

LAWRENCE COUNTY PORT AUTHORITY

Basic Financial Statements

December 31, 2014

With Independent Auditors' Report



CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS



Dave Yost • Auditor of State

Board of Directors
Lawrence County Port Authority
305 N. 5th Street
Ironton, Ohio 45638

We have reviewed the *Independent Auditor's Report* of the Lawrence County Port Authority, Lawrence County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2014 through December 31, 2014. 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. The Lawrence County Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 31, 2016

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Independent Auditors' Report

Board of Directors of
Lawrence County Port Authority
South Point, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Lawrence County Port Authority (the Port Authority), a component unit of Lawrence County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 entity'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 entity'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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lawrence County Port Authority as of December 31, 2014, and the respective changes in its financial position and its cash flows, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, listed in the table of contents, 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 other assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the Port Authority's basic financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2015, on our consideration of the Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
September 3, 2015

Introduction

As management of the Lawrence County Port Authority (the Port Authority), we offer readers of the Port Authority's financial statements this narrative overview and analysis of the financial activities of the Port Authority for the fiscal years ended December 31, 2014 and 2013. Please read this information in conjunction with the Port Authority's basic financial statements and footnotes that begin on page 7.

The discussion and analysis of the Lawrence County Port Authority's financial performance provides an overview of the Port Authority's financial performance as a whole for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for the year ended December 31, 2014 are as follows:

- Total assets decreased \$456,914 or 6.17%, between 2014 and 2013. Total liabilities decreased \$465,158, or 9.03%, between 2014 and 2013. Total net position increased \$8,244, or 0.37%, between 2014 and 2013.
- Total operating revenues increased \$2,583,350 or 163.42% between 2014 and 2013. Total operating expenses increased \$2,430,563, or 141.61%, between 2014 and 2013.

Using this Annual Financial Report

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

Statement of Net Position

The statement of net position answers the question, "How did we do financially during the year?" This statement include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by private sector companies. This basis of accounting takes into account all revenues and expenses during the year regardless of when the cash is received or paid.

This statement reports the Port Authority's net position, however, in evaluating the overall position and financial viability of the Port Authority, non-financial information, such as the condition of the Port Authority's capital assets, will also need to be evaluated.

Table 1 provides a summary of the Port Authority's net position for 2014 and 2013.

Table 1
Net Position

	<u>2014</u>	<u>Restated 2013</u>	<u>Change</u>
Assets:			
Current assets	\$ 570,274	\$ 547,536	\$ 22,738
Capital assets	2,818,876	2,979,712	(160,836)
Non-current assets (other than capital)	<u>3,563,412</u>	<u>3,882,228</u>	<u>(318,816)</u>
 Total assets	 <u>6,952,562</u>	 <u>7,409,476</u>	 <u>(456,914)</u>
 Liabilities:			
Current liabilities	324,706	359,652	(34,946)
Long term liabilities	<u>4,361,216</u>	<u>4,791,428</u>	<u>(430,212)</u>
 Total liabilities	 <u>4,685,922</u>	 <u>5,151,080</u>	 <u>(465,158)</u>
 Net position:			
Net investment in capital assets	1,987,784	2,090,746	(102,962)
Unrestricted	<u>278,856</u>	<u>167,650</u>	<u>111,206</u>
 Total net position	 <u>\$ 2,266,640</u>	 <u>\$ 2,258,396</u>	 <u>\$ 8,244</u>

The decrease in total assets between 2014 and 2013 was primarily due to a decrease in the leases receivable balance. The decrease in long-term liabilities between 2014 and 2013 was due to scheduled debt payments that were made during the year combined with a decrease in deferred revenue.

Table 2 provides a summary of changes in the Port Authority's net position for 2014 and 2013.

