of \$28,461. The principle operating fund had operating income of \$200,537 while the Willoughby Lost Nation Municipal Airport (the "Airport") had an operating loss of \$172,076.
- The Authority was able to make its annual principal and interest payments on its outstanding Ohio Water Development Authority loan in the amount of \$63,959 and \$5,644, respectively.
- The Authority implemented GASB 68 during the fiscal year, which resulted in the inclusion of a net pension liability of \$325,120. For more information on this liability see Note 8 to the basic financial statements.

Using this Annual Financial Report

This report consists of a series of financial statements. The *Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position* provide information about the activities of the Authority and present a longer-term view of the Authority's finances.

A question typically asked about the Authority's finances "How did we do financially during 2015?" The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority and its activities in a way that helps answer this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the *accrual basis of accounting* which is similar to the accounting used by most private-sector companies. The Authority charges a fee to customers to help it cover part of the services it provides. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's *net position and changes in that net position*. This change in net position is important because it tells the reader that, for the Authority as a whole, the *financial position* of the Authority has improved or diminished. The reader will need to consider other non-financial factors (e.g. changes in the condition of capital assets, FAA regulations, weather, etc.) in order to assess the overall health of the Authority.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2015

Unaudited

The Authority as a Whole

Recall that the Statement of Net Position provides the perspective of the Authority as a whole. Table 1 provides a summary of the Authority's net position for 2015, compared to 2014:

(Table 1)
Net Position

	Business-Type Activities (Restated)		
	2015	2014	Change
Assets			
Current and Restricted Assets	\$1,496,059	\$1,459,156	\$36,903
Capital Assets, Net of Depreciation	9,608,859	9,273,450	335,409
Total Assets	11,104,918	10,732,606	372,312
Deferred Outflows of Resources			
Pension - OPERS	64,507	52,340	12,167
Liabilities			
Current and Other Liabilities	632,172	641,449	(9,277)
Long-Term Liabilities:			
Due Within One Year	70,245	68,959	1,286
Due in More than One Year:			
Net Pension Liability	325,120	324,867	253
Other Due in More than One Year	303,908	374,153	(70,245)
Total Liabilities	1,331,445	1,409,428	(77,983)
Deferred Inflows of Resources			
Pension - OPERS	9,184	0	9,184
Net Position			
Net Investment in Capital Assets	9,234,706	8,830,338	404,368
Restricted	56,936	37,598	19,338
Unrestricted	537,154	507,582	29,572
Total Net Position	\$9,828,796	\$9,375,518	\$453,278

During 2015, the Authority adopted GASB Statement No 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported pension and by subtracting deferred outflows related to pension.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2015

Unaudited

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB No. 68, the net pension liability equals the 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 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. GASB noted that the unfunded portion of this pension promise is a present obligation of the Authority, part of a bargained-for benefit to the employee, and should accordingly be reported by the Authority as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the Authority. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB No. 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability.

As a result of implementing GASB No. 68, the Authority is reporting a net pension liability and deferred outflows and inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, downward by \$272,527.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2015

Unaudited

Total assets increased \$372,312 during 2015. The majority of this increase was the result of an overall increase in capital assets as the Authority continued construction on the redevelopment of the Bank street property. Current and restricted assets decreased \$36,903, or less than three percent, from the prior year.

Total liabilities decreased by \$77,983 during 2015. Long-term liabilities decreased due to the Authority making its scheduled payment on the outstanding Ohio Water Development Authority loan. Other liabilities decreased due to decreases in contracts payable and liabilities related to the South Shore lease agreement.

In total, net position of the Authority increased by \$453,278 which can be attributed mostly to the aforementioned increase in assets related to the Bank Street project.

Table 2 shows the revenues, expenses and the changes in net position for the year ended December 31, 2015 compared to the year ended December 31, 2014.

(Table 2)
Changes in Net Position

	Business-Type Activities		
	2015	2014	Change
<i>Operating Revenues</i>			
Operating Grants	\$179,461	\$460,638	(\$281,177)
Lease & Program Income	244,641	192,821	51,820
Contributions and Donations	758,406	751,210	7,196
Charges for Services & Rentals	54,251	16,636	37,615
Other Operating Revenues	72,123	50,726	21,397
<i>Total Operating Revenues</i>	1,308,882	1,472,031	(163,149)
<i>Operating Expenses</i>			
Personal Services	490,165	702,409	212,244
Contractual Services	457,257	337,976	(119,281)
Materials and Supplies	32,031	38,215	6,184
Overhead, Rent & Utilities	147,552	92,895	(54,657)
Travel & Training	20,129	43,978	23,849
Airport Expenses	0	9,385	9,385
CDBG Program Expenses	0	6,971	6,971
Other Operating Expenses	90,837	178,439	87,602
Depreciation	42,450	8,946	(33,504)
<i>Total Operating Expenses</i>	1,280,421	1,419,214	138,793
Operating Income/(Loss)	28,461	52,817	(24,356)

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2015

Unaudited

(Table 2)
Changes in Net Position (continued)

	Business-Type Activities		
	2015	2014	Change
<i>Non-Operating Revenues (Expenses)</i>			
Capital Grants	665,553	834,112	(168,559)
Professional Fees for Transfer of Airport	0	(40,375)	40,375
Interest and Fiscal Charges	(8,005)	(24,900)	16,895
Gain on Sale of Property	0	290,820	(290,820)
Grants Related Expenses	(299,665)	0	(299,665)
Contributions & Donations - Branding Campaign	181,500	0	181,500
Branding Campaign Expenses	(114,566)	0	(114,566)
<i>Total Non-Operating Revenues (Expenses):</i>	424,817	1,059,657	(634,840)
<i>Income (Loss) Before Contributions & Transfers</i>	453,278	1,112,474	(659,196)
Grants & Contributed Capital	0	39,562	(39,562)
Capital Contributions	0	20,500	(20,500)
Transfers In	163,600	100,000	63,600
Transfers Out	(163,600)	(100,000)	(63,600)
Special Item - Gain on Transfer of Airport	0	7,973,476	(7,973,476)
Change in Net Position	453,278	9,146,012	(8,692,734)
Net Position Beginning of Year - Restated	9,375,518	n/a	n/a
Net Position End of Year	<u>\$9,828,796</u>	<u>\$9,375,518</u>	<u>\$453,278</u>

The information necessary to restate the 2014 beginning balances and 2014 pension expense amounts for the effects of the initial implementation of GASB No. 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$52,340 computed under GASB No. 27. GASB No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB No. 68, the 2015 statements report pension expense of \$43,279.

