

LAWRENCE COUNTY PORT AUTHORITY

Basic Financial Statements

December 31, 2015

With Independent Auditors' Report



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, 2015 through December 31, 2015. 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

September 27, 2016

This page intentionally left blank.

TABLE OF CONTENTS	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position as of December 31, 2015	7
Statement of Revenues, Expenses and Changes in Net Position for the Year Ended December 31, 2015	8
Statement of Cash Flows for the Year Ended December 31, 2015	9
Notes to the Financial Statements	10
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	17
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 <i>Government Auditing Standards</i>	18
Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance	20
Schedule of Findings and Questioned Costs	22
Schedule of Prior Audit Findings	24

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 Lawrence County Port Authority (the Port Authority), a component unit of Lawrence County, Ohio, as of and for the year ended December 31, 2015, 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.

4449 easton way #400
columbus, oh 43219

www.cshco.com
p. 614.885.2208
f. 614.885.8159

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lawrence County Port Authority as of December 31, 2015, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* 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 July 26, 2016, 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
July 26, 2016

Introduction

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, 2015. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

Financial Highlights

Key financial highlights for the year ended December 31, 2015 are as follows:

- Total assets decreased \$260,758 or 3.75%, between 2015 and 2014. Total liabilities decreased \$354,058, or 7.56%, between 2015 and 2014. Total net position increased \$93,300, or 4.12%, between 2015 and 2014.
- Total operating revenues decreased \$2,547,448 or 61.18% between 2015 and 2014. Total operating expenses decreased \$2,599,947, or 62.70%, between 2015 and 2014.

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 2015 and 2014.

Table 1
Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Assets:			
Current assets	\$ 747,145	\$ 570,274	\$ 176,871
Capital assets	2,701,447	2,818,876	(117,429)
Non-current assets (other than capital)	<u>3,243,212</u>	<u>3,563,412</u>	<u>(320,200)</u>
 Total assets	 <u>6,691,804</u>	 <u>6,952,562</u>	 <u>(260,758)</u>
 Liabilities:			
Current liabilities	362,794	324,706	38,088
Long term liabilities	<u>3,969,070</u>	<u>4,361,216</u>	<u>(392,146)</u>
 Total liabilities	 <u>4,331,864</u>	 <u>4,685,922</u>	 <u>(354,058)</u>
 Net position:			
Net investment in capital assets	1,932,542	1,987,784	(55,242)
Unrestricted	<u>427,398</u>	<u>278,856</u>	<u>148,542</u>
 Total net position	 <u>\$ 2,359,940</u>	 <u>\$ 2,266,640</u>	 <u>\$ 93,300</u>

The decrease in total assets between 2015 and 2014 was primarily due to a decrease in the lease receivable balance. The decrease in long-term liabilities between 2015 and 2014 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 2015 and 2014.

Table 2
Changes in Net Position

	2015	2014	Change
<i>Operating revenues:</i>			
Grants/reimbursement contracts	\$ 1,043,209	\$ 3,621,730	\$ (2,578,521)
Service fees	314,348	275,533	38,815
Contributions	720	1,254	(534)
In-kind contributions	253,401	265,602	(12,201)
Miscellaneous income	4,993	-	4,993
<i>Total operating revenues</i>	<u>1,616,671</u>	<u>4,164,119</u>	<u>(2,547,448)</u>
<i>Operating expenses:</i>			
Professional fees	20,910	21,524	(614)
Consultants/ contractual	1,001,401	981,590	19,811
Space cost	142,831	198,073	(55,242)
Insurance	2,161	6,466	(4,305)
Equipment lease and maintenance	36,574	14,508	22,066
Taxes	4,751	3,252	1,499
Travel	-	82	(82)
Supplies	2,266	2,067	199
Advertising	-	3,603	(3,603)
Depreciation	147,429	160,836	(13,407)
Amortization	379	379	-
Grant expenses - pass through	119,886	2,712,842	(2,592,956)
Other	68,436	41,749	26,687
<i>Total operating expenses</i>	<u>1,547,024</u>	<u>4,146,971</u>	<u>(2,599,947)</u>
<i>Non-operating revenues/(expenses):</i>			
Deferred developer fee income	21,000	21,000	-
Interest income	108,337	116,005	(7,668)
Interest expense	(135,684)	(145,909)	10,225
<i>Total non-operating revenues/(expenses)</i>	<u>(6,347)</u>	<u>(8,904)</u>	<u>2,557</u>
<i>Income before capital contributions:</i>	63,300	8,244	55,056
Capital contributions	<u>30,000</u>	<u>-</u>	<u>30,000</u>
<i>Change in net position</i>	93,300	8,244	85,056
<i>Beginning net position</i>	<u>2,266,640</u>	<u>2,258,396</u>	<u>8,244</u>
<i>Ending net position</i>	<u>\$ 2,359,940</u>	<u>\$ 2,266,640</u>	<u>\$ 93,300</u>

