Heath-Newark-Licking County Port Authority
LICKING COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2019

Charles E. Harris & Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Directors
Heath-Newark-Licking County Port Authority
851 Irving Wick Drive West
Heath, Ohio 43056

We have reviewed the *Independent Auditor's Report* of Heath-Newark-Licking County Port Authority, Licking County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Heath-Newark-Licking County Port Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

September 08, 2021

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Heath-Newark-Licking County Port Authority
Licking County
Regular Audit
For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Heath-Newark-Licking County Port Authority
Licking County
851 Irving-Wick Drive West
Heath, Ohio 43056

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Heath-Newark-Licking Couty Port Authority, Licking County, Ohio (the Authority), as of and for the year ended December 31, 2019 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Heath-Newark-Licking County Port Authority, Licking County, Ohio as of December 31, 2019, and the change in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedules of net pension and net OPEB liabilities, and schedules of pension and OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2021 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
July 26, 2021

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

The discussion and analysis of the Heath-Newark-Licking County Port Authority, Licking County (the Authority) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- The Authority's net position was $38,806,630 as of December 31, 2019 according to the Statement of Net Position. This represents an increase of $2,278,950 from last year's net position of $36,527,680.

- Operating revenues for 2019 were $6,117,789, which represents an increase of $451,317, or 8.0% from 2018.

- Total outstanding debt during the year decreased $1,452,806 to $7,177,984 and is attributed to principal payments exceeding the amount of new debt issued for the year.

- The overall cash position of the Authority increased $132,617, which is attributed to the sale of assets and higher lease receipts.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Authority as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of revenues, expenses, and changes in net position provide information about the activities of the Authority as a whole, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

Reporting the Authority as a Whole

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during 2019?" These statements present all assets and deferred outflows of resources and liabilities and deferred inflows of resources both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private – sector companies.

The accrual basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. These two statements report the Authority's net position and changes in overall financial 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 causes of this change may be the result of many factors, some financial, some not.

Reporting the Authority's Most Significant Fund

Proprietary Fund

The Authority maintains one proprietary fund, an enterprise fund.

Summary of Net Position

The table below provides a summary of the Authority's net position for 2019 and 2018:

	2019	2018
Assets		
Current assets	$ 9,678,218	$ 9,477,106
Capital assets, net	38,163,966	37,551,108
Total assets	47,842,184	47,028,214
Deferred outflows of resources		
Total deferred outflows of resources	351,419	173,139
Liabilities		
Current liabilities	1,964,847	2,000,501
Long-term liabilities:		
Net pension liability	1,053,341	597,401
Net OPEB liability	466,878	385,504
Other amounts	5,886,809	7,520,418
Total liabilities	9,371,875	10,503,824
Deferred inflows of resources		
Total deferred inflows of resources	15,098	169,849
Net position		
Net investment in capital assets	30,767,472	28,600,368
Unrestricted	8,039,158	7,927,312
Total net position	$ 38,806,630	$ 36,527,680

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $38,806,630.

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

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Authority's proportionate share of each plan's collective:

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

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

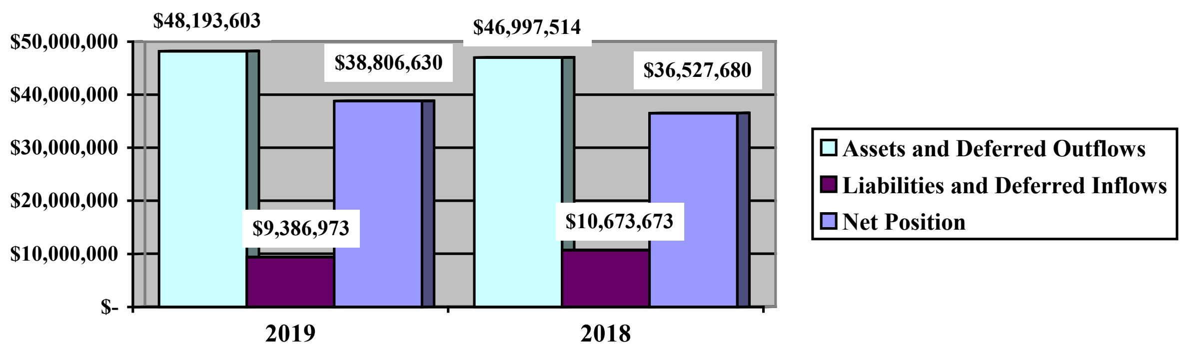
The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce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

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

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

Capital assets represent the largest portion of the Authority's net position. At year-end, capital assets represented 79.2% of total assets and deferred outflows of resources. Capital assets include land, construction in progress, land improvements, infrastructure, furniture and fixtures, machinery and equipment and vehicles. Net investment in capital assets or what was required to acquire these assets at December 31, 2019 was $30,767,472. These capital assets are used to provide services and are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The balance of unrestricted net position of $8,039,158 may be used to meet the Authority's ongoing obligations.



Summary of Revenues and Expenses

The table below provides a summary of the Authority's revenues and expenses for 2019 and 2018:

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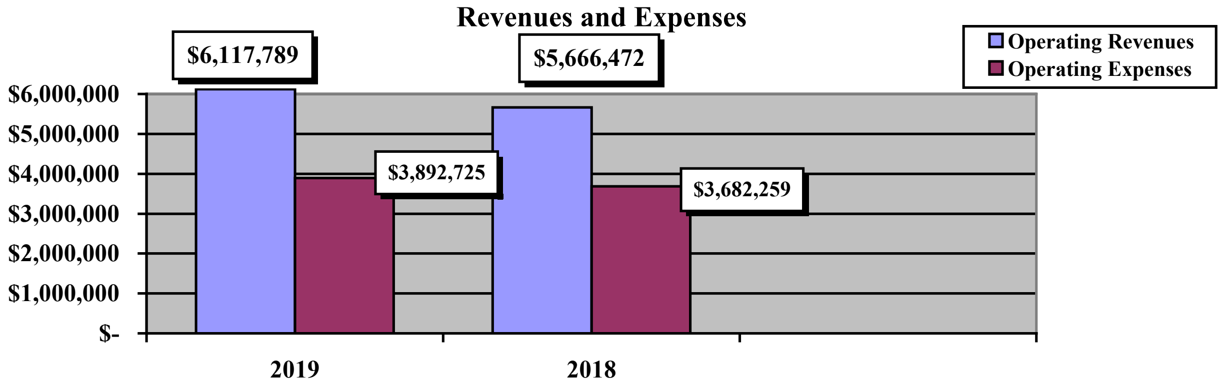
	2019	2018
Operating Revenues:		
Charges for Services - Leases	$ 5,714,439	$ 5,559,469
Charges for Services - Other	386,868	65,000
Other Operating Revenues	16,482	42,003
Total Operating Revenues	6,117,789	5,666,472
Operating Expenses:		
Personnel Services	1,172,375	824,962
Materials and Supplies	26,967	33,751
Contractual Services	1,254,265	1,520,812
Depreciation	1,439,118	1,302,734
Total Operating Expenses	3,892,725	3,682,259
Operating Income	2,225,064	1,984,213
Nonoperating Revenues (Expenses):		
Investment Earnings	153,650	127,493
Gain on sale of capital assets	218,261	512,981
Intergovermental	30,000	30,000
Interest and Fiscal Services	(348,025)	(393,092)
Other Nonoperating Revenues (Expenses)	-	(23,663)
Total Nonoperating Revenues (Expenses)	53,886	253,719
Income (Loss) Before Contributions	2,278,950	2,237,932
Capital contributions	-	2,096,582
Changes in net position	2,278,950	4,334,514
Beginning Net Position	36,527,680	32,193,166
Ending Net Position	$ 38,806,630	$ 36,527,680

Operating revenues increased $451,317 and operating expenses increased $210,466 from 2018. The increase in operating revenues is attributed to the Authority identifying other sources of revenues to supplement lease revenues. Personnel services increased based on an increase in pension expense associated with the change in the net pension and net OPEB liabilities between years.

The graph below presents the activity regarding the change in net position for 2019 and 2018.