In order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 GASB 68 program expenses	\$1,702,657
Pension expense under GASB 68	(43,279)
2015 contractually required contributions	<u>46,009</u>
Adjusted 2015 program expenses	1,705,387
Total 2014 program expenses under GASB 27	<u>1,484,489</u>
Increase in program expenses not related to pension	<u>\$220,898</u>

Lake County Ohio Port & Economic Development Authority
 Lake County, Ohio

Management's Discussion and Analysis
 For the Year Ended December 31, 2015

Unaudited

Operating revenues decreased by \$163,149 due primarily to a decrease in operating grants received from the previous year. Operating expenses also decreased by \$138,793 from the prior year due to decreases in personal services and contractual services. The Authority's total net position increased \$453,278 from the prior year.

Capital Assets

The largest portion of the Authority's net position is its net investment in capital assets. The Authority uses these capital assets to provide services to the businesses and public using the Authority. Table 3 shows 2015 balances compared with 2014.

(Table 3)
Capital Assets at December 31 (Net of Depreciation)

	Business-Type Activities		
	2015	2014	Change
Land	\$7,335,376	\$7,335,376	\$0
Construction in Progress	1,436,781	1,058,922	377,859
Buildings	84,865	87,817	(2,952)
Improvements Other Than Buildings	655,565	683,168	(27,603)
Furniture, Equipment and Vehicles	96,272	108,167	(11,895)
Totals	\$ 9,608,859	\$ 9,273,450	\$ 335,409

The \$335,409 increase in capital assets was due to current year construction in progress exceeding current year depreciation of \$42,450. Note 10 of the basic financial statements provides a more detailed look at the capital asset activity during 2015.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

*Management's Discussion and Analysis
For the Year Ended December 31, 2015*

Unaudited

Debt

The Authority's outstanding long-term obligations, excluding the net pension liability, are included in the following table:

**(Table 4)
Outstanding Debt, at December 31**

	Amount Outstanding 12/31/2015	Amount Outstanding 12/31/2014	Increase (Decrease)
<i>Port Authority:</i>			
OWDA Loan	\$234,153	\$298,112	(\$63,959)
<i>Lost Nation Airport:</i>			
Loan Payable to City of Willoughby	140,000	145,000	(5,000)
<i>Total Long-Term Obligations</i>	\$ 374,153	\$ 443,112	\$ (68,959)

In 2013, the Authority finalized a Brownfield loan agreement with the Ohio Water Development Authority in the amount of \$329,618 in order to help pay its cost associated with the revitalization and cleanup of the Bank street property. The loan will mature in 2019 and have an interest rate of 2.0 percent.

In 2014, the Authority assumed responsibility for all payments related to an outstanding revenue bond related to the transfer of the Lost Nation Airport. The revenue bond will mature in 2032 and is reported as a loan payable to the City of Willoughby.

Additional information concerning the Authority's long-term obligations can be found in Note 7 to the basic financial statements.

Factors Expected to Impact the Authority's Future Financial Position or Results of Operations

South Shore - The Authority acquired the former County garage in the Village of North Perry from the Lake County Commissioners with the sale of \$1,965,000 in bonds. The Bonds were purchased by the Village of North Perry and the property was subsequently leased to South Shore Controls for 5 years.

Lost Nation Airport - On October 15, 2014 the Authority acquired, through transfer, the Willoughby Lost Nation Municipal Airport from the City of Willoughby in exchange for certain consideration, including an agreement to pay off an existing revenue bond of \$150,000. The agreement also contains a \$750,000 contingent liability if the Airport meets certain operating surpluses over consecutive years. Those liability obligations remain in place in 2015.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2015

Unaudited

Lost Nation Airport accepted two grants from the Federal Aviation Administration (FAA) Airport Improvement Program for 2015, one to upgrade the Airport with significant improvements to the primary runway to provide a well maintained first class Airport to support the business community and economic health of Lake County as a valuable tool for the attraction and expansion of business and industry in Lake County and the region. The second grant is to begin a Master Plan.

A Master Plan Study will provide strong direction for the immediate and future development, improvement, and upgrades at the Airport. The completed plan will give the Authority insight and assistance in determining the best uses of the land and identifying obstructions to the active runways to be removed for safety enhancements. Finally, the Master Plan will provide a basis for on-going commitments and participation in the funding of eligible improvements by the Federal Aviation Administration and the State of Ohio Office of Aviation which are both a valuable source of funding for the Airport. Additional grants will be sought in 2016 and continuing.

Bank Street – The cleanup was completed in December 2014. During 2014, \$761,631 was invoiced to the State for reimbursement from the \$1,200,000 Jobs Ready Site Grant. During 2015, the remaining \$438,369 of Grant proceeds were used to make further improvements to the property. These improvements will make the remaining facility more attractive to potential tenants and easier to lease. We do anticipate that the office building will be a challenge to find a tenant. The final release letter from the Ohio EPA is now expected by the middle of 2016.