The decrease in total operating revenues between 2015 and 2014 was primarily due to a decrease in grants awarded to the Port Authority, specifically from the Ohio Department of Transportation for the Point Industrial Park Crane Foundation project in 2014. The decrease in total operating expenses between 2015 and 2014 was due to a decrease in Federal and State pass-through expenses, primarily related to the aforementioned Point Industrial Park Crane Foundation project.

Capital Assets

At December 31, 2015, the Port Authority had a total of \$3,807,589 invested in capital assets less accumulated depreciation of \$1,106,142 resulting in total capital assets, net of accumulated depreciation, of \$2,701,447. Capital asset additions of \$30,000 were recorded for 2015 and depreciation expense for the year totaled \$147,429. 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, 2015, debt outstanding was \$3,396,361. 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, 2015

Assets:

Current assets:

Cash	\$ 330,547
Accounts receivable	10,295
Grants receivable	67,124
Current portion of lease receivable	<u>339,179</u>
	<u>747,145</u>

Capital assets:

Land	159,012
Land held for resale	700,000
Buildings	1,814,660
Equipment	1,133,917
Accumulated depreciation	<u>(1,106,142)</u>
	<u>2,701,447</u>

Other long-term assets:

Lease receivable, net of current portion	3,076,200
Due from affiliates	114,599
Note receivable	50,929
Deferred costs, net	<u>1,484</u>
	<u>3,243,212</u>

Total assets **\$ 6,691,804**

Liabilities:

Current liabilities:

Accounts payable	\$ 48,985
Due to affiliates	41,818
Current portion of notes payable	<u>271,991</u>
	<u>362,794</u>

Long term liabilities:

Notes payable, net of current portion	3,124,370
Deferred revenue	762,629
Escrow	<u>82,071</u>
	<u>3,969,070</u>

Total liabilities **4,331,864**

Net position:

Net investment in capital assets	1,932,542
Unrestricted net position	<u>427,398</u>

Total net position **2,359,940**

Total liabilities and net position **\$ 6,691,804**

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, 2015

Operating revenues:	
Grants and reimbursement contracts	\$ 1,043,209
Service fees	314,348
Contributions	720
In-kind contributions	253,401
Miscellaneous income	<u>4,993</u>
Total operating revenues	<u>1,616,671</u>
Operating expenses:	
Professional fees	20,910
Consultants/ contractual	1,001,401
Space costs	142,831
Insurance	2,161
Building and equipment maintenance	36,574
Taxes	4,751
Supplies	2,266
Depreciation	147,429
Amortization	379
Grant expenses - pass through	119,886
Other	<u>68,436</u>
Total operating expenses	<u>1,547,024</u>
Operating income	69,647
Non-operating revenues/(expenses):	
Deferred developer fee income	21,000
Interest income	108,337
Interest expense	<u>(135,684)</u>
Total non-operating revenues/(expenses)	<u>(6,347)</u>
Income before capital contributions	63,300
Capital contributions	<u>30,000</u>
Change in net position	93,300
Net position at beginning of year	<u>2,266,640</u>
Net position at end of year	<u>\$ 2,359,940</u>

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

Lawrence County Port Authority
Statement of Cash Flows
Year Ended December 31, 2015

Cash flows from operating activities:

Cash from grants and reimbursement contracts	\$ 1,095,572
Cash from service fees	307,923
Cash from contributions	720
Cash payments for goods and services	<u>(1,129,110)</u>
Net cash provided by operating activities	<u>275,105</u>

Cash flows from noncapital financing activities:

Advances to affiliates	<u>6,349</u>
------------------------	--------------

Cash flows from capital and related financing activities:

Principal paid on debt	(262,137)
Principal from lease receivable	200,484
Cash from lease interest	21,000
Cash from deferred developer fee	108,337
Cash payment for interest	(135,684)
Proceeds from escrow payments	<u>9,355</u>
Net cash used in capital and related financing activities	<u>(58,645)</u>