Capital Assets and Debt Administration

Capital Assets

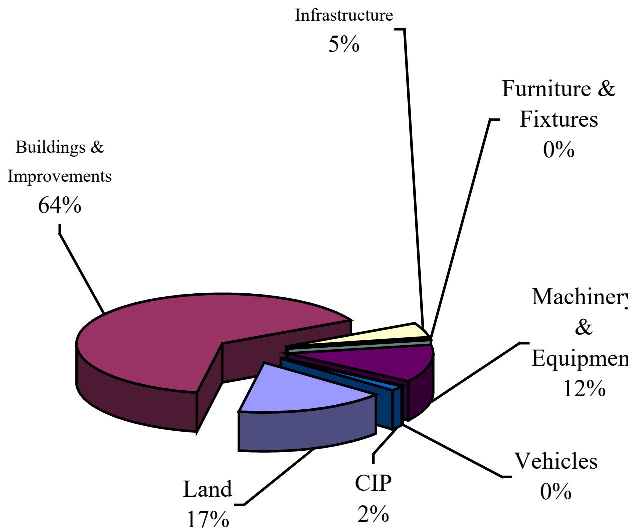
At the end of 2019, the Authority had $38,163,966 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. The following table shows 2019 balances compared to 2018:

Capital Assets at December 31

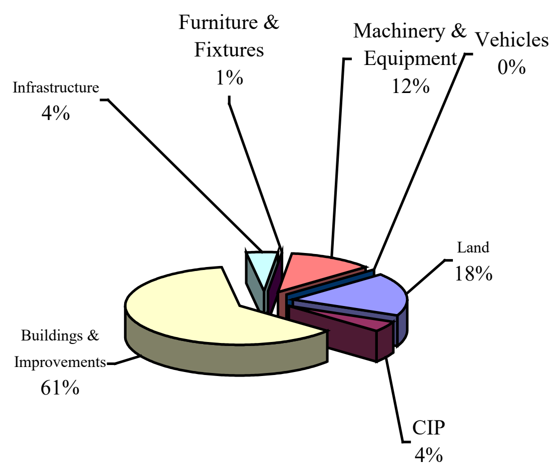
	2019	2018
Land	$ 9,341,370	$ 9,529,909
Construction in Progress	854,353	2,309,434
Buildings and Improvements	35,789,216	32,832,401
Infrastructure	2,590,653	2,347,118
Furniture and Fixtures	174,420	174,420
Machinery and Equipment	6,804,727	6,309,481
Vehicles	52,391	52,391
Less: Accumulated Depreciation	(17,443,164)	(16,004,046)
Totals	$ 38,163,966	$ 37,551,108

The following graph presents the categories of the Authority's capital assets reported at cost:

Capital Assets - 2019



Capital Assets - 2018



The Authority's largest capital asset category is buildings and improvements and represents 64% and 61% of total capital assets for 2019 and 2018, respectively.

See Note 5 to the basic financial statements for more detail on the Authority's capital assets.

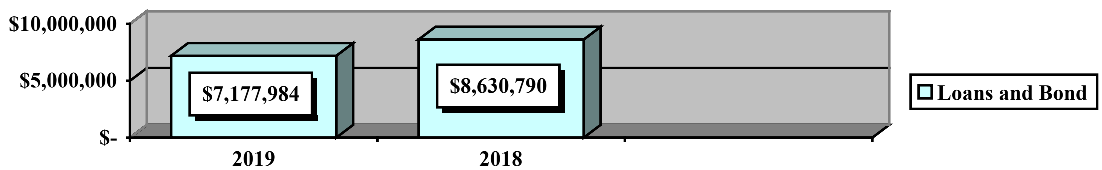
Debt Administration

The Authority had the following long-term obligations outstanding at December 31, 2019 and 2018:

	2019	2018
Horton building interior loan	$0	$401,681
MISTRAS building loan	3,605,400	3,784,783
20K speculative building	543,715	571,193
Recovery zone bond	0	397,284
660 international drive	188,819	0
670 Kaiser drive	2,212,630	2,327,029
Seminary ridge loan	499,020	999,020
Seminary ridge mortgage	128,400	149,800
Total	$7,177,984	$8,630,790

A breakdown of the Authority's long-term obligations is as follows for 2019 and 2018:

Long-Term Obligations at December 31



See Note 8 to the basic financial statements for more detail on the Authority's long-term debt obligations.

Economic Conditions and Outlook

Net position is expected to increase in future years as the Authority continues to increase expansion of the base further increasing the local workforce along with the Authority's commitment to bring high quality companies to the Licking County area.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact Erin Grigsby, Director, Finance and Compliance, Heath-Newark-Licking County Port Authority, 851 Irving-Wick Drive West, Heath, Ohio.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2019

Assets:	
Current assets:	
Cash and cash equivalents	$ 9,282,796
Receivables:	
Accounts	793
Interest	1,752
Notes	100,000
Loans	200,000
Prepaid items	92,877
Total current assets	9,678,218
Noncurrent assets:	
Capital assets:	
Land	9,341,370
Construction in progress	854,353
Depreciable capital assets, net	27,968,243
Total capital assets, net	38,163,966
Total noncurrent assets	38,163,966
Total assets	47,842,184
Deferred Outflows of Resources:	
Pension	314,804
OPEB	36,615
Total deferred outflows of resources	351,419
Total assets and deferred outflows of resources	48,193,603

(Continued)

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2019

Liabilities:	
Current liabilities:	
Accounts payable	53,901
Contracts payable	218,510
Accrued wages and benefits	35,844
Intergovernmental payable	114,336
Accrued interest payable	24,123
Unearned revenue	85,971
Compensated absences payable	3,487
MISTRAS building construction loan	137,382
Seminary ridge loan	499,020
Seminary ridge mortgage	128,400
20K speculative building	543,715
670 Kaiser drive loan	120,158
Total current liabilities	1,964,847
Noncurrent liabilities:	
660 International drive loan	188,819
MISTRAS building construction loan	3,468,018
670 Kaiser drive loan	2,092,472
Customer deposits	137,500
Net pension liability	1,053,341
Net OPEB liability	466,878
Total noncurrent liabilities	7,407,028
Total liabilities	9,371,875
Deferred Inflows of Resources:	
Pension	13,831
OPEB	1,267
Total deferred inflows of resources	15,098
Total liabilities and deferred inflows of resources	9,386,973
Net Position:	
Net investment in capital assets	30,767,472
Unrestricted	8,039,158
Total net position	$ 38,806,630

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

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

Operating revenues:	
Charges for services - leases	$ 5,714,439
Charges for services - other	386,868
Other operating revenues	16,482
Total operating revenues	6,117,789
Operating expenses:	
Personnel services	1,172,375
Material and supplies	26,967
Contractual services	1,254,265
Depreciation	1,439,118
Total operating expenses	3,892,725
Operating income	2,225,064
Nonoperating revenues (expenses):	
Investment earnings	153,650
Intergovernmental grants	30,000
Interest and fiscal charges	(348,025)
Gain on sale of capital assets	218,261
Total nonoperating revenues (expenses)	53,886
Change in net position	2,278,950
Net position at beginning of year	36,527,680
Net position at end of year	$ 38,806,630

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

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

Cash flows from operating activities:	
Cash received from leases	$ 5,605,901
Cash received from other charges for services	386,868
Cash received from other operating receipts	15,689
Cash payments to supplies for goods and services	(1,611,536)
Cash payments for employee services and benefits	(807,612)
Net cash provided by operating activities	3,589,310
Cash flows from capital and related financing activities:	
Intergovernmental receipts	30,000
Proceeds from loans	188,819
Proceeds from sale of capital assets	280,392
Principal payments - Recovery zone facility bond	(397,284)
Principal payments - Horton building interior loan	(401,681)
Principal payments - MISTRAS loan	(179,383)
Principal payments - Seminary ridge mortgage	(21,400)
Principal payments - Seminary ridge loan	(500,000)
Principal payments - 20K speculative building	(27,478)
Principal payments - 670 kaiser drive	(114,399)
Interest payments - Recovery zone facility bond	(11,820)
Interest payments - Horton building interior loan	(18,586)
Interest payments - 670 kaiser drive	(112,632)
Interest payments - MISTRAS loan	(178,502)
Interest payments - 20K speculative building	(28,635)
Interest payments - 660 international drive	(365)
Interest payments - Seminary ridge mortgage	(1,600)
Acquisition and construction of capital assets	(2,114,037)
Net cash used in capital and related financing activities	(3,608,591)
Cash flows from investing activities:	
Interest received	151,898
Net cash provided by investing activities	151,898
Net increase in cash and cash equivalents	132,617
Cash and cash equivalents at beginning of year	9,150,179
Cash and cash equivalents at end of year	$ 9,282,796

(Continued)

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

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

Reconciliation of operating income to net cash provided by operating activites:		
Operating income	$	2,225,064
Adjustments:		
Depreciation		1,439,118
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in accounts receivable		17,524
(Increase) decrease in note receivable		(100,000)
(Increase) decrease in deferred outflows of resources - pension		(170,035)
(Increase) decrease in deferred outflows of resources - OPEB		(8,245)
(Increase) decrease in prepaid items		15,733
Increase (decrease) in accounts payable		8,510
Increase (decrease) in contracts payable		(101,440)
Increase (decrease) in accrued wages and benefits		2,449
Increase (decrease) in compensated absences		(282)
Increase (decrease) in intergovernmental payable		(13,111)
Increase (decrease) in net OPEB liability		81,374
Increase (decrease) in net pension liability		455,940
Increase (decrease) in deferred inflows of resources - pension		(127,304)
Increase (decrease) in deferred inflows of resources - OPEB		(27,447)
Increase (decrease) in unearned revenue		(108,538)
Net cash provided by operating activities	$	3,589,310

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Heath-Newark-Licking County Port Authority (the "Authority") was created on May 18, 1996 under the authority of Section 4582.21 et seq. of the Ohio Revised Code which provides that "a municipal corporation, a county or any combination thereof acting jointly, may create a port authority which shall be a body corporate and politic and have territorial limits coterminous with the territorial limits of the political subdivision(s) creating such port authority."

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority 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 the deficits of, or provide financial support to, the organization; or (4) the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Authority has no component units. The basic financial statements of the reporting entity include only those of the Authority (the primary government).

B. Basis of Presentation

The Authority operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. All transactions are accounted for in a single enterprise fund.

The financial statements are presented as of December 31, 2019 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting: and Financial Reporting: Standards (GASB Codification).

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows and outflows of resources associated with the operation of these funds are included on the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus (Continued)

The statement of change in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

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

E. Budgetary Process

The budgetary process is prescribed by the provisions of Ohio Revised Code Section 4582.39. "Rents and charges received by the port authority shall be used for the general expenses of the port authority and to pay interest, amortization, and retirement charges on money borrowed." The major document prepared is the appropriation resolution which is prepared on the budgetary basis of accounting.