Contacting the Authority's Finance Department

This financial report is designed to provide our citizens, taxpayers, Authority users, and all interested parties with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Timothy Cahill, Director of Public Finance and Controller of the Lake County Ohio Port & Economic Development Authority, 1 Victoria Place, Suite 265A, Painesville, Ohio 44077.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Statement of Net Position
December 31, 2015

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 600,330	\$ 146,407	\$ 746,737
Net Receivables:			
Accounts	10,543	2,221	12,764
Intergovernmental Receivable	288,666	-	288,666
Due from Fairport Harbor	16,650	-	16,650
AGRI Business Loan Program Receivable	7,000	-	7,000
Prepaid Items	5,075	4,889	9,964
Total Current Assets	928,264	153,517	1,081,781
<i>Noncurrent Assets:</i>			
Land	-	7,335,376	7,335,376
Buildings	-	84,865	84,865
Improvements	-	655,565	655,565
Furniture, Fixtures & Equipment	-	96,272	96,272
Construction in Progress	1,436,781	-	1,436,781
Total Noncurrent Assets	1,436,781	8,172,078	9,608,859
<i>Restricted and Other Assets:</i>			
<i>Cash and Cash Equivalents:</i>			
Restricted for South Shore Debt	75,808	-	75,808
Restricted for South Shore Rental/Security Deposits	9,942	-	9,942
Restricted for South Shore Improvements	78,800	-	78,800
Restricted for AGRI Business Loan program	143,000	-	143,000
Restricted for Capital Improvements	8,529	-	8,529
Restricted for Branding Campaign	66,934	-	66,934
Restricted for Capital Grants	-	31,265	31,265
Total Restricted and Other Assets	383,013	31,265	414,278
Total Assets	2,748,058	8,356,860	11,104,918
Deferred Outflows of Resources			
Pension	64,507	-	64,507
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	32,222	36,183	68,405
Contracts Payable	58,035	7,746	65,781
Retainage Payable	-	29,412	29,412
Intergovernmental Payable	3,249	600	3,849
Accrued Interest Payable	2,342	-	2,342
Other Payables	1,180	173	1,353
Vacation Benefits Payable	3,742	-	3,742
Security Deposits	-	2,667	2,667
Unearned Revenue	-	39,999	39,999
OWDA Loans Payable - Current	65,245	-	65,245
Loan Payable to City of Willoughby - Current	-	5,000	5,000
Total Current Liabilities	166,015	121,780	287,795
<i>Other Liabilities (Including Amounts Relating to Restricted Assets):</i>			
South Shore Rent Payment	29,558	-	29,558
South Shore Rent Escrow	6,574	-	6,574
South Shore Security Deposit	7,520	-	7,520
South Shore Lease Improvements	78,800	-	78,800
South Shore Tax Payments	42,252	-	42,252
AGRI Business Loan Program	150,000	-	150,000
Taxes Collected on Behalf of Tenants	-	99,918	99,918
Total Other Liabilities	314,704	99,918	414,622
<i>Long-Term Liabilities (net of current portion)</i>			
OWDA Loans Payable	168,908	-	168,908
Loan Payable to City of Willoughby	-	135,000	135,000
Net Pension Liability (Asset) - OPERS - Traditional Plan	335,179	-	335,179
Net Pension Liability (Asset) - OPERS - Combined Plan	(10,059)	-	(10,059)
Total Long-Term Liabilities	494,028	135,000	629,028
Total Liabilities	974,747	356,698	1,331,445
Deferred Inflows of Resources			
Pension	9,184	-	9,184
Net Position			
Net Investment in Capital Assets	1,202,628	8,032,078	9,234,706
Restricted for South Shore Lease	17,098	-	17,098
Restricted for Capital Improvements	8,573	31,265	39,838
Unrestricted (Deficit)	600,335	(63,181)	537,154
Total Net Position	\$ 1,828,634	\$ 8,000,162	\$ 9,828,796

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Operating Revenues			
Operating Grants	\$ 141,164	\$ 38,297	\$ 179,461
Lease Income	75,579	128,899	204,478
Finance Programs Income	40,163	-	40,163
Contributions & Donations	76,806	-	76,806
Intergovernmental - County Contributions	681,600	-	681,600
Charges for Services	-	22,251	22,251
Hangar Rentals	-	32,000	32,000
Other Operating Revenues	60,036	-	60,036
In-Kind Contributions	12,087	-	12,087
<i>Total Operating Revenues</i>	<u>1,087,435</u>	<u>221,447</u>	<u>1,308,882</u>
Operating Expenses			
Personal Services	455,423	34,742	490,165
Contractual Services	231,480	225,777	457,257
Materials & Supplies	21,292	10,739	32,031
Overhead, Rent & Utilities	67,737	79,815	147,552
Training & Travel	20,129	-	20,129
Other Operating Expenses	90,837	-	90,837
Depreciation Expense	-	42,450	42,450
<i>Total Operating Expenses</i>	<u>886,898</u>	<u>393,523</u>	<u>1,280,421</u>
<i>Operating Income (Loss)</i>	<u>200,537</u>	<u>(172,076)</u>	<u>28,461</u>
Non-Operating Revenues (Expenses)			
Capital Grants	365,888	299,665	665,553
Grant Related Expenses	-	(299,665)	(299,665)
Branding Campaign Contributions & Donations	181,500	-	181,500
Branding Campaign Expenses	(114,566)	-	(114,566)
Interest and Fiscal Charges	(5,005)	(3,000)	(8,005)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>427,817</u>	<u>(3,000)</u>	<u>424,817</u>
<i>Income (Loss) Before Contributions & Transfers</i>	628,354	(175,076)	453,278
Transfers In	-	163,600	163,600
Transfers Out	(163,600)	-	(163,600)
<i>Change in Net Position</i>	464,754	(11,476)	453,278
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>1,363,880</u>	<u>8,011,638</u>	<u>9,375,518</u>
<i>Net Position End of Year</i>	<u>\$ 1,828,634</u>	<u>\$ 8,000,162</u>	<u>\$ 9,828,796</u>