Net change in cash	222,809
--------------------	---------

Cash at beginning of year	<u>107,738</u>
---------------------------	----------------

Cash at end of year	<u>\$ 330,547</u>
---------------------	-------------------

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

Operating income	\$ 69,647
Depreciation	147,429
Amortization	379

Changes in assets and liabilities:

(Increase)/decrease in accounts receivable	(6,425)
(Increase)/decrease in grants receivable	52,363
Increase/(decrease) in accounts payable	<u>11,712</u>

Net cash provided by operating activities	<u>\$ 275,105</u>
---	-------------------

Supplemental Disclosure

Non-cash in-kind contributions	<u>\$ 253,401</u>
Non-cash contributed capital assets	<u>\$ 30,000</u>

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, 2015 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 revenues, expenses and 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

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, unless donated. 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 2015.

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.

NOTE 2 - CASH

Deposits

For the year ended December 31, 2015, the carrying amount of the Port Authority's deposits was \$330,547 and the depository balance was \$334,499. 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 except for \$1,018 which was uninsured.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Balance at</u> <u>12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at</u> <u>12/31/15</u>
Capital assets not being depreciated				
Land	\$ 153,612	\$ 5,400	\$ -	\$ 159,012
Land held for resale	700,000	-	-	700,000
Capital assets being depreciated				
Buildings	1,790,060	24,600	-	1,814,660
Equipment	1,133,917	-	-	1,133,917
Less accumulated depreciation	<u>(958,713)</u>	<u>(147,429)</u>	<u>-</u>	<u>(1,106,142)</u>
Capital assets, net	<u>\$ 2,818,876</u>	<u>\$ (117,429)</u>	<u>\$ -</u>	<u>\$ 2,701,447</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:

	2016		\$ 339,179
	2017		339,179
	2018		339,179
	2019		339,179
	2020		339,179
	Thereafter		1,719,484
	Total		3,415,379
	Unearned income		(515,879)
	Net investment in lease		\$ 2,899,500

NOTE 5 – DUE FROM AFFILIATES

Changes in due from affiliates of the Port Authority during the year ended December 31, 2015 consisted of the following:

	<u>Balance at</u> <u>12/31/14</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at</u> <u>12/31/15</u>
Old Engineer Property LLC	\$ 104,599	\$ 10,000	\$ -	\$ 114,599

NOTE 6 - DUE TO AFFILIATES

Changes in due to affiliates of the Port Authority during the year ended December 31, 2015 consisted of the following:

	<u>Balance at</u> <u>12/31/14</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at</u> <u>12/31/15</u>
Ironton- Lawrence County Area Community Action Organization, Inc.	\$ 20,469	\$ 19,847	\$ (3,498)	\$ 36,818
Lawrence Economic Development Corporation	5,000	-	-	5,000
Total	<u>\$ 25,469</u>	<u>\$ 19,847</u>	<u>\$ (3,498)</u>	<u>\$ 41,818</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

Ironton-Lawrence County Area Community Action Organization, Inc. provided \$253,401 of in-kind contributions to Lawrence County Port Authority in 2015 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. No payments were made in the current year.

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, capital assets and lease receivables 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 believes 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, 2015 consisted of the following:

	Balance at <u>12/31/14</u>	<u>Additions</u>	<u>Payments</u>	Balance at <u>12/31/15</u>	Due in <u>One Year</u>
Wesbanco	\$ 2,483,798	\$ -	\$ (160,442)	\$ 2,323,356	\$ 167,365
State of Ohio	343,608	-	(39,508)	304,100	40,709
Liberty Federal	190,284	-	(34,869)	155,415	35,702
Citizens Deposit	<u>640,808</u>	<u>-</u>	<u>(27,318)</u>	<u>613,490</u>	<u>28,215</u>
Total	<u>\$ 3,658,498</u>	<u>\$ -</u>	<u>\$ (262,137)</u>	<u>\$ 3,396,361</u>	<u>\$ 271,991</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 2026.

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.

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.