The appropriation resolution is subject to amendment throughout the year. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within its fund. Budgetary modifications may only be made by resolution of the Board of Directors.

1. Budget

The Director, Finance and Compliance and Chief Executive Officer submit an annual budget and appropriations resolution for the following fiscal year to the Board of Directors by the December board meeting for consideration and passage. The adopted budget shall not exceed the total of the estimated revenues available for expenditure.

2. Estimated Resources

The Director, Finance and Compliance and Chief Executive Officer prepare estimated revenues by fund prior to consideration of the annual appropriation resolution. The Authority must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

3. Appropriations

An annual appropriation resolution must be passed by the Board of Directors for the following year in December. The appropriation resolution establishes spending controls at the fund and object level (i.e. personnel services, materials and supplies, contractual services, and capital outlay). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources. The allocation of appropriations among objects within the fund may be modified during the year by a resolution of the Board of Directors.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

F. Cash and Cash Equivalents

Cash balances of the Authority's funds are pooled and invested in investments in order to provide improved cash management. Individual fund integrity is maintained through the Authority's records and is presented as "Cash and Cash Equivalents" on the financial statements.

During 2019, investments were limited to a sweep account and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as the sweep account are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Authority measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Interest revenue earned and credited during 2019 amounted to $153,650.

For purpose of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

H. Capital Assets and Depreciation

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

Property, plant and equipment acquired by the enterprise funds are stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Donated capital assets are recorded at their acquisition value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Infrastructure	20 – 50
Buildings	20 – 50
Building Improvements	10 – 50
Improvements Other than Buildings	10 – 20
Vehicles	3 – 15
Furniture & Equipment	3 – 25
Computer Equipment	3 – 15

I. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," compensated absences are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Employees earn vacation leave based on length of service and position. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

Employees earn 10 days of sick leave per year, which may be carried over to subsequent years. There is no liability for unpaid accumulated sick leave since upon separation or retirement; employees do not receive any payment for unused sick time.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Pensions/Other Postemployment Benefits (OPEB)

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

K. Deferred Outflows of Resources and Deferred Inflows 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 have been reported for the following two items related the Authority's net pension and net OPEB liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Authority's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the Authority reports 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 have been reported for the following two items related the Authority's net pension and net OPEB liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Authority's contributions to the pension systems subsequent to the measurement date.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets is reported net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net position would consist of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements.

M. Operating Revenues & Expenses

Operating revenues consist primarily of fees for services, rents and charges for use of facilities, and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues include intergovernmental grants and interest from investments. Nonoperating expenses include interest expense on long-term debt and various other nonoperating expenses.

N. Economic Dependency

The Authority receives approximately 93.4% of its operating revenue from tenant leases. Due to the significance of this revenue, the Authority is considered economically dependent on lease revenues.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of the Authority are combined to form a pool of cash and investments. The Authority has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Authority to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income. Statutes require the classification of funds held by the Authority into three categories.

Category I consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the Authority. Such funds must be maintained either as cash in the Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

- Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

- Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within a ten year form the date of settlement, bonds and other obligations of a political subdivision of the State of Ohio, if training requirements have been met;

- Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

- The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio), and

NOTE 2 – POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one period.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Authority's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the Authority's financial institution was approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Authority to a successful claim by the FDIC.

At year end the carrying amount of the Authority's deposits was $1,811,968. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of December 31, 2019 none of the bank balance was exposed to custodial risk.

Investments

The Authority invested in STAR Ohio that was reported at amortized cost of $5,258,475 and an overnight sweep account, which has no credit rating, in the amount of $2,212,353.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Authority's investment policy limits investment portfolio maturities to five years or less.

Concentration of Credit Risk – STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Authority's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTE 3 – ACCOUNTABILITY

For 2019, the Authority has implemented GASB Statement No. 83, “Certain Asset Retirement Obligations”, GASB Statement No. 84, *“Fiduciary Activities”,* GASB Statement No. 88, *“Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”* and GASB Statement No. 90, *“Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61”.*

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Authority.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Authority will no longer be reporting agency funds. The Authority reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental or proprietary funds. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Authority.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Authority.

GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Authority.

NOTE 4 – LOAN & NOTE RECEIVABLE

A. Loan Receivable

The Authority entered into an intergovernmental agreement with the Licking County Transportation Improvement District to provide matching grant funds specific to the Thornwood Drive Railroad Crossing project. The principal sum of the loan is $200,000 at a rate of 0%. This note was repaid during 2020.

B. Note Receivable

The Authority entered into a promissory note with the Southgate Company Limited Partnership specific to the sale of land. The principal sum of the promissory note is $100,000 and interest shall accrue on the outstanding principal balance at the rate of 4% per annum. This note is expected to be repaid during 2021.

NOTE 5 - CAPITAL ASSETS

A summary of capital assets at December 31, 2019:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Nondepreciable Capital Assets				
Land	$9,529,909	$ -	($188,539)	$9,341,370
Construction in Progress	2,309,434	554,113	(2,009,194)	854,353
Total Nondepreciable Capital Assets	11,839,343	554,113	(2,197,733)	10,195,723
Depreciable Capital Assets				
Buildings and Improvements	32,832,401	2,956,815	-	35,789,216
Infrastructure	2,347,118	243,535	-	2,590,653
Furniture and Fixtures	174,420	-	-	174,420
Machinery and Equipment	6,309,481	495,246	-	6,804,727
Vehicles	52,391	-	-	52,391
Total at Historical Cost	41,715,811	3,695,596	-	45,411,407
Less: Accumulated Depreciation				
Buildings and Improvements	(11,067,257)	(954,692)	-	(12,021,949)
Infrastructure	(874,520)	(61,794)	-	(936,314)
Furniture and Fixtures	(58,447)	(4,595)	-	(63,042)
Machinery and Equipment	(3,984,626)	(412,798)	-	(4,397,424)
Vehicles	(19,196)	(5,239)	-	(24,435)
Total Accumulated Depreciation	(16,004,046)	(1,439,118)	-	(17,443,164)
Depreciable Capital Assets, Net of Accumulated Depreciation	25,711,765	2,256,478	-	27,968,243
Capital Assets, Net	$37,551,108	$2,810,591	($2,197,733)	$38,163,966

NOTE 6 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

The 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.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25 percent.

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $75,548 for 2019. Of this amount, $5,811 is reported as a component of accrued wages and benefits.

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, 2018, 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 contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	OPERS
Traditional Plan	
Proportion of the net pension liability prior measurement date	0.00380800%
Proportion of the net pension liability current measurement date	0.00384600%
Change in proportionate share	0.00003800%
Proportionate share of the net pension liability - Traditional Plan	$ 1,053,341
Pension expense	$ 234,149

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

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

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$49
Changes of assumptions	91,696
Net difference between projected and actual earnings on pension plan investments	142,968
Changes in proportion and differences between Authority contributions and proportionate share of contributions	4,543
Authority contributions subsequent to the measurement date	75,548
Total Deferred Outflows of Resources	$314,804
Deferred Inflows of Resources	
Differences between expected and actual experience	$13,831
Total Deferred Inflows of Resources	$13,831

$75,548 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2020	$57,888
2021	84,443
2022	54,500
2023	28,594
Total	$225,425

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - OPERS

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

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

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return:	
Current measurement date	7.20%
Prior measurement date	7.50%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006.

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

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

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

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post- experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments 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 Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, 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 (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Authority's proportionate share of the net pension liability:			
Traditional Plan	$ 1,556,092	$ 1,053,341	$ 635,552

NOTE 7 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

The 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 OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $0 for 2019.

Net OPEB Liability

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

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.003581%
Prior Measurement Date	0.003550%
Change in Proportionate Share	0.0000310%
Proportionate Share of the Net OPEB Liability	$466,878
OPEB Expense	$45,682

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefit liabilities from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$158
Changes of assumptions	15,053
Net difference between projected and actual earnings on pension plan investments	21,404
Total Deferred Outflows of Resources	$36,615
Deferred Inflows of Resources	
Differences between expected and actual experience	$1,267
Total Deferred Inflows of Resources	$1,267

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

	OPERS
Year Ending December 31:	
2020	$23,122
2021	10,766
2022	(2,821)
2023	4,281
Total	$35,348

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	
Current measurement date	6.00 percent
Prior Measurement date	6.50 percent
Municipal Bond Rate	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Authority's proportionate share of the net OPEB liability	$597,311	$466,878	$363,149

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$448,771	$466,878	$487,732

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NOTE 8 – LONG-TERM DEBT

Long-term debt obligations of the Authority at December 31, 2019 were as follows:

Direct Borrowings:	Outstanding 12/31/18	Additions	Reductions	Outstanding 12/31/19	Due in One Year
Recovery zone bond	$ 397,284	$ -	$ (397,284)	$ -	$ -
Horton building interior loan	401,681	-	(401,681)	-	-
MISTRAS building loan	3,784,783	-	(179,383)	3,605,400	137,382
20K speculative building	571,193	-	(27,478)	543,715	543,715
660 international drive	-	188,819	-	188,819	-
Seminary ridge loan	999,020	-	(500,000)	499,020	499,020
Seminary ridge mortgage	149,800	-	(21,400)	128,400	128,400
670 Kaiser drive	2,327,029	-	(114,399)	2,212,630	120,158
Total direct borrowings	8,630,790	188,819	(1,641,625)	7,177,984	1,428,675
Compensated absences	3,769	40,317	(40,599)	3,487	3,487
Net OPEB liability	385,504	81,374	-	466,878	-
Net pension liability	597,401	455,940	-	1,053,341	-
Total long-term obligations	$ 9,617,464	$ 766,450	$ (1,682,224)	$ 8,701,690	$ 1,432,162

The Authority received authorization to secure a Recovery Zone Facility Revenue bond in an amount not to exceed $4,760,000 for the purpose of constructing commercial offices on the Authority Premises. This bond shall initially bear interest at a five year interest rate of 3.98% until the first interest period reset and the maturity shall not exceed 15 years. This bond was retired in 2019.