The notes to the basic financial statements are an integral part of this statement.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Statement of Cash Flows

For the Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Cash Flows From Operating Activities:			
Cash Received from Customers & Users	\$ 245,433	\$ 174,188	\$ 419,621
Cash Received from Operating Grants	232,382	38,297	270,679
Cash Received from Contributions & Donations	777,616	-	777,616
Other Operating Revenues	60,146	-	60,146
Cash Paid to Suppliers	(21,709)	(10,496)	(32,205)
Cash Paid to Employees	(490,061)	(34,742)	(524,803)
Cash Paid for Contractual Services	(221,573)	(156,653)	(378,226)
Cash Paid for Overhead, Rent & Utilities	(61,993)	(80,557)	(142,550)
Cash Paid for Other Operating Expenses	(98,172)	-	(98,172)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>422,069</u>	<u>(69,963)</u>	<u>352,106</u>
Cash Flows From Non-Capital Financing Activities			
Taxes Collected on Behalf of Tenants	-	115,365	115,365
Taxes Paid on Behalf of Tenants	-	(110,270)	(110,270)
Contributions and Donations - Branding Campaign	181,500	-	181,500
Program Expenses - Branding Campaign	(114,566)	-	(114,566)
Transfers In	-	163,600	163,600
Transfers Out	(163,600)	-	(163,600)
<i>Net Cash Provided By (Used for) Non-Capital Financing Activities</i>	<u>(96,666)</u>	<u>168,695</u>	<u>72,029</u>
Cash Flows From Capital and Related Financing Activities			
Cash Received from Capital Grants	379,989	299,665	679,654
AGRI Loan Disbursements	(32,000)	-	(32,000)
AGRI Loan Repayments	25,000	-	25,000
Fairport Harbor Project Disbursement	(16,650)	-	(16,650)
Payment for Capital Acquisitions	(11,971)	-	(11,971)
Payment for Capital Grant Related Expenses	(458,620)	(299,665)	(758,285)
Principal Paid on Debt	(113,959)	(5,000)	(118,959)
Interest Paid on Debt	(39,594)	(3,000)	(42,594)
<i>Net Cash Provided by (Used For) Capital and Related Financing Activities</i>	<u>(267,805)</u>	<u>(8,000)</u>	<u>(275,805)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	57,598	90,732	148,330
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>925,745</u>	<u>86,940</u>	<u>1,012,685</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 983,343</u>	<u>\$ 177,672</u>	<u>\$ 1,161,015</u>

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Statement of Cash Flows

For the Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds		
	Port Authority	Lost Nation Airport	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	\$ 200,537	\$ (172,076)	\$ 28,461
Adjustments:			
Depreciation	-	42,450	42,450
(Increase) Decrease in Assets & Deferred Outflows:			
Accounts Receivable	2,119	1,038	3,157
Due from Other Governments	109,218	-	109,218
Other Assets	3,367	-	3,367
Prepaid Items	(5,075)	(4,889)	(9,964)
Deferred Outflows of Resources - Pension	(12,167)	-	(12,167)
Increase (Decrease) in Liabilities & Deferred Inflows:			
Accounts Payable	1,029	36,183	37,212
Contracts Payable	-	7,746	7,746
Retainage Payable	-	29,412	29,412
Due to Other Governments	(6,433)	-	(6,433)
Unearned Revenue	-	(10,000)	(10,000)
Vacation Benefits Payable	(6,783)	-	(6,783)
South Shore Liabilities	127,692	-	127,692
Credit Card Payable	(872)	173	(699)
Deferred Inflows of Resources - Pension	9,184	-	9,184
Net Pension Liability - OPERS - Traditional Plan	7,571	-	7,571
Net Pension Asset - OPERS - Combined Plan	(7,318)	-	(7,318)
<i>Total Adjustments</i>	221,532	102,113	323,645
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 422,069</u>	<u>\$ (69,963)</u>	<u>\$ 352,106</u>

The notes to the basic financial statements are an integral part of this statement.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

Note 1 - Description of the Lake County Ohio Port & Economic Development Authority & Reporting Entity

A. The Authority

The Lake County Ohio Port & Economic Development Authority, Lake County, (the “Authority”) was established by the Board of the Lake County Commissioners in 2007 as a body corporate and politic for the purpose of promoting projects that will provide for the creation of jobs and employment opportunities and improve the economic welfare of the people residing in Lake County, as well as to encourage projects to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture or research within the territory served by the Authority.

The Authority is governed by a seven member Board of Directors, each of whom is appointed by the Board of County Commissioners. The Board of County Commissioners can remove any appointed member of the Board of Directors and can also dissolve the Authority upon adoption of a resolution. As a result, the Port Authority is reflected as a component unit of Lake County.

B. Reporting Entity

The Authority has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”, and as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Authority are not misleading. The primary government consists of all departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which a primary government is financially accountable. The Authority is financially accountable for an organization if the primary government appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; or (3) the Authority is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or (4) the Authority is obligated for the debt of the organization. Under the criteria specified in Statement No. 14, the Authority has no component units. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. The Authority is, however, considered to be a component unit of Lake County (“the County”) by virtue of the fact the Authority’s Board of Trustees is appointed by the County and the Authority imposes a financial burden on the County. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The more significant of the Authority's accounting policies are described below.