Table 2
Changes in Net Position

	2014	Restated 2013	Change
<i>Operating revenues:</i>			
Grants/reimbursement contracts	\$ 3,621,730	\$ 1,044,308	\$ 2,577,422
Service fees	275,533	257,402	18,131
Contributions	1,254	535	719
In-kind contributions	265,602	278,524	(12,922)
<i>Total operating revenues</i>	4,164,119	1,580,769	2,583,350
 <i>Operating expenses:</i>			
Professional fees	21,524	34,427	(12,903)
Consultants/ contractual	981,590	983,627	(2,037)
Space cost	198,073	88,171	109,902
Insurance	6,466	11,869	(5,403)
Equipment lease and maintenance	14,508	15,272	(764)
Taxes	3,252	1,072	2,180
Travel	82	-	82
Supplies	2,067	5,755	(3,688)
Advertising	3,603	8,700	(5,097)
Depreciation	160,836	170,677	(9,841)
Amortization	379	379	-
Grant expenses - pass through	2,712,842	375,000	2,337,842
Other	41,749	21,459	20,290
<i>Total operating expenses</i>	4,146,971	1,716,408	2,430,563
 Deferred developer fee income	 21,000	 22,452	 (1,452)
Interest income	116,005	123,348	(7,343)
Interest expense	(145,909)	(172,599)	26,690
Gain on disposal of assets	-	9,516	(9,516)
 <i>Change in net position</i>	 8,244	 (152,922)	 161,166
 <i>Beginning net position</i>	 2,258,396	 2,411,318	 (152,922)
 <i>Ending net position</i>	 \$ 2,266,640	 \$ 2,258,396	 \$ 8,244

The increase in total operating revenues between 2014 and 2013 was primarily due to an increase in grants awarded to the Port Authority, specifically from the Ohio Department of Transportation for the Point Industrial Park Crane Foundation project. The increase in total operating expenses between 2014 and 2013 was due to an increase in Federal and State pass-through expenses, primarily related to the Point Industrial Park Crane Foundation project.

Capital Assets

At December 31, 2014, the Port Authority had a total of \$3,777,589 invested in capital assets less accumulated depreciation of \$958,713 resulting in total capital assets, net of accumulated depreciation of \$2,818,876. No capital asset additions were recorded for 2014 and depreciation expense for the year totaled \$160,836. See Note 3 of the notes to the basic financial statements for more detailed information on the Port Authority's capital assets.

Debt Administration

The Port Authority finances construction in progress primarily through the issuance of debt. At December 31, 2014, debt outstanding was \$3,658,498. See Note 12 of the notes to the basic financial statements for more detailed information on the Port Authority's debt obligations.

Request for Information

This financial report is designed to provide a general overview of the Port Authority's finances and to show the Port Authority's accountability for the money it receives spends and invests. Questions concerning any of the information provided in this report or requests for additional information should be directed to Dr. Bill Dingus, Executive Director of Lawrence Economic Development Corporation, 216 Collins Avenue, South Point, Ohio 45680 or Kelly Adkins, CFO of Ironton-Lawrence County Area Community Action Organization, Inc., 305 N. 5th Street, Ironton, Ohio 45638.

Lawrence County Port Authority
Statement of Net Position
December 31, 2014

Assets:

Current assets:

Cash and cash equivalents	\$ 107,738
Accounts receivable	3,870
Grants receivable	119,487
Current portion of lease receivable	<u>339,179</u>
	<u>570,274</u>

Capital assets:

Land	153,612
Land held for resale	700,000
Buildings	1,790,060
Equipment	1,133,917
Accumulated depreciation	<u>(958,713)</u>
	<u>2,818,876</u>

Other assets:

Lease receivable, net of current portion	3,406,021
Due from affiliates	104,599
Note receivable	50,929
Deferred costs, net	<u>1,863</u>
	<u>3,563,412</u>

Total assets **\$ 6,952,562**

Liabilities:

Current liabilities:

Accounts payable	\$ 37,273
Due to affiliates	25,469
Current portion of notes payable	<u>261,964</u>
	<u>324,706</u>

Long term liabilities:

Notes payable, net of current portion	3,396,534
Deferred revenue	891,966
Escrow	<u>72,716</u>
	<u>4,361,216</u>

Total liabilities **4,685,922**

Net position:

Net investment in capital assets	1,987,784
Unrestricted net position	<u>278,856</u>

Total net position **2,266,640**

Total liabilities and net position **\$ 6,952,562**

The accompanying notes are an integral part of these financial statements.