The Horton Building Interior loan was approved in 2015 and relates to improvements to the existing Horton Building on the Authority’s campus. The Authority was approved up to $1,101,528 for this project at an interest rate of 5%. The value of the building collateralizes the loan. This loan was retired in 2019.

The MISTRAS Building loan was approved in 2015 and relates to the construction of a new speculative building for the MISTRAS Group. MISTRAS is a leading "one source" global provider of technology-enabled asset protection solutions used to evaluate the structural integrity of critical energy, industrial and public infrastructure. The Authority was approved up to $4,300,000 at an interest rate of 4.82% with the building as loan collateral. The loan will be paid in monthly installments of $29,824, including interest, over 18 years.

In 2016, the Authority entered into two separate loan agreements associated with the purchase 299.902 acres for the purpose of future economic development. The Seminary Ridge loan was for the purchase of land and improvements totaling $1,999,020 at an interest rate of 0% payable in four equal installments of $499,755. This loan is payable through 2020. The Seminary Ridge mortgage relates to the purchase of an outstanding oil and gas obligation on the property totaling $214,000 at an interest rate of 1.45%. The loan is payable through 2025 with yearly installments of $23,000. The value of the loans are collateralized by the land.

NOTE 8 – LONG-TERM DEBT (Continued)

On April 2, 2018, the Authority issued $2,400,000 taxable series 2018 revenue bonds, at an interest rate of 4.951% per annum, for the purpose of purchasing land and constructing a speculative building located at 670 Kaiser Drive. This loan will retire in 2033.

The Authority entered into a loan agreement in the amount not to exceed $1,445,000 for the construction of a speculative building located at 660 International Drive at an interest rate of 3.6%. At December 31, 2019, the Authority had outstanding borrowings of $188,819 noting the loan is collateralized by the land and future building. An amortization schedule for this loan will be available when the loan has been finalized.

The total principal and interest requirements to retire the Authority's outstanding debt:

Year Ending December 31,	670 Kaiser Drive Principal	670 Kaiser Drive Interest	670 Kaiser Drive Total	MISTRAS Building Loan Principal	MISTRAS Building Loan Interest	MISTRAS Building Loan Total
2020	$ 120,158	$ 106,873	$ 227,031	$ 137,382	$ 171,538	$ 308,920
2021	126,304	100,727	227,031	195,007	162,878	357,885
2022	132,676	94,355	227,031	204,617	153,268	357,885
2023	139,396	87,635	227,031	214,700	143,185	357,885
2024	146,428	80,603	227,031	224,894	2,990	227,884
2025-2029	851,358	283,797	1,135,155	1,303,910	485,513	1,789,423
2030-2034	696,310	60,460	756,770	1,324,890	137,447	1,462,337
Total	$ 2,212,630	$ 814,450	$ 3,027,080	$ 3,605,400	$ 1,256,819	$ 4,862,219

Year Ending December 31,	Seminary Ridge Mortgage Principal	Seminary Ridge Mortgage Interest	Seminary Ridge Mortgage Total	Seminary Ridge Loan Principal	Seminary Ridge Loan Interest	Seminary Ridge Loan Total
2020	$ 128,400	$ 9,600	$ 138,000	$ 499,020	$ -	$ 499,020
Total	$ 128,400	$ 9,600	$ 138,000	$ 499,020	$ -	$ 499,020

Year Ending December 31,	20K Speculative Building Loan Principal	20K Speculative Building Loan Interest	20K Speculative Building Loan Total
2020	$ 543,715	$ 13,821	$ 557,536
Total	$ 543,715	$ 13,821	$ 557,536

NOTE 9 - RISK MANAGEMENT – RISK POOL MEMBERSHIP

The Authority belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first $250,000 casualty treaty and 30% of the first $1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first $250,000 casualty treaty and 30% of the first $1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first $250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018 (the latest information available):

	2018
Assets	$15,065,412
Liabilities	(10,734,623)
Members' Equity	$4,330,789

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

NOTE 10 – OPERATING LEASES – LESSOR

The revenues related to all leases, tenancy, or occupancy agreements and security deposits and guarantees affecting the Authority's campus are included in these financial statements. Lease revenue is accounted for by the straight-line method whereby such revenue is reflected over the period of the related leases. Revenue on these agreements is recognized when the lessees report the amounts owed, which approximates the period in which the revenue was earned.

The Authority leases space to tenants under noncancelable operating leases with various terms contingent on the tenant. Management expects to negotiate and extend tenant leases once they have expired. The following is a schedule of estimated future minimum rentals under the current tenant lease terms:

NOTE 10 – OPERATING LEASES – LESSOR (Continued)

Year Ended December 31,	Amount
2020	$5,424,486
2021	4,467,858
2022	1,362,414
2023	1,328,715
2024	1,310,890
Total	$13,894,363

NOTE 11 - CONDUIT DEBT

From time to time, the Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The tax-exempt bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

The Authority, the State of Ohio, or any political subdivision thereof is obligated in any manner for repayment on the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements.

As of December 31, 2019, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of $213,365,097.

NOTE 12 – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. The Authority’s investment portfolio and the investments of the pension and other employee benefit plan in which the Authority participates have incurred a significant decline in fair value, consistent with the general decline in financial markets.

However, because the values of individual investments fluctuate with market conditions, and due to the market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The Authority refinanced its outstanding MISTRAS and 670 Kaiser Drive loans in June 2020 which will result in an estimated interest cost savings of $340,794 and $225,291, respectively.

The Board authorized the early extinguishment of outstanding principal associated with the 701 International Drive and Seminary Ridge Mortgage loans in June 2020.

REQUIRED SUPPLEMENTARY INFORMATION

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX YEARS

	2019	2018
Authority's Proportion of the Net Pension Liability - Traditional Plan	0.0038460%	0.0038080%
Authority's Proportionate Share of the Net Pension Liability - Traditional Plan	$ 1,053,341	$ 597,401
Authority's Covered-Employee Payroll	$ 519,743	$ 525,469
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	202.67%	113.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Traditional Plan	74.70%	84.66%

Note: Information prior to 2014 was unavailable. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

	2017	2016	2015	2014
	0.0038150%	0.003850%	0.003762%	0.003762%
	$ 866,322	$ 666,869	$ 453,739	$ 443,491
	$ 493,167	$ 479,250	$ 381,892	$ 440,431
	175.67%	139.15%	118.81%	100.69%
	77.25%	81.08%	86.45%	86.36%

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

	2019	2018	2017	2016
Contractually Required Contribution	$ 75,548	$ 72,764	$ 68,311	$ 59,180
Contributions in Relation to the Contractually Required Contribution	(75,548)	(72,764)	(68,311)	(59,180)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Authority's Covered-Employee Payroll	$ 539,629	$ 519,743	$ 525,469	$ 493,167
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	12.00%

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

2015		2014		2013		2012		2011		2010	
$	57,510	$	45,827	$	57,256	$	54,265	$	51,936	$	48,730
	(57,510)		(45,827)		(57,256)		(54,265)		(51,936)		(48,730)
	$0		$0		$0		$0		$0		$0
$	479,250	$	381,892	$	440,431	$	542,650	$	519,360	$	546,300
	12.00%		12.00%		13.00%		10.00%		10.00%		8.92%

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HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE YEARS

	2019	2018	2017
Authority's Proportion of the Net OPEB Liability - Traditional Plan	0.0035810%	0.0035500%	0.003460%
Authority's Proportionate Share of the Net OPEB Liability - Traditional Plan	$ 466,878	$ 385,504	$ 349,472
Authority's Covered-Employee Payroll	$ 519,743	$ 525,469	$ 493,167
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	89.83%	73.36%	70.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability Traditional Plan	46.33%	54.14%	54.14%

Note: Information prior to 2017 was unavailable. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

	2019	2018	2017	2016
Contractually Required Contribution	$ -	$ -	$ 4,877	$ 9,866
Contributions in Relation to the Contractually Required Contribution	-	-	(4,877)	(9,866)
Contribution Deficiency (Excess)	$ -	$ -	$0	$0
Authority's Covered-Employee Payroll	$ 539,629	$ 519,743	$ 525,469	$ 493,167
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	1.00%	2.00%

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

2015		2014		2013		2012		2011		2010	
$	9,585	$	6,544	$	4,089	$	14,650	$	20,774	$	21,793
	(9,585)		(6,544)		(4,089)		(14,650)		(20,774)		(21,793)
	$0		$0		$0		$0		$0		$0
$	479,250	$	381,892	$	440,431	$	542,650	$	519,360	$	546,300
	2.00%		1.71%		0.93%		2.70%		4.00%		3.99%

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

PENSION

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

5510 Pearl Road Ste 102
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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Heath-Newark-Licking County Port Authority
Licking County
851 Irving-Wick Drive West
Heath, Ohio 43056

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Heath-Newark-Licking County Port Authority, Licking County, (the Authority), as of and for the year ended December 31, 2019 and the related notes to the financial which collectively comprise the Authority's financial statements and have issued our report thereon dated July 27, 2021. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
July 27, 2021

Heath-Newark-Licking County Port Authority
LICKING COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2020

Charles E. Harris & Associates, Inc.
CPAs and Government Consultants

Heath-Newark-Licking County Port Authority
Licking County
Regular Audit
For the Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Heath-Newark-Licking County Port Authority
Licking County
851 Irving-Wick Drive West
Heath, Ohio 43056

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Heath-Newark-Licking Couty Port Authority, Licking County, Ohio (the Authority), as of and for the year ended December 31, 2020 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2020 and the changes in its position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedules of net pension and net OPEB liabilities, and schedules of pension and OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2021 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
July 27, 2021

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

The discussion and analysis of the Heath-Newark-Licking County Port Authority, Licking County (the Authority) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- The Authority's net position was $41,541,984 as of December 31, 2020 according to the Statement of Net Position. This represents an increase of $2,735,354 from last year's net position of $38,806,630.