A. Basis of Presentation

The Authority's basic financial statements consist of a statement of net position, statement of revenues expenses and changes in net position, and a statement of cash flows. The Authority reports its operations in two enterprise funds. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

GASB Statement No. 34 requires the following, which collectively make up the Authority's basic financial statements:

Management's Discussion and Analysis
Basic Financial Statements:
 Statement of Net Position
 Statement of Revenues, Expenses, and Changes in Net Position
 Statement of Cash Flows
Notes to the Basic Financial Statements
Required Supplementary Information

B. Fund Accounting

The Authority uses funds 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. There are three categories of funds: governmental, proprietary, and fiduciary, however the Authority only has proprietary funds.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Port Authority and Lost Nation Airport funds are the Authority's only enterprise funds.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

Port Authority Fund – The Port Authority fund accounts for the all of the day to day activity, grants, lending programs and economic development activity relating to the Authority that does not involve the Lost Nation Airport.

Lost Nation Airport Fund – The Lost Nation Airport fund accounts for all of the operating and capital activity of the Lost Nation Municipal Airport.

C. Measurement Focus and Basis of Accounting

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled service charges are recognized as revenue at year end.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal 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 fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before eligibility requirements are met are also recorded as a deferred inflow of resources. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statement of financial position will sometimes 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 Authority, deferred inflows of resources were reported for pension. Deferred inflows of resources related to pension are reported on the statement of net position (see Note 8).

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

D. Cash and Cash Equivalents

The Authority maintains interest bearing depository accounts. All funds of the Authority are maintained in these accounts. These interest bearing depository accounts are presented in the statement of net position as “Cash and Cash Equivalents”. The Authority has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general operating fund during 2015 was not significant and included as part of other operating revenue.

E. Restricted Assets and Related Liabilities

Bond indentures and other lease agreements require portions of debt proceeds as well as other resources of the Authority to be set aside for various purposes. These amounts are reported as restricted assets along with the unspent proceeds of the Authority’s debt obligations. The liabilities that relate to the restricted assets are included in other liabilities payable from restricted assets in the Statement of Net Position.

F. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. The capital assets received from the City of Willoughby during the transfer of operations of the Lost Nation Airport were recorded at the carrying amount reported by the City at the time of transfer. Donated capital assets are recorded at their fair market values as of the date received. The Authority implemented a capitalization threshold of \$5,000 during 2016.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. All reported capital assets except land and construction in progress are depreciated. Depreciation in the enterprise fund is computed using the straight-line basis over the following estimated useful lives:

<u>Estimated Lives</u>	<u>Description</u>
30 years	Buildings
25 years	Improvements other than Buildings
5 - 10 years	Vehicles
3 - 10 years	Furniture and Equipment

G. Net Position

Net Position represents the difference between assets and deferred outflows of resources less 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 borrowings 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. Net position restricted for debt service represents monies set aside for the repayment of debt.

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

H. Grants and Intergovernmental Revenues

State and Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. State and Federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when all applicable eligibility requirements have been met and the resources are available.

I. Contributions of Capital

Contributions of capital arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

J. Vacation Benefits Payable

Vacation benefits are accrued as a liability as benefits are earned if the employees' right to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees through paid time off or some other means.

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Authority, these revenues are charges for services, rentals, leases and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Authority. Revenues and expenses which do not meet these definitions are reported as non-operating.

L. Lease Accounting

The Authority classifies leases at the inception of each lease in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, except for leases that are not recognized for accounting purposes under Interpretation No. 2 of the GASB, Disclosure of Conduit Debt Obligations, because they secure the repayment of conduit debt.

M. Operating Lease Income

For operating leases that have scheduled rent increases in the minimum rentals specified under the leases, the Authority recognizes rental income on a straight-line basis over the lease term.

N. Financing Fee Income

Fees associated with economic development loan programs and conduit debt transactions are recognized in operating income as they are received. Such fees will only be paid while the related debt is outstanding, therefore, they are subject to the risk that the debt will be repaid in advance of scheduled maturity.

O. Estimates

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

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

Note 3 – Change in Accounting Principles & Restatement of Prior Year Net Position

A. *Change in Accounting Principles*

For 2015, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”, and Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

GASB Statement No. 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. The implementation of GASB 68 resulted in an overall restatement of beginning net position, as previously reported.

GASB Statement No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of GASB 71 resulted in an overall restatement of beginning net position, as previously reported.

B. *Restatement of Prior Year Net Position*

	Port Authority	Lost Nation Airport	Total
Net Position at December 31, 2014, as Previously Reported	\$1,636,407	\$8,061,637	\$9,698,044
Restatement of Accounts Receivable	0	(49,999)	(49,999)
<i>Implementation of GASB 68 & GASB 71:</i>			
Net Pension (Liability) Asset - OPERS - Combined Plan	2,741	0	2,741
Net Pension (Liability) Asset - OPERS - Traditional Plan	(327,608)	0	(327,608)
<i>Deferred Outflows - Authority's Contributions Made During 2014:</i>			
OPERS	52,340	0	52,340
Adjusted Net Position at January 1, 2015	\$1,363,880	\$8,011,638	\$9,375,518

The Lost Nation Airport fund was also restated due to accounting revisions related to accounts receivable.

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

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

Note 4 – Deposits and Investments

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

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash by the Authority, 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 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.

Interim deposits are deposits of interim monies. Interim monies are those 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
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 any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name. During 2015, the Authority had no investments.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

At year-end, the carrying amount of the Authority's deposits was \$1,161,015, none of which was cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$421,772 of the Authority's bank balance of \$1,212,130 was covered by the Federal Deposit Insurance Corporation, meaning \$790,358 was not.