Lawrence County Port Authority
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2014

Operating revenues:	
Grants and reimbursement contracts	\$ 3,621,730
Service fees	275,533
Contributions	1,254
In-kind contributions	<u>265,602</u>
Total operating revenues	<u>4,164,119</u>
Operating expenses:	
Professional fees	21,524
Consultants/ contractual	981,590
Space costs	198,073
Insurance	6,466
Building and equipment maintenance	14,508
Taxes	3,252
Travel	82
Advertising	3,603
Supplies	2,067
Depreciation	160,836
Amortization	379
Grant expenses - pass through	2,712,842
Other	<u>41,749</u>
Total operating expenses	<u>4,146,971</u>
Operating income	17,148
Non-operating revenues/(expenses):	
Deferred developer fee income	21,000
Interest income	116,005
Interest expense	<u>(145,909)</u>
Change in net position	8,244
Net position at beginning of year, as restated	<u>2,258,396</u>
Net position at end of year	<u><u>\$ 2,266,640</u></u>

The accompanying notes are an integral part of these financial statements.

Lawrence County Port Authority
Statement of Cash Flows
Year Ended December 31, 2014

Cash flows from operating activities:

Cash from grants and reimbursement contracts	\$ 3,594,776
Cash from service fees	271,663
Cash from contributions	1,254
Cash payments for goods and services	<u>(3,764,880)</u>
Net cash provided by operating activities	<u>102,813</u>

Cash flows from noncapital financing activities:

Advances to affiliates	<u>(11,500)</u>
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Cash flows from capital and related financing activities:

Principal paid on debt	(251,083)
Principal from lease receivable	192,931
Cash from lease interest	21,000
Cash from deferred developer fee	116,005
Cash payment for interest	(145,910)
Proceeds from escrow payments	9,240
Deferred revenue	<u>(41,582)</u>
Net cash used in capital and related financing activities	<u>(99,399)</u>

Net change in cash	(8,086)
Cash at beginning of year	<u>115,824</u>
Cash at end of year	<u>\$ 107,738</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 17,148
Depreciation	160,836
Amortization	379
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivable	(3,870)
(Increase)/decrease in grants receivable	(26,954)
Increase/(decrease) in accounts payable	<u>(44,726)</u>
Net cash provided by operating activities	<u>\$ 102,813</u>

Supplemental Disclosure

Non-cash in-kind contributions	<u>\$ 265,602</u>
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The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lawrence County Port Authority was established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.21 to 4582.59 of the Ohio Revised Code. The Port Authority was created in December 2, 2004 by the Lawrence County Commissioners. The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Lawrence County. The Port Authority provides services that are enumerated in Sections 4582.21 to 4582.59 of the Ohio Revised Code. These services included but are not limited to the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities to accomplish these activities.

The Port Authority is statutorily created as a separate and distinct political subdivision of the State. The Authority was governed by a five member Board of Directors appointed by the Lawrence County Commissioners. As of June 1, 2013, the Port Authority entered into an agreement where the Ironton Port Authority merged into the Lawrence County Port Authority. This merger resulted in the Lawrence County Port Authority going from a five member board to a nine member Board of Directors that is appointed by the Lawrence County Commissioners. Lawrence County Port Authority did not receive any assets or liabilities as a result of this merger. However, the Port Authority will eventually receive certain excluded assets, as defined in the transfer agreement from the City of Ironton at a future date. The Port Authority is a component unit of Lawrence County, Ohio. Ironton – Lawrence County Area Community Action Organization, Inc. is the fiscal agent for the Port Authority. Ironton – Lawrence County Area Community Action Organization, Inc. and Lawrence Economic Development Corporation provides administrative staff and services for the Port Authority for no fee. These services are recorded as in-kind contributions in the financial statements.

The financial statements are presented as of December 31, 2014 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (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).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of accounting principles generally accepted in the United States of America in that the financial statements include all organizations, activities, functions and component units for which the Port Authority (the primary government) is financially accountable. The Port Authority is financially accountable for an organization if it has (1) the ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on others, and (3) the entity's fiscal dependency on others.