- Operating revenues for 2020 were $6,434,188, which represents an increase of $316,399, or 5% from 2019.

- Total outstanding debt during the year decreased $186,947 to $6,991,037 and is attributed to principal payments exceeding the amount of new debt issued for the year.

- The overall cash position of the Authority increased $2,302,198, which is attributed to the sale of assets and higher lease receipts.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Authority as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of revenues, expenses, and changes in net position provide information about the activities of the Authority as a whole, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

Reporting the Authority as a Whole

Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer the question, "How did we do financially during 2020?" These statements present all assets and deferred outflows of resources and liabilities and deferred inflows of resources both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private – sector companies.

The accrual basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. These two statements report the Authority's net position and changes in overall financial 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 causes of this change may be the result of many factors, some financial, some not.

Reporting the Authority's Most Significant Fund

Proprietary Fund

The Authority maintains one proprietary fund, an enterprise fund.

Summary of Net Position

The table below provides a summary of the Authority's net position for 2020 and 2019:

	2020	2019
Assets		
Current assets	$ 11,834,176	$ 9,678,218
Capital assets, net	38,787,424	38,163,966
Total assets	50,621,600	47,842,184
Deferred outflows of resources		
Total deferred outflows of resources	193,881	351,419
Liabilities		
Current liabilities	1,086,108	1,964,847
Long-term liabilities:		
Net pension liability	758,014	1,053,341
Net OPEB liability	493,386	466,878
Other amounts	6,704,953	5,886,809
Total liabilities	9,042,461	9,371,875
Deferred inflows of resources		
Total deferred inflows of resources	231,036	15,098
Net position		
Net investment in capital assets	31,611,730	30,767,472
Unrestricted	9,930,254	8,039,158
Total net position	$ 41,541,984	$ 38,806,630

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2020, the Authority's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $41,541,984.

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

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Authority's proportionate share of each plan's collective:

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

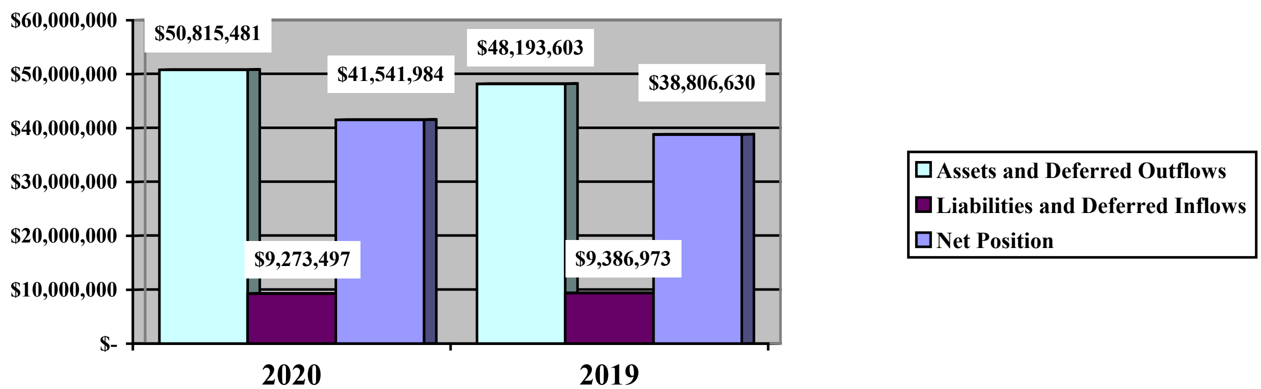
GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. In accordance with GASB 68 and GASB 75, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Capital assets represent the largest portion of the Authority's net position. At year-end, capital assets represented 76.3% of total assets and deferred outflows of resources. Capital assets include land, construction in progress, land improvements, infrastructure, furniture and fixtures, machinery and equipment and vehicles. Net investment in capital assets or what was required to acquire these assets at December 31, 2020 was $31,611,730. These capital assets are used to provide services and are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The balance of unrestricted net position of $9,930,254 may be used to meet the Authority's ongoing obligations.



As the preceding table illustrates, the most significant changes in net position were related to the Authority's net pension liability and net OPEB liability, and the related deferred inflows/outflows of resources. These amounts will fluctuate annually based on a number of factors including investment returns, actuarial assumptions used, and the Authority's proportionate share of the net pension and net OPEB cost. As a result 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB as follows:

	2020
Net position (with GASB 68 and GASB 75)	$ 41,541,984
GASB 68 calculations:	
Add: Deferred inflows related to pension	160,791
Add: Net pension liability	758,014
Less: Deferred outflows related to pension	(115,770)
GASB 75 calculations:	
Add: Deferred inflows related to OPEB	70,245
Add: Net OPEB liability	493,386
Less: Deferred outflows related to OPEB	(78,111)
Net position (without GASB 68 and GASB 75)	$ 42,830,539

Summary of Revenues and Expenses

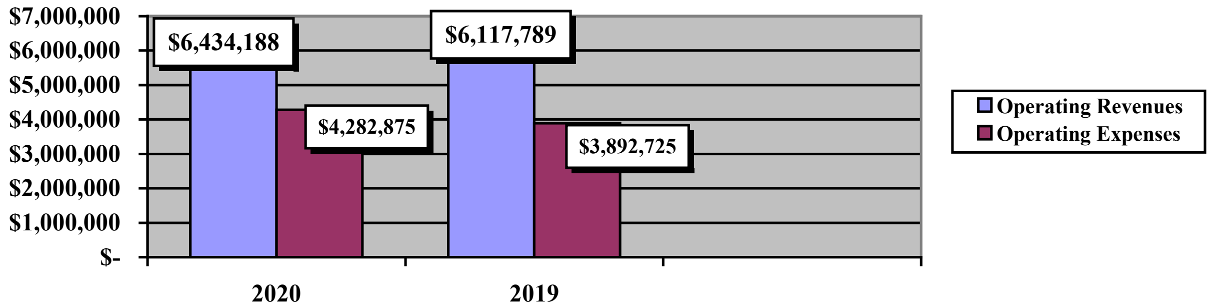
The table below provides a summary of the Authority's revenues and expenses for 2020 and 2019:

	2020	2019
Operating Revenues:		
Charges for Services - Leases	$ 6,031,624	$ 5,714,439
Charges for Services - Other	320,000	386,868
Other Operating Revenues	82,564	16,482
Total Operating Revenues	6,434,188	6,117,789
Operating Expenses:		
Personnel Services	909,235	1,172,375
Materials and Supplies	33,977	26,967
Contractual Services	1,822,039	1,254,265
Depreciation	1,517,624	1,439,118
Total Operating Expenses	4,282,875	3,892,725
Operating Income	2,151,313	2,225,064
Nonoperating Revenues (Expenses):		
Investment Earnings	56,888	153,650
Gain on sale of capital assets	336,447	218,261
Intergovermental	90,782	30,000
Interest and Fiscal Services	(276,756)	(348,025)
Other Nonoperating Revenues (Expenses)	376,680	-
Total Nonoperating Revenues (Expenses)	584,041	53,886
Changes in net position	2,735,354	2,278,950
Beginning Net Position	38,806,630	36,527,680
Ending Net Position	$ 41,541,984	$ 38,806,630

Operating revenues increased $316,399 and operating expenses increased $390,150 from 2019. The increase in operating revenues is attributed to new leases entered into and revised during 2020. Personnel services decreased based on a decrease in pension expense associated with the change in the net pension liability.

The graph below presents the activity regarding the change in net position for 2020 and 2019.