Note 5 – Operating Lease Agreements

Authority as Lessor

Bank Street - In June of 2013, the Authority entered into a ten year operating lease agreement with Dalamer Industries, LLC for property and a building located on Bank Street in the City of Painesville. The Authority also agreed to make certain improvements to the condition of property. The lease commenced on June 1, 2013 and is scheduled to expire May 1, 2023, with an option to purchase the property at any time during the lease at a price of \$580,000. If a purchase agreement is reached, Dalamer Industries will receive a credit against that purchase price in an amount equal to all of the payments it has already made under this agreement. Rental payments under the lease were \$2,960 per month for the first four months and \$4,900 per month for the remainder of the lease.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

The future minimum rental payments to be received under this lease agreement are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$58,800
2017	58,800
2018	58,800
2019	58,800
2020	58,800
2021-2023	142,100
<i>Total</i>	<u><u>\$436,100</u></u>

The Authority recorded \$58,800 of rental income (on a straight-line basis) under this lease for the year ended December 31, 2015.

South Shore Controls Project - In May of 2014, the Authority entered into a five year operating lease agreement with South Shore Controls, Inc. as part of the conduit debt transaction involving the Village of North Perry. The property and building are located on North Ridge Road in the Village of North Perry and the Authority agreed to make certain improvements to the condition of the property. The lease commenced on June 2, 2014 and is scheduled to expire May 31, 2019, with an option to purchase the property at any time during the lease at a price of \$1,660,000. If a purchase agreement is reached, South Shore Controls, Inc. will receive a credit against that purchase price for any security deposit credit and any rent escrow credit. Rental payments under the lease are \$90,240, or \$7,520 per month.

Each month, the \$7,520 rent payment is deposited into the Authority's South Shore Rental Payment account where \$346 is transferred to the South Shore Rent Escrow account and \$300 is transferred to the Authority's operating account as an administrative fee. The remainder of each payment, \$6,874, remains in the South Shore Rental Payment account to make scheduled principal and interest payments on behalf of the Village of North Perry. As of December 31, 2015 the Authority held \$75,808 in the South Shore Rental Payment account.

For the year ended December 31, 2015, the Authority recorded \$2,100 of rental/administrative fee income (on a straight-line basis) and held \$9,942 in the South Shore Rental/Security Deposits account.

Authority as Lessee

Office Lease - The Authority leases office space at 1 Victoria Place in Painesville, Ohio from Painesville Commercial Properties, Inc. The current lease runs from July 1, 2013 through June 30, 2016 at \$3,417 per month. Future minimum rental to be paid by the Authority under the lease is \$41,007 in 2015 and \$20,503 in 2016. Rental expense, recognized on a straight-line basis, related to the Authority's lease at 1 Victoria Place totaled \$41,007 for the year ended December 31, 2015.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

Note 6 – Conduit Debt

The Authority issued revenue bonds in the amount of \$1,965,000 to provide financial assistance to the Village of North Perry for the acquisition and construction of facilities deemed to be in the public interest and hereafter referred to as the South Shore Controls Project. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, a liability is not reported in the accompanying financial statements. However, the issuance of such conduit debt supports the Authority’s purpose and drives local economic development. The aforementioned issuance of conduit debt produces additional revenues for the Authority through the South Shore Controls project lease agreement.

As of December 31, 2015, \$1,915,000 of the conduit debt revenue bonds remain outstanding.

Note 7 – Long-Term Obligations

Changes in the Authority’s long-term obligations during 2015 were as follows:

	Amount Outstanding 1/1/2015	Additions	Reductions	Amount Outstanding 12/31/2015	Amount Due In One Year
<i>Port Authority:</i>					
OWDA Loan	\$298,112	\$0	\$63,959	\$234,153	\$65,245
<i>Net Pension Liability:</i>					
OPERS Traditional Plan	327,608	7,571	0	335,179	0
OPERS Combined Plan	(2,741)	(7,318)	0	(10,059)	0
<i>Total Port Authority</i>	622,979	253	63,959	559,273	65,245
<i>Lost Nation Airport:</i>					
City of Willoughby Loan	145,000	0	5,000	140,000	5,000
<i>Total Long-Term Obligations</i>	\$ 767,979	\$ 253	\$ 68,959	\$ 699,273	\$ 70,245

During 2013, the Authority finalized a loan agreement with the Ohio Water Development Authority (OWDA) through its Brownfield Loan Fund program. The loan was secured by real property owned by the Authority and located in the City of Painesville, has an interest rate of 2.0 percent and is scheduled to mature in 2019.

The Authority pays obligations related to employee compensation from the Port Authority enterprise fund.

During 2015, as part of the agreement to acquire the Lost Nation Airport, the Authority agreed to pay to the City of Willoughby the annual required debt service payments on an existing revenue bond, until final maturity in 2032. If the City and Authority agree to refinance this bond at any time, then the Authority will make the new debt service payments.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

The annual requirements to retire these obligations are as follows:

Year Ending December 31,	OWDA Loan		Loan Payable to the City of Willoughby	
	Principal	Interest	Principal	Interest
2016	\$65,245	\$4,359	\$5,000	\$2,950
2017	66,557	3,047	5,000	2,900
2018	67,894	1,710	5,000	2,850
2019	34,457	345	5,000	2,750
2020	0	0	5,000	2,650
2021-2025	0	0	45,000	11,150
2026-2030	0	0	50,000	6,087
2031-2034	0	0	20,000	776
<i>Total</i>	<u>\$234,153</u>	<u>\$9,461</u>	<u>\$140,000</u>	<u>\$32,113</u>

Note 8 - 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 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 Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the 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.

Lake County Ohio Port & Economic Development Authority
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Notes to the Basic Financial Statements
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The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable*.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description – The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over 5 years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members 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 pension 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.

Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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

Lake County Ohio Port & Economic Development Authority
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Notes to the Basic Financial Statements
December 31, 2015

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 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:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2015 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-Employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractual required contribution was \$35,887 for 2015. Of this amount, \$2,785 is reported as an intergovernmental payable.

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, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Lake County Ohio Port & Economic Development Authority
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Notes to the Basic Financial Statements
December 31, 2015

	Traditional Plan	Combined Plan	OPERS Total
Proportionate Share of the Net Pension Liability (Asset)	\$335,179	(\$10,059)	\$325,120
Proportion of the Net Pension Liability (Asset)	0.00277900%	0.02612600%	
Pension Expense	\$36,595	\$6,684	\$43,279

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan	Combined Plan	OPERS Total
Deferred Outflows of Resources			
Net Difference between projected and actual earnings on pension plan investments	\$17,884	\$614	\$18,498
Authority contributions subsequent to the measurement date	35,887	10,122	46,009
Total Deferred Outflows of Resources	<u>\$53,771</u>	<u>\$10,736</u>	<u>\$64,507</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$6,028</u>	<u>\$3,156</u>	<u>\$9,184</u>

\$46,009 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional Plan	Combined Plan	OPERS Total
Year Ending December 31:			
2016	(\$1,734)	\$372	(\$1,362)
2017	(1,734)	372	(1,362)
2018	(3,970)	851	(3,119)
2019	(4,418)	947	(3,471)
Total	<u>(\$11,856)</u>	<u>\$2,542</u>	<u>(\$9,314)</u>

Lake County Ohio Port & Economic Development Authority
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Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 Percent
Future Salary Increases, Including Inflation	4.25 Percent to 10.05 Percent, Including Wage Inflation
COLA or Ad hoc COLA	3 Percent, Simple
Investment Rate of Return	8.0 Percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projections 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, 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 weighing 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 Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

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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 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed the 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.0 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.0 percent), or one percentage point higher (9.0 percent) than the current rate.

<u></u>	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Authority's Proportionate Share of the Net Pension Liability (Asset) - Traditional Plan	\$616,632	\$335,179	\$98,126
Authority's Proportionate Share of the Net Pension Liability (Asset) - Combined Plan	<u>1,306</u>	<u>(10,059)</u>	<u>(19,072)</u>
Total OPERS	<u>\$617,938</u>	<u>\$325,120</u>	<u>\$79,054</u>

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December 31, 2015

Note 9 - Postemployment 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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 No. 45. Please see the Plan Statement in the OPERS 2014 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 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 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 2015, 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee’s Beneficiary Association (VEBA) that provides funding for Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 2.0 percent during calendar year 2015. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The 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

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
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contribution as a percentage of covered payroll deposited to VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$7,668, \$9,798 and \$4,224 respectively; 99 percent has been contributed for 2015 and 100 percent for 2014 and 2013.

Note 10 - Capital Assets

A summary of the Authority's capital assets at December 31, 2015 follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
<i>Capital Assets, not being depreciated:</i>				
Land	\$7,335,376	\$0	\$0	\$7,335,376
Construction in Progress	1,058,922	377,859	0	1,436,781
<i>Total Capital Assets, not being depreciated:</i>	8,394,298	377,859	0	8,772,157
<i>Capital Assets, being depreciated:</i>				
Buildings	88,555	0	0	88,555
Improvements other than Buildings	690,069	0	0	690,069
Furniture, Equipment and Vehicles	109,474	0	0	109,474
<i>Total Capital Assets, being depreciated:</i>	888,098	0	0	888,098
Less Accumulated Depreciation:				
Buildings	(738)	(2,952)	0	(3,690)
Improvements other than Buildings	(6,901)	(27,603)	0	(34,504)
Furniture, Equipment and Vehicles	(1,307)	(11,895)	0	(13,202)
<i>Total Accumulated Depreciation</i>	(8,946)	(42,450)	0	(51,396)
<i>Total Capital Assets being depreciated, net</i>	879,152	(42,450)	0	836,702
Total Capital Assets, Net	\$9,273,450	\$335,409	\$0	\$9,608,859

Note 11 - Other Employee Benefits

A. Sick Days

Full time employees earn sick leave benefits at the rate of fifteen (15) paid sick days per year using the anniversary date of hire for calculating the days. They will accumulate at the rate of 4.6 hours for each 80 hours of completed employment. There is no cash payout of unused sick days at the end of each year, therefore, there was no liability for accrued but unused sick days as of December 31, 2015.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

B. Vacation

Full time employees are eligible for paid vacation time depending upon length of service. Vacation for full-time exempt and non-exempt employees is earned as follows:

During first year of employment	3.10 hours per 80 hours worked (10 days)
After first year of employment	4.60 hours per 80 hours worked (15 days)
After tenth year of employment	6.20 hours per 80 hours worked (20 days)
After twenty years of employment	7.70 hours per 80 hours worked (25 days)

If the employee does not take vacation time, a request for pay, must be submitted a month prior to their anniversary of hire date. If vacation is carried over no more than twenty days (20) will be allowed to be carried over. Vacation time earned and paid out after December 31st is reported as vacation benefits payable on the accompanying statement of net position.

Note 12 - Risk Management

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 13 – Contingent Liabilities

Financial Assistance - The Authority receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits may require refunding to grantor agencies. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Authority as of December 31, 2015.

City of Willoughby - As a part of the transfer agreement to acquire the Lost Nation Airport, the Authority contingently agreed to repay the City of Willoughby for outstanding advances in the amount of \$750,000. The Authority will not be required to make any payments to the City until the Airport reports and deposits \$100,000 into a reserve fund for two consecutive years.