Based on the foregoing, the Port Authority's financial reporting entity has no component units.

B. Basis of Presentation

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Port Authority are included on the statement of net position. The statement of changes in 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 Port Authority finances and meets the cash flow needs of its enterprise activity.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Port Authority's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the Port Authority receives value without directly giving equal value in return, include grant revenue received by the Port Authority. Grant revenue is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted. Under the accrual basis of accounting, expenses are recognized at the time they are incurred.

E. Budgetary Process

Ohio Revised Code Section 4582.39 requires the Port Authority annually to prepare a budget. No further approvals or actions are required under section 4582 of the Ohio Revised Code.

F. Cash and Cash Equivalents

The Port Authority maintains a cash management program whereby cash is deposited with a banking institution in Lawrence County. The agreements restrict activity to certain deposits. The deposits are stated at cost, which approximate market value. Investments procedures are restricted by the provision of the Ohio Revised Code. For the purpose of the Statement of Cash Flows, the Port Authority considers all high liquid investments with maturities of less than three months (including restricted assets) to be cash equivalents.

G. Capital Assets

Capital assets utilized by the Port Authority are reported on the statement of net position. All capital assets are capitalized at cost. Donated capital assets are reported at their fair market values as of the date received. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Fixed assets are depreciated using the straight-line method over estimated useful lives ranging from three to forty years.

H. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Position (Continued)

The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The Port Authority did not have any restricted net position for 2014.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are grants, contributions, and fees. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority.

J. Estimates

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

K. Reclassification of Financial Statement Presentation

Reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. Such reclassifications have had no effect on net loss as previously reported.

NOTE 2 - CASH

Deposits

For the year ended December 31, 2014, the carrying amount of the Port Authority's deposits was \$107,738 and the depository balance was \$131,508. The Port Authority's deposits at year-end consisted entirely of deposits with financial institutions. The entire balance was insured by the Federal Deposit Insurance Corporation.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance at 12/31/13	Additions	Disposals	Balance at 12/31/14
Capital assets not being depreciated				
Land	\$ 153,612	\$ -	\$ -	\$ 153,612
Land held for resale	700,000	-	-	700,000
Capital assets being depreciated				
Equipment	1,133,917	-	-	1,133,917
Buildings	1,790,060	-	-	1,790,060
Less accumulated depreciation	<u>(797,877)</u>	<u>(160,836)</u>	<u>-</u>	<u>(958,713)</u>
Capital assets, net	<u>\$ 2,979,712</u>	<u>\$ (160,836)</u>	<u>\$ -</u>	<u>\$ 2,818,876</u>

NOTE 4 - RUMPKE CONSOLIDATED COMPANIES, INC. PROJECT

During 2005, the Port Authority financed the construction of two buildings having a combined total 42,825 square feet to be used for the operation of a regional solid waste transfer station/recycling, maintenance facility service business and related purposes on approximately 11.633 acres in Hamilton Township, Lawrence County for the Rumpke Consolidated Companies, Inc. Construction cost was funded by a \$4,158,061 loan from Oak Hill Bank (now Wesbanco) dated October 11, 2005.

Principal and interest payments on the Wesbanco loan were due monthly in the amount of \$21,561 until February 11, 2007 and bore interest at 4 percent to October 11, 2010 at which time it became adjustable and cannot exceed 6 percent. The loan is secured by a first mortgage on the property in Hamilton Township, Lawrence County and collateral assignment of this lease.

During 2007, the Port Authority received an Ohio Department of Development, 166 Pioneer Rural Loan for the project in the amount of \$600,000 and used the funds to pay down the principal on the Wesbanco loan. Principal and interest payments on the loan in varying amounts are due monthly until October 1, 2022 and bears interest at 1 percent for the first year and 3 percent thereafter.

The Port Authority has entered into a twenty-one (21) year lease agreement dated October 11, 2005, with Rumpke Consolidated Companies, Inc. for use of the project facility. The lessee has the right to purchase the project prior to maturity for the amount equal to the remaining balance of principal and accrued interest as will then be needed, as of the date of closing to satisfy all debt services, plus the remaining developer's fee that are due and payable the lessor through the entire term of the lease. The lessee also has the right to purchase the project at the end of the lease for \$1.