Revenues and Expenses



Capital Assets and Debt Administration

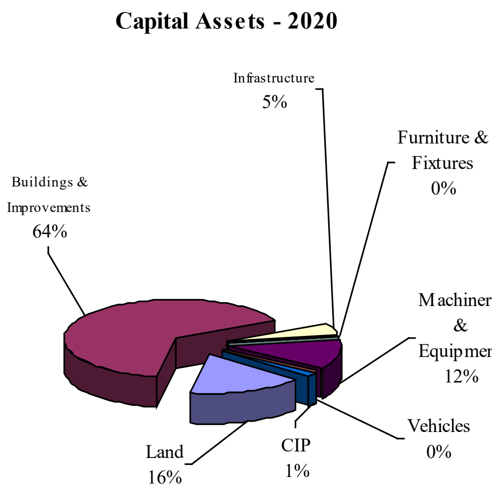
Capital Assets

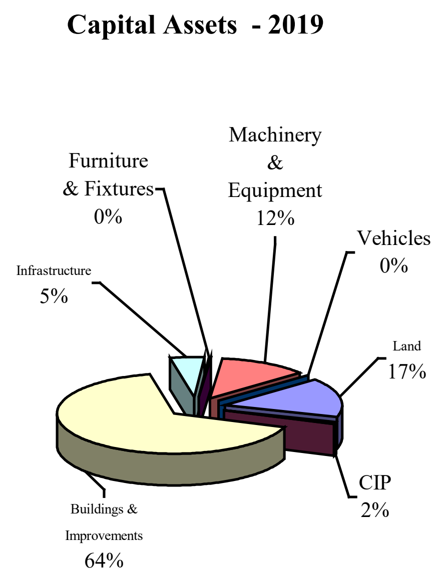
At the end of 2020, the Authority had $38,787,424 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. The following table shows 2020 balances compared to 2019:

Capital Assets at December 31

	2020	2019
Land	$ 9,074,642	$ 9,341,370
Construction in Progress	572,517	854,353
Buildings and Improvements	38,072,204	35,789,216
Infrastructure	2,707,393	2,590,653
Furniture and Fixtures	174,420	174,420
Machinery and Equipment	7,013,669	6,804,727
Vehicles	68,860	52,391
Less: Accumulated Depreciation	(18,896,281)	(17,443,164)
Totals	$ 38,787,424	$ 38,163,966

The following graph presents the categories of the Authority's capital assets reported at cost:





The Authority's largest capital asset category is buildings and improvements and represents 64% of total capital assets for 2020 and 2019.

See Note 5 to the basic financial statements for more detail on the Authority's capital assets.

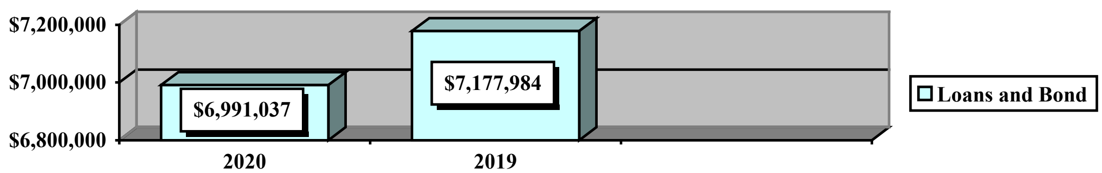
Debt Administration

The Authority had the following long-term obligations outstanding at December 31, 2020 and 2019:

	2020	2019
MISTRAS building loan	$3,435,330	$3,605,400
20K speculative building	0	543,715
660 international drive	1,440,542	188,819
670 Kaiser drive	2,115,165	2,212,630
Seminary ridge loan	0	499,020
Seminary ridge mortgage	0	128,400
Total	$6,991,037	$7,177,984

A breakdown of the Authority's long-term obligations is as follows for 2020 and 2019:

Long-Term Obligations at December 31



See Note 8 to the basic financial statements for more detail on the Authority's long-term debt obligations.

Economic Conditions and Outlook

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic which led the Port Authority to adjust and adapt to the related impact. Net position for 2020 increased and is further expected to increase in future years as the Authority continues to increase expansion of the base further increasing the local workforce along with the Authority's commitment to bring high quality companies to the Licking County area.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact Erin Grigsby, Director, Finance and Compliance, Heath-Newark-Licking County Port Authority, 851 Irving-Wick Drive West, Heath, Ohio.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2020

Assets:	
Current assets:	
Cash and cash equivalents	$ 11,584,994
Receivables:	
Accounts	58,247
Notes	100,000
Prepaid items	90,935
Total current assets	11,834,176
Noncurrent assets:	
Capital assets:	
Land	9,074,642
Construction in progress	572,517
Depreciable capital assets, net	29,140,265
Total capital assets, net	38,787,424
Total noncurrent assets	38,787,424
Total assets	50,621,600
Deferred Outflows of Resources:	
Pension	115,770
OPEB	78,111
Total deferred outflows of resources	193,881
Total assets and deferred outflows of resources	50,815,481

(Continued)

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2020

Liabilities:	
Current liabilities:	
Accounts payable	287,650
Contracts payable	184,657
Accrued wages and benefits	33,667
Intergovernmental payable	120,144
Accrued interest payable	6,417
Unearned revenue	25,605
Compensated absences payable	4,384
MISTRAS building construction loan	213,859
660 International drive loan	74,771
670 Kaiser drive loan	134,954
Total current liabilities	1,086,108
Noncurrent liabilities:	
660 International drive loan	1,365,771
MISTRAS building construction loan	3,221,471
670 Kaiser drive loan	1,980,211
Customer deposits	137,500
Net pension liability	758,014
Net OPEB liability	493,386
Total noncurrent liabilities	7,956,353
Total liabilities	9,042,461
Deferred Inflows of Resources:	
Pension	160,791
OPEB	70,245
Total deferred inflows of resources	231,036
Total liabilities and deferred inflows of resources	9,273,497
Net Position:	
Net investment in capital assets	31,611,730
Unrestricted	9,930,254
Total net position	$ 41,541,984

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating revenues:	
Charges for services - leases	$ 6,031,624
Charges for services - other	320,000
Other operating revenues	82,564
Total operating revenues	6,434,188
Operating expenses:	
Personnel services	909,235
Material and supplies	33,977
Contractual services	1,822,039
Depreciation	1,517,624
Total operating expenses	4,282,875
Operating income	2,151,313
Nonoperating revenues (expenses):	
Investment earnings	56,888
Intergovernmental grants	90,782
Interest and fiscal charges	(276,756)
Gain on sale of capital assets	336,447
Other nonoperating revenues	376,680
Total nonoperating revenues (expenses)	584,041
Change in net position	2,735,354
Net position at beginning of year	38,806,630
Net position at end of year	$ 41,541,984

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	
Cash received from leases	$ 5,971,258
Cash received from other charges for services	520,000
Cash received from other operating receipts	25,110
Cash payments to supplies for goods and services	(1,014,969)
Cash payments for employee services and benefits	(806,123)
Net cash provided by operating activities	4,695,276
Cash flows from capital and related financing activities:	
Intergovernmental receipts	90,782
Proceeds from loans	3,399,305
Proceeds from sale of capital assets	615,704
Principal payments - MISTRAS loan	(170,070)
Principal payments - Seminary ridge mortgage	(128,400)
Principal payments - Seminary ridge loan	(499,020)
Principal payments - 20K speculative building	(543,715)
Principal payments - 660 international drive	(4,458)
Principal payments - 670 kaiser drive	(2,257,021)
Interest payments - 670 kaiser drive	(96,109)
Interest payments - MISTRAS loan	(148,380)
Interest payments - 20K speculative building	(14,566)
Interest payments - 660 international drive	(25,807)
Interest payments - Seminary ridge mortgage	(9,600)
Acquisition and construction of capital assets	(2,656,859)
Net cash used in capital and related financing activities	(2,448,214)
Cash flows from investing activities:	
Interest received	55,136
Net cash provided by investing activities	55,136
Net increase in cash and cash equivalents	2,302,198
Cash and cash equivalents at beginning of year	9,282,796
Cash and cash equivalents at end of year	$ 11,584,994

(Continued)

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

Reconciliation of operating income to net cash provided by operating activites:		
Operating income	$	2,151,313
Adjustments:		
Depreciation		1,517,624
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in accounts receivable		(57,454)
(Increase) decrease in loans receivable		200,000
(Increase) decrease in deferred outflows of resources - pension		199,034
(Increase) decrease in deferred outflows of resources - OPEB		(41,496)
(Increase) decrease in prepaid items		1,942
Increase (decrease) in accounts payable		233,749
Increase (decrease) in contracts payable		(203,850)
Increase (decrease) in accrued wages and benefits		(2,177)
Increase (decrease) in compensated absences		897
Increase (decrease) in intergovernmental payable		5,808
Increase (decrease) in net OPEB liability		81,374
Increase (decrease) in net pension liability		455,940
Increase (decrease) in deferred inflows of resources - pension		146,960
Increase (decrease) in deferred inflows of resources - OPEB		68,978
Increase (decrease) in unearned revenue		(63,366)
Net cash provided by operating activities	$	4,695,276

Noncash capital and related financing activities:
The Authority recorded capitalized debt interest in the amount of $16,432.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Heath-Newark-Licking County Port Authority (the "Authority") was created on May 18, 1996 under the authority of Section 4582.21 et seq. of the Ohio Revised Code which provides that "a municipal corporation, a county or any combination thereof acting jointly, may create a port authority which shall be a body corporate and politic and have territorial limits coterminous with the territorial limits of the political subdivision(s) creating such port authority."

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority 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 the deficits of, or provide financial support to, the organization; or (4) the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Authority has no component units. The basic financial statements of the reporting entity include only those of the Authority (the primary government).

B. Basis of Presentation

The Authority operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. All transactions are accounted for in a single enterprise fund.

The financial statements are presented as of December 31, 2020 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting: and Financial Reporting: Standards (GASB Codification).

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflows and outflows of resources associated with the operation of these funds are included on the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus (Continued)

The statement of change in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

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

E. Budgetary Process

The budgetary process is prescribed by the provisions of Ohio Revised Code Section 4582.39. "Rents and charges received by the port authority shall be used for the general expenses of the port authority and to pay interest, amortization, and retirement charges on money borrowed." The major document prepared is the appropriation resolution which is prepared on the budgetary basis of accounting.