NOTE 12 - NOTES PAYABLE (Continued)

	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>
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	196,904	61,828	258,732	45,892	3,383	49,275
2021-2025	1,119,390	179,277	1,298,667	87,791	10,758	98,549
2026	294,134	7,720	301,854	-	-	-
Total	<u>\$ 2,323,356</u>	<u>\$ 570,825</u>	<u>\$ 2,894,181</u>	<u>\$ 304,100</u>	<u>\$ 40,824</u>	<u>\$ 344,924</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>
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	40,692	1,121	41,813	31,147	16,853	48,000
2020	2,769	13	2,782	32,191	15,809	48,000
2021-2025	-	-	-	178,973	61,027	240,000
2026-2027	-	-	-	283,665	13,283	296,948
Total	<u>\$ 155,416</u>	<u>\$ 14,249</u>	<u>\$ 169,665</u>	<u>\$ 613,490</u>	<u>\$ 163,458</u>	<u>\$ 776,948</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, 2015, the outstanding balance on the note was \$1,932,671.

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 July 26, 2016, the date which the financial statements were available to be issued.

In March 2016, the Port Authority authorized the issuance and sale of revenue bonds in an amount not to exceed \$8,500,000 for the purpose of developing certain Port Authority facilities. In April 2016, the Port Authority entered into a lease agreement with Precision Paint Systems, LLC for the use of the aforementioned facilities. As of the issuance of this report, the sale of the revenue bonds was pending.

Lawrence County Port Authority
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

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	\$ 370,553
DOT Federal Transit - Formula grants - OH-90-X747	20.507	N/A	<u>313,699</u>
Total U.S. Department of Transportation			<u>684,252</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	26,656
<i>Pass Through the Ironton-Lawrence County Area CAO, Inc.</i>			
Continuum of Care	14.267	OH0188L5EO71205	43,429
Continuum of Care	14.267	OH0188L5EO71306	<u>25,344</u>
			<u>68,773</u>
Total U.S. Department of Housing and Urban Development			<u>95,429</u>
Total Federal Awards Expenditures			<u>\$ 779,681</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Lawrence County Port Authority under programs of the federal government for the year ended December 31, 2015.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Since the schedule presents only a selected portion of the operations of Lawrence County Port Authority, it is not intended to and does not present Lawrence County Port Authority's net position, change in net position, or cash flows.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

(a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(b) Lawrence County Port Authority has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

(c) Pass-through entity identifying numbers are presented where available.

NOTE 3 – 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.

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 Lawrence County Port Authority (the Port Authority), a component unit of Lawrence County, Ohio as of and for the year ended December 31, 2015, 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 July 26, 2016.

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.

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*.

4449 easton way #400
columbus, oh 43219

www.cshco.com
p. 614.885.2208
f. 614.885.8159

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
July 26, 2016

Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Lawrence County Port Authority
South Point, Ohio

Report on Compliance for the Major Federal Program

We have audited Lawrence County Port Authority's (the Port Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Port Authority's major federal program for the year ended December 31, 2015. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 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, 2015.

4449 easton way #400
columbus, oh 43219

www.cshco.com
p. 614.885.2208
f. 614.885.8159

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark Schaefer Hackett & Co.

Columbus, Ohio
July 26, 2016

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>unmodified</u>		
<hr/>				
Internal control over financial reporting:				
Material weakness identified?	___	Yes	_X_	No
Significant deficiency identified not considered to be material weaknesses?	___	Yes	_X_	No
Noncompliance material to financial statements noted?	___	Yes	_X_	No

Federal Awards

Type of auditors' report issued on compliance for major programs:		<u>unmodified</u>		
<hr/>				
Internal control over financial reporting:				
Material weakness identified?	___	Yes	_X_	No
Significant deficiency identified not considered to be material weaknesses?	___	Yes	_X_	No
Any audit findings disclosed that are required to be reported in accordance with CFR Section 200.516(a)?	___	Yes	_X_	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$750,000</u>		
<hr/>				

Auditee qualified as low-risk auditee?	_X_	Yes	___	No
--	-----	-----	-----	----

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

4. SCHEDULE OF PRIOR AUDIT FINDINGS

2014-001 – Prior Period Adjustment

Status: Resolved



At Clark Schaefer Hackett, we believe there's a difference between providing accounting services and actually serving you. One is about numbers, the other is about relationships. We strive to create remarkable relationships The CSH Way: by building trust, offering guidance, delivering desired outcomes, and providing vision to help you achieve your goals.

cincinnati | cleveland | columbus | miami valley | northern kentucky | springfield | toledo

www.cshco.com



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
OCTOBER 11, 2016