The Port Authority accounts for the lease with Rumpke Consolidated Companies, Inc. as a financing lease. Payments commenced under the lease in November 1, 2006 and consisted of interest and fees until September 1, 2007. Beginning October 1, 2007 and until the final lease payment scheduled for October 1, 2025, the timing and amount of payments due from the lessee are scheduled to meet the debt service requirements of the Port Authority for the Wesbanco loan and the Ohio Department of Development, Pioneer 166 Loan.

The difference between the financing lease receivable and the total payments to be made by the lessee are being amortized over the term of the lease so as to produce a constant periodic rate of return on the Port Authority's investment in the lease. The future minimum lease payment to be received and the Port Authority's net investment in the lease are as follows:

	2015		\$ 339,179
	2016		339,179
	2017		339,179
	2018		339,179
	2019		339,179
	Thereafter		2,049,305
	Total		3,745,200
	Unearned income		(624,216)
	Net investment in lease		\$ 3,120,984

NOTE 5 – DUE FROM AFFILIATES

Changes in due from affiliates of the Port Authority during the year ended December 31, 2014 consisted of the following:

	<u>Balance at</u> <u>12/31/13, as restated</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>12/31/14</u>
Old Engineer Property LLC	\$ 93,099	\$ 11,500	\$ -	\$ 104,599

NOTE 6 - DUE TO AFFILIATES

Changes in due to affiliates of the Port Authority during the year ended December 31, 2014 consisted of the following:

	<u>Balance at</u> <u>12/31/13, as restated</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>12/31/14</u>
Ironton- Lawrence County Area Community Action Organization, Inc.	\$ 20,469	\$ -	\$ -	\$ 20,469
Lawrence Economic Development Corporation	5,000	-	-	5,000
Total	<u>\$ 25,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,469</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

Lawrence County Port Authority is owed a net amount of \$30,460 by Ironton-Lawrence County Area Community Action Organization, Inc. for various transactions between the two organizations. Ironton-Lawrence County Area Community Action Organization, Inc. provided \$215,678 of in-kind contributions to Lawrence County Port Authority in 2014 for consulting services in providing administrative services.

NOTE 8 – NOTE RECEIVABLE

On December 30, 2014, the Port Authority entered into a loan agreement with Ironton Medical Campus Partners, LLC to finance a portion of a land acquisition bond payment. The Loan Agreement is for \$50,929 and is payable from future cash flows and bears no interest.

NOTE 9 - RISK MANAGEMENT

Lawrence County Port Authority is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims have not exceeded the Port Authority’s commercial insurance coverage for any of the past three years: there have been no claims. There has been no significant reduction in coverage in relation to the prior year.

NOTE 10 - CONCENTRATION OF CREDIT RISK

Lawrence County Port Authority's primary assets consist of land located in Lawrence County, Ohio. Lawrence County Port Authority's primary source of income has been private and state loans, state and federal grants used in the remedial development of industrial property that is ultimately sold at fair market value. The purpose of Lawrence County Port Authority's sale of industrial property is to promote the creation of industrial related jobs in Lawrence County and property sales are typically made at or below cost. Lawrence County Port Authority has been totally dependent on local and state loans, and state and federal funds for its continued existence.

NOTE 11 - CONTINGENCIES

The Port Authority has received federal and state grants for specific purposes that are subject to review and audit by the grantor agency or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based upon prior experience, the Board of Directors believe such disallowance, if any, will be immaterial. Lawrence County Port Authority is not a defendant in any law suit.