The appropriation resolution is subject to amendment throughout the year. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within its fund. Budgetary modifications may only be made by resolution of the Board of Directors.

1. Budget

The Director, Finance and Compliance and Chief Executive Officer submit an annual budget and appropriations resolution for the following fiscal year to the Board of Directors by the December board meeting for consideration and passage. The adopted budget shall not exceed the total of the estimated revenues available for expenditure.

2. Estimated Resources

The Director, Finance and Compliance and Chief Executive Officer prepare estimated revenues by fund prior to consideration of the annual appropriation resolution. The Authority must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

3. Appropriations

An annual appropriation resolution must be passed by the Board of Directors for the following year in December. The appropriation resolution establishes spending controls at the fund and object level (i.e. personnel services, materials and supplies, contractual services, and capital outlay). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources. The allocation of appropriations among objects within the fund may be modified during the year by a resolution of the Board of Directors.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

F. Cash and Cash Equivalents

Cash balances of the Authority's funds are pooled and invested in investments in order to provide improved cash management. Individual fund integrity is maintained through the Authority's records and is presented as "Cash and Cash Equivalents" on the financial statements.

During 2020, investments were limited to a sweep account and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as the sweep account is reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Authority measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Interest revenue earned and credited during 2020 amounted to $56,888.

For purpose of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

H. Capital Assets and Depreciation

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

Property, plant and equipment acquired by the enterprise funds are stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Donated capital assets are recorded at their acquisition value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Infrastructure	20 – 50
Buildings	20 – 50
Building Improvements	10 – 50
Improvements Other than Buildings	10 – 20
Vehicles	3 – 15
Furniture & Equipment	3 – 25
Computer Equipment	3 – 15

I. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," compensated absences are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Employees earn vacation leave based on length of service and position. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

Employees earn 10 days of sick leave per year, which may be carried over to subsequent years. There is no liability for unpaid accumulated sick leave since upon separation or retirement; employees do not receive any payment for unused sick time.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Pensions/Other Postemployment Benefits (OPEB)

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

K. Deferred Outflows of Resources and Deferred Inflows 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 have been reported for the following two items related the Authority's net pension and net OPEB liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Authority's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the Authority reports 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 have been reported for the following two items related the Authority's net pension and net OPEB liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Authority's contributions to the pension systems subsequent to the measurement date.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets is reported net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net position would consist of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements.

M. Operating Revenues & Expenses

Operating revenues consist primarily of fees for services, rents and charges for use of facilities, and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues include intergovernmental grants and interest from investments. Nonoperating expenses include interest expense on long-term debt and various other nonoperating expenses.

N. Economic Dependency

The Authority receives approximately 93.7% of its operating revenue from tenant leases. Due to the significance of this revenue, the Authority is considered economically dependent on lease revenues.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of the Authority are combined to form a pool of cash and investments. The Authority has adopted an Investment Policy that follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Authority to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income. Statutes require the classification of funds held by the Authority into three categories.

Category I consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the Authority. Such funds must be maintained either as cash in the Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

- Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

- Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within a ten year form the date of settlement, bonds and other obligations of a political subdivision of the State of Ohio, if training requirements have been met;

- Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

- The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio), and

NOTE 2 – POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one period.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Authority's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the Authority's financial institution was approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Authority to a successful claim by the FDIC.

At year end the carrying amount of the Authority's deposits was $2,608,494. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures",* as of December 31, 2020 none of the bank balance was exposed to custodial risk.

Investments

The Authority invested in STAR Ohio that was reported at amortized cost of $5,295,861 and an overnight sweep account, which has no credit rating, in the amount of $3,680,639.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Authority's investment policy limits investment portfolio maturities to five years or less.

Concentration of Credit Risk – STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Authority's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTE 3 – ACCOUNTABILITY

For 2020, the Authority has applied GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*" to GASB Statement Nos. 87 and 89, which were originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncement is postponed by one year and the Authority has elected delaying implementation until the fiscal year ended December 31, 2021:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*

The following pronouncements are postponed by eighteen months and the Authority has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases;*
- Implementation Guide No. 2019-3, *Leases.*

NOTE 4 – NOTE RECEIVABLE

The Authority entered into a promissory note with the Southgate Company Limited Partnership specific to the sale of land. The principal sum of the promissory note is $100,000 and interest shall accrue on the outstanding principal balance at the rate of 4% per annum. This note is expected to be repaid during 2021.

NOTE 5 - CAPITAL ASSETS

A summary of capital assets at December 31, 2020:

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NOTE 5 - CAPITAL ASSETS (Continued)

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Nondepreciable Capital Assets				
Land	$9,341,370	$17,544	($284,272)	$9,074,642
Construction in Progress	854,353	262,062	(543,898)	572,517
Total Nondepreciable Capital Assets	10,195,723	279,606	(828,170)	9,647,159
Depreciable Capital Assets				
Buildings and Improvements	35,789,216	2,282,988	-	38,072,204
Infrastructure	2,590,653	145,873	(29,133)	2,707,393
Furniture and Fixtures	174,420	-	-	174,420
Machinery and Equipment	6,804,727	243,882	(34,940)	7,013,669
Vehicles	52,391	39,729	(23,260)	68,860
Total at Historical Cost	45,411,407	2,712,472	(87,333)	48,036,546
Less: Accumulated Depreciation				
Buildings and Improvements	(12,021,949)	(1,022,553)	-	(13,044,502)
Infrastructure	(936,314)	(72,762)	10,959	(998,117)
Furniture and Fixtures	(63,042)	(3,269)	-	(66,311)
Machinery and Equipment	(4,397,424)	(415,067)	34,940	(4,777,551)
Vehicles	(24,435)	(3,973)	18,608	(9,800)
Total Accumulated Depreciation	(17,443,164)	(1,517,624)	64,507	(18,896,281)
Depreciable Capital Assets, Net of Accumulated Depreciation	27,968,243	1,194,848	(22,826)	29,140,265
Capital Assets, Net	$38,163,966	$1,474,454	($850,996)	$38,787,424

NOTE 6 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the 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.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

The 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.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost–of–living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

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

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $75,283 for 2020. Of this amount, $5,352 is reported as a component of accrued wages and benefits.

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, 2019, 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 contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	OPERS
Traditional Plan	
Proportion of the net pension liability prior measurement date	0.00384600%
Proportion of the net pension liability current measurement date	0.00383500%
Change in proportionate share	-0.00001100%
Proportionate share of the net pension liability - Traditional Plan	$ 758,014
Pension expense	$ 125,950

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

	OPERS
Deferred Outflows of Resources	
Changes of assumptions	$40,487
Authority contributions subsequent to the measurement date	75,283
Total Deferred Outflows of Resources	$115,770
Deferred Inflows of Resources	
Differences between expected and actual experience	$9,584
Net difference between projected and actual earnings on pension plan investments	151,207
Total Deferred Inflows of Resources	$160,791

$75,283 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2021	($17,691)
2022	(48,835)
2023	6,260
2024	(60,038)
Total	($120,304)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below:

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 1.40%, simple through 2020, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3.00% simple through 2018 then 2.15% simple to 1.40% simple through 2020 the 2.15% simple.

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.20% for 2019.

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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table.

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	25.00 %	1.83 %
Domestic equities	19.00	5.75
Real estate	10.00	5.20
Private equity	12.00	10.70
International equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2019 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments 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 Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, 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 (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Authority's proportionate share of the net pension liability:			
Traditional Plan	$ 1,250,210	$ 758,014	$ 315,544

Changes Between Measurement Date and Report Date Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

NOTE 7 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

The 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 OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $0 for 2020.

Net OPEB Liability

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

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.003572%
Prior Measurement Date	0.003581%
Change in Proportionate Share	-0.0000090%
Proportionate Share of the Net OPEB Liability	$493,386
OPEB Expense	$53,990

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefit liabilities from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$13
Changes of assumptions	78,098
Total Deferred Outflows of Resources	$78,111
Deferred Inflows of Resources	
Differences between expected and actual experience	$45,122
Changes in proportion and differences	
Net difference between projected and actual earnings on plan investments	25,123
Total Deferred Inflows of Resources	$70,245

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

	OPERS
Year Ending December 31:	
2021	$12,655
2022	5,928
2023	20
2024	(10,733)
2025	(4)
Total	$7,866

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.16%
Prior Measurement date	3.96%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.75%
Prior Measurement date	3.71%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.50% ultimate in 2030
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.70% for 2019.