If the Airport does meet the \$100,000 criteria for two consecutive years, then the City and the Authority will agree upon a 30 year amortization. If the reserve fund drops below \$50,000 the Authority can stop making payments until it meets the original criteria again.

Lake County Ohio Port & Economic Development Authority
Lake County, Ohio

Notes to the Basic Financial Statements
December 31, 2015

Note 14 – Willoughby Lost Nation Municipal Airport

During 2014, the Authority acquired, through transfer of ownership, the Willoughby Lost Nation Municipal Airport from the City of Willoughby, situated on approximately 420 acres in Willoughby and the City of Mentor. It is located approximately 3 miles north of downtown Willoughby and 16 miles east of downtown Cleveland.

As a part of this transfer of ownership, the Authority has agreed to take over the City's payments on an outstanding revenue bond in the amount of \$150,000 and is now obligated to make annual debt service payments to the City. This liability has been recorded on the Statement of Net Position as a loan payable to the City of Willoughby. The transfer agreement also contains a \$750,000 contingent liability if the Airport meets \$100,000 operating surpluses over two consecutive years. This contingent liability has not been recorded on the Statement of Net Position.

The Airport is a corporate airport that has two runways; runway 5-23 which is 5,013 feet long by 100 feet wide, and runway 10-28 which is 4,835 feet long by 100 feet wide. Facilities include AWOS III weather, a full-service Fixed Base Operator (FBO) providing fuel, major airframe/power-plant repairs, aircraft tie-down and hangar storage. Both 100LL and Jet A fuel are available. Based aircraft number 86 and include single and multi-engine, turbo prop and jet with approximately 35-40 thousand aircraft operations annually. Additionally, there are 6 multi-tenant hangars to house private and corporate aircraft.

The Airport requests grant funds from the Federal Aviation Administration (FAA) Airport Improvement Program to make significant improvements to runways to provide a well maintained, first class airport to support the business community and economic health of Lake County, as a valuable tool for the attraction and expansion of business and industry in Lake County and the region.

Note 15 - Subsequent Event

Capital Lease – Commencing January 1, 2016, the Authority leased a copier and related equipment from Meritech, Inc. for five years through December 31, 2020. Future minimum rental to be paid by the Authority under the lease will be \$6,600 per year in 2016 through 2020. This lease agreement qualifies as a capital lease and the copier will be added to the Authority's capital asset listing in 2016.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Required Supplementary Information

*Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Two Years (1)*

	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0027790%	0.0027790%
Authority's Proportionate Share of the Net Pension Liability	\$335,179	\$327,608
Authority's Covered-Employee Payroll	\$340,667	\$341,810
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.39%	95.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

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

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Required Supplementary Information

*Schedule of the Authority's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System (OPERS) - Combined Plan
Last Two Years (1)*

	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Asset	0.02612600%	0.02612600%
Authority's Proportionate Share of the Net Pension Asset	\$10,059	\$2,741
Authority's Covered-Employee Payroll	\$95,500	\$95,821
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	10.53%	2.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	114.83%	104.56%

(1) Information prior to 2013 is not available.

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

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Required Supplementary Information

Schedule of Authority Contributions

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$35,887	\$40,880	\$44,435
Contributions in Relation to the Contractually Required Contribution	(\$35,887)	(\$40,880)	(\$44,435)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority Covered-Employee Payroll	\$299,058	\$340,667	\$341,810
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 available upon request.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Required Supplementary Information

Schedule of Authority Contributions

Ohio Public Employees Retirement System (OPERS) - Combined Plan

Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$10,122	\$11,460	\$12,457
Contributions in Relation to the Contractually Required Contribution	(\$10,122)	(\$11,460)	(\$12,457)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority Covered-Employee Payroll	\$84,353	\$95,500	\$95,821
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 available upon request.

LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY

Notes to Required Supplementary Information

For the year ended December 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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Dave Yost • Auditor of State

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

Lake County Ohio Port & Economic Development Authority
Lake County
One Victoria Place, Suite 165A
Painesville, Ohio 44077

To the Board of Trustees:

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 each major fund of the Lake County Ohio Port & Economic Development Authority, Lake County, Ohio, (the Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 9, 2016, wherein we noted the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

www.ohioauditor.gov

Compliance and Other Matters

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

Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2016

**LAKE COUNTY OHIO PORT & ECONOMIC DEVELOPMENT AUTHORITY
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

FINDING NUMBER 2015-001

Material Weakness – Capital Assets

The Authority's capital asset note indicates all capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. All reported capital assets except land and construction in progress are depreciated by using the straight-line basis over the estimated useful lives of 30 years for buildings, 25 years for improvements other than buildings, 5 to 10 years for vehicles and 3 to 10 years for furniture and equipment. Additionally, the note indicates the Authority does not currently have a capitalization threshold but plans to implement one during 2016.

During 2015, the Authority recorded depreciation expense of \$8,946 in its Lost Nation Airport Fund which equaled the depreciation expense recorded for 2014. The 2014 depreciation expense however was not for a full fiscal year since the related assets were acquired throughout the year. Based on a full twelve months of operations, the 2015 depreciation expense should have been reported as \$42,450. The \$33,504 difference was adjusted by management to the financial statements and accounting records.

Management should review its depreciation expense calculations to ensure the assets are being properly depreciated based upon their time placed in service and estimated useful lives. Additionally, to ensure accurate and consistent future financial report, a capitalization threshold should be implemented.

Officials' Response: We are aware of the error regarding depreciation and have already had both internal and external discussions as to why the error occurred, and how to rectify the problem going forward. We have addressed and fixed the issue and will make sure an entire year of depreciation is recorded in all future financial statements.

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Dave Yost • Auditor of State

LAKE COUNTY OHIO PORT AND ECONOMIC DEVELOPMENT AUTHORITY

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 22, 2016