NOTE 12 - NOTES PAYABLE

Changes in note obligations of the Port Authority during the year ended December 31, 2014 consisted of the following:

	Balance at <u>12/31/13</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/14</u>	Due in <u>One Year</u>
Wesbanco	\$ 2,638,665	\$ -	\$ (154,867)	\$ 2,483,798	\$ 160,977
State of Ohio	381,950	-	(38,342)	343,608	39,507
Liberty Federal	222,860	-	(32,576)	190,284	34,179
Citizens Deposit	666,106	-	(25,298)	640,808	27,301
Total	<u>\$ 3,909,581</u>	<u>\$ -</u>	<u>\$ (251,083)</u>	<u>\$ 3,658,498</u>	<u>\$ 261,964</u>

On October 11, 2005, the Port Authority entered into a loan agreement with Oak Hill Bank (now Wesbanco) to finance noncapitalized assets. The Loan Agreement is for \$4,158,061 for thirty years and is collateralized by the assignment of the Rumpke lease (see Note 4). The terms of the note provide among other things, for repayment in equal monthly installments including principal and 4% Interest until 2010 and an adjustable rate, thereafter, not to go higher than 6% interest. The note matures in October 2030.

On September 11, 2007, the Port Authority entered into a loan agreement for \$600,000 with the State of Ohio in the Pioneer 166 Loan Program to finance noncapitalized assets. The loan is collateralized by a shared first mortgage on the project. The loan consists of monthly installments including principal and 1% interest for the first year and 3% interest thereafter. The note matures in October 2022.

On December 7, 2009, the Port Authority entered into a loan agreement with Liberty Federal Bank to finance EMS stations. The Loan Agreement is for \$338,250 for thirty years and is collateralized by the associated assets being financed. The terms of the note provide among other things, for repayment in equal monthly installments including principal and 4.37% interest. The note matures in January 2020.

NOTE 12 - NOTES PAYABLE (Continued)

On July 19, 2012, the Port Authority entered into a loan agreement with Ohio River Valley Bank (now Citizens Deposit Bank). The Loan Agreement is for \$700,000 for fifteen years and is collateralized by an open-end mortgage on the property. The terms of the note provide among other things, for repayment in equal monthly installments including principal and 3.30% initial interest, adjusting every 5 years based on the New York Prime Rate as published by the Wall Street Journal. The note matures in August 2027.

	Wesbanco Loan			State of Ohio Pioneer Loan		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 160,977	\$ 97,755	\$ 258,732	\$ 39,507	\$ 9,768	\$ 49,275
2016	167,365	91,367	258,732	40,709	8,566	49,275
2017	174,543	84,189	258,732	41,947	7,328	49,275
2018	181,755	76,977	258,732	43,223	6,052	49,275
2019	189,265	69,467	258,732	44,538	4,737	49,275
2020-2024	<u>1,609,893</u>	<u>223,668</u>	<u>1,833,561</u>	<u>133,684</u>	<u>14,141</u>	<u>147,825</u>
Total	<u>\$ 2,483,798</u>	<u>\$ 643,423</u>	<u>\$ 3,127,221</u>	<u>\$ 343,608</u>	<u>\$ 50,592</u>	<u>\$ 394,200</u>

	Liberty Federal Loan			Citizens Deposit Loan		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 34,179	\$ 7,511	\$ 41,690	\$ 27,301	\$ 20,699	\$ 48,000
2016	35,702	5,988	41,690	28,215	19,785	48,000
2017	37,295	4,395	41,690	29,161	18,839	48,000
2018	38,958	2,732	41,690	30,138	17,862	48,000
2019	44,150	972	45,122	31,147	16,853	48,000
2020-2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>494,846</u>	<u>-</u>	<u>494,846</u>
Total	<u>\$ 190,284</u>	<u>\$ 21,598</u>	<u>\$ 211,882</u>	<u>\$ 640,808</u>	<u>\$ 94,038</u>	<u>\$ 734,846</u>

On April 23, 2013, the Port Authority, Lawrence Economic Development Corporation and the KYOVA Interstate Planning Commission (“the Commission”) entered into a loan agreement with the Ohio Department of Transportation to construct a crane foundation as part of the sheet pile dock staging facility used for transferring goods from barges to road. This loan is payable solely from and secured by a pledge of the Commission’s Congestion Mitigation and Air Quality Improvement Program ODOT Sub-Allocation. The loan does not constitute a debt or pledge of the faith and credit of the Port Authority, and accordingly has not been reported in the accompanying financial statements. At December 31, 2014, the outstanding balance on the note was \$2,088,000.