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Authority's proportionate share of the net OPEB liability	$645,675	$493,386	$369,309

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$478,827	$493,386	$507,760

Changes Between Measurement Date and Report Date On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

NOTE 8 – LONG-TERM DEBT

Long-term debt obligations of the Authority at December 31, 2020 were as follows:

NOTE 8 – LONG-TERM DEBT (Continued)

Direct Borrowings:	Outstanding 12/31/19	Additions	Reductions	Outstanding 12/31/20	Due in One Year
MISTRAS building loan	$ 3,605,400	$ -	$ (170,070)	$ 3,435,330	$ 213,859
20K speculative building	543,715	-	(543,715)	-	-
660 international drive	188,819	1,256,181	(4,458)	1,440,542	74,771
Seminary ridge loan	499,020	-	(499,020)	-	-
Seminary ridge mortgage	128,400	-	(128,400)	-	-
670 Kaiser drive	2,212,630	2,159,556	(2,257,021)	2,115,165	134,954
Total direct borrowings	7,177,984	3,415,737	(3,602,684)	6,991,037	423,584
Compensated absences	3,487	38,013	(37,116)	4,384	4,384
Net OPEB liability	466,878	26,508	-	493,386	-
Net pension liability	1,053,341	-	(295,327)	758,014	-
Total long-term obligations	$ 8,701,690	$ 3,480,258	$ (3,935,127)	$ 8,246,821	$ 427,968

The MISTRAS Building loan was approved in 2015 and relates to the construction of a new speculative building for the MISTRAS Group. MISTRAS is a leading "one source" global provider of technology-enabled asset protection solutions used to evaluate the structural integrity of critical energy, industrial and public infrastructure. The Authority was approved up to $4,300,000 at an interest rate of 4.82% with the building as loan collateral. During 2020, the Port Authority refinanced the existing loan reducing its interest rate from 4.82% to 3.6%. There were no additional loan proceeds issued and other terms did not change.

In 2016, the Authority entered into two separate loan agreements associated with the purchase 299.902 acres for the purpose of future economic development. The Seminary Ridge loan was for the purchase of land and improvements totaling $1,999,020 at an interest rate of 0% payable in four equal installments of $499,755. This loan payable through 2020. The Seminary Ridge mortgage related to the purchase of an outstanding oil and gas obligation on the property totaling $214,000 at an interest rate of 1.45%. The loan is payable through 2025 with yearly installments of $23,000. The value of the loans are collateralized by the land. Both loans were retired in 2020.

On April 2, 2018, the Authority issued $2,400,000 taxable series 2018 revenue bonds, at an interest rate of 4.951% per annum, for the purpose of purchasing land and constructing a speculative building located at 670 Kaiser Drive. During 2020, the Port Authority retired these outstanding revenue bonds and secured a loan in the amount of $2,159,556 at an interest rate of 3.6% with the final payment due 2033.

The Authority entered into a loan agreement in the amount not to exceed $1,445,000 for the construction of a speculative building located at 660 International Drive at an interest rate of 3.6%. At December 31, 2020, the Authority had borrowed a total of $1,445,000 collateralized by the land and building. Final payment is due 2035.

The total principal and interest requirements to retire the Authority's outstanding debt:

NOTE 8 – LONG-TERM DEBT (Continued)

	670 Kaiser Drive			MISTRAS Building Loan		
Year Ending December 31,	Principal	Interest	Total	Principal	Interest	Total
2021	$ 134,954	$ 74,956	$ 209,910	$ 213,859	$ 121,826	$ 335,685
2022	139,963	69,947	209,910	221,797	113,888	335,685
2023	145,158	64,752	209,910	230,029	105,655	335,684
2024	150,374	59,536	209,910	238,287	97,398	335,685
2025	156,127	53,783	209,910	247,412	88,273	335,685
2026-2030	871,868	177,681	1,049,549	1,381,626	296,798	1,678,424
2031-2035	516,721	25,545	542,266	902,320	48,860	951,180
Total	$ 2,115,165	$ 526,200	$ 2,641,365	$ 3,435,330	$ 872,698	$ 4,308,028

	660 International Drive		
Year Ending December 31,	Principal	Interest	Total
2021	$ 74,771	$ 48,919	$ 123,690
2022	77,406	46,284	123,690
2023	80,133	43,557	123,690
2024	82,839	40,851	123,690
2025	85,874	37,815	123,689
2026-2030	476,855	141,595	618,450
2031-2035	562,664	51,422	614,086
Total	$ 1,440,542	$ 410,443	$ 1,850,985

NOTE 9 - RISK MANAGEMENT – RISK POOL MEMBERSHIP

The Authority belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first $250,000 casualty treaty and 30% of the first $1,000,000 property treaty.

The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between $200,000 and $1,000,000. The reimbursement is based on the amount of loss between $200,000 and $1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first $250,000 casualty treaty.

NOTE 9 - RISK MANAGEMENT – RISK POOL MEMBERSHIP (Continued)

Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first $250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019:

	2019
Assets	$15,920,504
Liabilities	(11,329,011)
Members' Equity	$4,591,493

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

NOTE 10 – OPERATING LEASES – LESSOR

The revenues related to all leases, tenancy, or occupancy agreements and security deposits and guarantees affecting the Authority's campus are included in these financial statements. Lease revenue is accounted for by the straight-line method whereby such revenue is reflected over the period of the related leases. Revenue on these agreements is recognized when the lessees report the amounts owed, which approximates the period in which the revenue was earned.

The Authority leases space to tenants under noncancelable operating leases with various terms contingent on the tenant. Management expects to negotiate and extend tenant leases once they have expired. The following is a schedule of estimated future minimum rentals under the current tenant lease terms:

Year Ended December 31,	**Amount**
2021	$4,711,674
2022	1,504,631
2023	1,456,442
2024	1,309,458
2025	1,213,933
Total	$10,196,138

NOTE 11 - CONDUIT DEBT

From time to time, the Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The tax-exempt bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

NOTE 11 - CONDUIT DEBT (Continued)

The Authority, the State of Ohio, or any political subdivision thereof is obligated in any manner for repayment on the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying basic financial statements.

As of December 31, 2020, Industrial Revenue Bonds outstanding had an aggregate principal amount payable of $295,634,077.

NOTE 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Authority. The Authority's investment portfolio and the pension and other employee benefits plan in which the Authority participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Authority received $60,782 in CARES Act funding from the Licking County Commissioners. Of the amounts received, $29,040 was sub-granted to other governments and organizations. These amounts are reflected as expenditures in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN YEARS

	2020	2019	2018
Authority's Proportion of the Net Pension Liability - Traditional Plan	0.003835%	0.0038460%	0.0038080%
Authority's Proportionate Share of the Net Pension Liability - Traditional Plan	$ 758,014	$ 1,053,341	$ 597,401
Authority's Covered-Employee Payroll	$ 539,629	$ 519,743	$ 525,469
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	140.47%	202.67%	113.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Traditional Plan	82.17%	74.70%	84.66%

Note: Information prior to 2014 was unavailable. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

2017	2016	2015	2014
0.0038150%	0.003850%	0.003762%	0.003762%
$ 866,322	$ 666,869	$ 453,739	$ 443,491
$ 493,167	$ 479,250	$ 381,892	$ 440,431
175.67%	139.15%	118.81%	100.69%
77.25%	81.08%	86.45%	86.36%

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

	2020	2019	2018	2017
Contractually Required Contribution	$ 75,283	$ 75,548	$ 72,764	$ 68,311
Contributions in Relation to the Contractually Required Contribution	(75,283)	(75,548)	(72,764)	(68,311)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Authority's Covered-Employee Payroll	$ 537,736	$ 539,629	$ 519,743	$ 525,469
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

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

2016		2015		2014		2013		2012		2011	
$	59,180	$	57,510	$	45,827	$	57,256	$	54,265	$	51,936
	(59,180)		(57,510)		(45,827)		(57,256)		(54,265)		(51,936)
	$0		$0		$0		$0		$0		$0
$	493,167	$	479,250	$	381,892	$	440,431	$	542,650	$	519,360
	12.00%		12.00%		12.00%		13.00%		10.00%		10.00%

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HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS

	2020	2019	2018	2017
Authority's Proportion of the Net OPEB Liability - Traditional Plan	0.0035720%	0.0035810%	0.0035500%	0.003460%
Authority's Proportionate Share of the Net OPEB Liability - Traditional Plan	$ 493,386	$ 466,878	$ 385,504	$ 349,472
Authority's Covered-Employee Payroll	$ 539,629	$ 519,743	$ 525,469	$ 493,167
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	91.43%	89.83%	73.36%	70.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability Traditional Plan	47.80%	46.33%	54.14%	54.14%

Note: Information prior to 2017 was unavailable. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

	2019	2019	2018	2017
Contractually Required Contribution	$ -	$ -	$ -	$ 4,877
Contributions in Relation to the Contractually Required Contribution	-	-	-	(4,877)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$0
Authority's Covered-Employee Payroll	$ 537,736	$ 539,629	$ 519,743	$ 525,469
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	1.00%

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

2016	2015	2014	2013	2012	2011
$ 9,866	$ 9,585	$ 6,544	$ 4,089	$ 14,650	$ 20,774
(9,866)	(9,585)	(6,544)	(4,089)	(14,650)	(20,774)
$0	$0	$0	$0	$0	$0
$ 493,167	$ 479,250	$ 381,892	$ 440,431	$ 542,650	$ 519,360
2.00%	2.00%	1.71%	0.93%	2.70%	4.00%

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY
LICKING COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

PENSION

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2020 and 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate was 7.20%.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) The investment rate of return did not change from 6.00% between years, (c) the municipal bond rate was decreased from 3.71% to 2.75% and (d) the health care cost trend rate was 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Heath-Newark-Licking County Port Authority
Licking County
851 Irving-Wick Drive West
Heath, Ohio 43056

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Heath-Newark-Licking County Port Authority, Licking County, (the Authority), as of and for the year ended December 31, 2020 and the related notes to the financial which collectively comprise the Authority's financial statements and have issued our report thereon dated July 27, 2021. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
July 27, 2021

OHIO AUDITOR OF STATE
KEITH FABER

HEATH-NEWARK-LICKING COUNTY PORT AUTHORITY

LICKING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 9/21/2021

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