NOTE 13 – SUBSEQUENT EVENTS

The Port Authority evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 3, 2015, the date which the financial statements were available to be issued.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2014, the Port Authority implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Neither of these Statements required the Port Authority to restate any prior year balances or impacted the Port Authority's financial statements for the current year.

In addition, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, has been issued by the GASB but is not required to be implemented by the Port Authority until calendar year 2015. Management does not anticipate any impact on the Port Authority's financial statements.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, management identified additional due from affiliates in the amount of \$74,349. This asset should have been recorded in an earlier period. An increase in net position and a corresponding increase in assets of \$74,349 was recorded as of December 31, 2013.

Lawrence County Port Authority
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor / Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Pass Through Entity Number	Disbursements
<u>U.S. Department of Transportation</u>			
<i>Direct from the Federal Government</i>			
DOT Federal Transit - Formula grants - OH-90-X159	20.507	N/A	\$ 285,047
DOT Federal Transit - Formula grants - OH-90-X747	20.507	N/A	373,491
			<u>658,538</u>
<i>Pass Through the Ohio Department of Transportation</i>			
Highway Planning and Construction Grants	20.205	6717	<u>1,664,000</u>
Total U.S. Department of Transportation			<u>2,322,538</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct from the Federal Government</i>			
HUD Shelter Plus Care	14.238	N/A	38,621
<i>Pass Through the Ironton-Lawrence County Area CAO, Inc.</i>			
Continuum of Care	14.267	OH0188L5EO71205	98,871
Continuum of Care	14.267	OH0188L5EO71306	<u>72,638</u>
			<u>171,509</u>
Total U.S. Department of Housing and Urban Development			<u>210,130</u>
Total Federal Awards Expenditures			<u>\$ 2,532,668</u>

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Port Authority's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE B – DOT FEDERAL TRANSIT – FORMULA GRANTS

Cash receipts from the U.S. Department of Transportation are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

The activity of the Highway Planning and Construction Grants, CFDA Number 20.205 is passed through to the Lawrence Economic Development Corporation. The Corporation provides the Port Authority an audit report annually in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The funding is used for the inter-modal facility at the Lawrence County Industrial Park.

Independent Auditors' 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

Board of Directors
Lawrence County Port Authority
South Point, Ohio

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 Lawrence County Port Authority (the Port Authority), a component unit of Lawrence County, Ohio as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements, and have issued our report thereon dated September 3, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port 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 Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port 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 entity'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2014-1).

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free from material misstatement, we performed tests of its 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 or other matters that are required to be reported under *Government Auditing Standards*.

Lawrence County Port Authority's Response to Finding

Lawrence County Port Authority's response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. Lawrence County Port Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Schaefer Hackett & Co.

Columbus, Ohio
September 3, 2015

Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by OMB Circular A-133

Board of Directors
Lawrence County Port Authority
South Point, Ohio

Report on Compliance for the Major Federal Program

We have audited the Lawrence County Port Authority's (the Port Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Port Authority's major federal program for the year ended December 31, 2014. The Port Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Port Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Port Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Lawrence County Port Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

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Report on Internal Control Over Compliance

Management of the Port Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark Schaefer Hackett & Co.

Columbus, Ohio
September 3, 2015

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § 510?	No
(d)(1)(vii)	Major Program:	CFDA # 20.205 DOT Highway Planning and Construction Grants
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

2014-1 – Prior Period Adjustment

Condition: During fiscal year 2015, management identified additional due from affiliates in the amount of \$74,349.

Criteria: Internal controls should be in place to provide assurance that the Port Authority's financial statements have properly reflected all transactions.

Effect: The net effect to the Port Authority's financial statements, as summarized in Note 15 to the financial statements, was to increase due from affiliates by \$74,349 and increase net position by \$74,349 as of December 31, 2013.

Recommendation: Procedures should be implemented to assure that all transactions are reviewed and analyzed for completeness.

Views of Responsible Officials and Planned Corrective Actions: The Port Authority agrees with the findings and the recommended procedures will be implemented.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

4. SCHEDULE OF PRIOR AUDIT FINDINGS

None



Dave Yost • Auditor of State

PORT AUTHORITY OF LAWRENCE COUNTY

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 12, 2016**