

Lawrence County Port Authority

Regular Audit

For the Year Ended December 31, 2019



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OHIO AUDITOR OF STATE
KEITH FABER



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Members of the Board
Lawrence County Port Authority
305 N. 5th St
Ironton, OH 45638

We have reviewed the *Independent Auditor's Report* of the Lawrence County Port Authority, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period December 31, 2019. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

[December 9, 2020

Lawrence County Port Authority

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Independent Auditor's Report

Board of Directors
Lawrence County Port Authority
350 North 5th Street
Ironton, Ohio 45638

Report on the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Lawrence County Port Authority, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 12 to the financial statements, the Port Authority restated its beginning net position to correct errors identified in prior years. We did not modify our opinion regarding this matter.

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Port Authority. We did not modify our opinion regarding this matter.

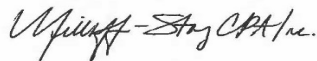
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2020 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 solely 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 the effectiveness of the Port Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

October 7, 2020

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, 2019. 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, 2019 are as follows:

- Total assets increased \$72,123 or 2.0%, between 2019 and 2018. Total liabilities decreased \$25,087, or 2.6%, between 2019 and 2018. Total net position increased \$109,245 or 4.4%, between 2019 and 2018.
- Total operating revenues increased \$209,498 or 19.2% between 2019 and 2018. Total operating expenses increased \$202,981, or 20.7%, between 2019 and 2018.

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 2019 and 2018.

Table 1
Net Position

	2019	* Restated 2018	Change
Assets:			
Current assets	\$ 540,196	\$ 477,073	\$ 63,123
Capital assets, net	2,003,722	1,937,078	66,644
Non-current assets (other than capital)	<u>1,097,675</u>	<u>1,155,319</u>	<u>(57,644)</u>
Total assets	<u>3,641,593</u>	<u>3,569,470</u>	<u>72,123</u>
Liabilities:			
Current liabilities	123,442	116,125	7,317
Long term liabilities	<u>831,938</u>	<u>859,317</u>	<u>(27,379)</u>
Total liabilities	955,380	975,442	(20,062)
Deferred Inflows of Resources:			
Unearned revenue	111,744	128,804	(17,060)
Net position:			
Net investment in capital assets	2,000,897	1,896,110	104,787
Unrestricted	<u>573,572</u>	<u>569,114</u>	<u>4,458</u>
Total net position	<u>\$ 2,574,469</u>	<u>\$ 2,465,224</u>	<u>\$ 109,245</u>

* Restated – See Note 12; Also, certain reclassifications were made for consistency with current year presentation

The increase in total assets between 2019 and 2018 was primarily due to the purchase of equipment and increase in cash from revenues. The decrease in long-term liabilities between 2019 and 2018 was due to the reduction of the long term debt.

Table 2 provides a summary of changes in the Port Authority's net position for 2019 and 2018.

Table 2
Changes in Net Position

	2019	*Restated 2018	Change
<i>Operating revenues:</i>			
Grants/reimbursement contracts	\$ 778,530	\$ 715,602	\$ 62,928
Service fees	155,460	123,058	32,402
Rent income	203,067	128,800	74,267
Contributions	35,000	-	35,000
In-kind contributions	125,278	120,999	4,279
Other income	622	-	622
<i>Total operating revenues</i>	<u>1,297,957</u>	<u>1,088,459</u>	<u>209,498</u>
<i>Operating expenses:</i>			
Professional fees	17,283	19,349	(2,066)
Consultants/ contractual	659,567	641,269	18,298
Space cost	182,951	165,720	17,231
Insurance	28,898	24,940	3,958
Equipment lease and maintenance	8,309	5,882	2,427
Taxes	20,678	14,075	6,603
Depreciation	94,321	72,185	22,136
Amortization	347	379	(32)
Economic Development Assistance	124,460	-	124,460
Other	46,348	36,382	9,966
<i>Total operating expenses</i>	<u>1,183,162</u>	<u>980,181</u>	<u>202,981</u>
<i>Non-operating revenues/(expenses):</i>			
Deferred developer fee income	-	1,750	(1,750)
Loss on sale of assets	-	(55,778)	55,778
Interest income	17,068	36,446	(19,378)
Interest expense	(22,618)	(31,575)	8,957
<i>Total non-operating revenues/(expenses)</i>	<u>(5,550)</u>	<u>(49,157)</u>	<u>43,607</u>
<i>Change in net position</i>	109,245	59,121	50,124
<i>Beginning net position</i>	<u>2,465,224</u>	<u>2,406,103</u>	<u>59,121</u>
<i>Ending net position</i>	<u>\$ 2,574,469</u>	<u>\$ 2,465,224</u>	<u>\$ 109,245</u>

* Restated – See Note 12; Also, certain reclassifications were made for consistency with current year presentation

The increase in total operating revenues between 2019 and 2018 was primarily due to an increase in grants awarded to the Port Authority, specifically from Federal Transportation Administration and State grant funds. The increase in total operating expenses between 2019 and 2018 was due to an increase in Federal and State pass-through expenses and increases in depreciation.

Capital Assets

At December 31, 2019, the Port Authority had a total of \$2,794,323 invested in capital assets less accumulated depreciation of \$790,601 resulting in total capital assets, net of accumulated depreciation, of \$2,003,722. Capital asset additions of \$160,965 were recorded for 2019 and depreciation expense for the year totaled \$94,321. 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, 2019, debt outstanding was \$508,840. See Note 10 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, 2019

Assets:

Current Assets:

Cash	\$ 383,306
Lease receivable, current portion	48,000
Grants receivable	108,890
	<u>540,196</u>

Capital Assets:

Land	193,612
Buildings	1,934,540
Equipment	623,978
Construction in progress	42,193
Accumulated Depreciation	(790,601)
Total	<u>2,003,722</u>

Other long-term assets:

Due from affiliates	541,675
Lease receivable, net of current portion	556,000
	<u>1,097,675</u>

Total assets	\$ 3,641,593
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Liabilities:

Current liabilities

Accounts payable	\$ 9,315
Current portion due to affiliates	58,708
Accrued expenses	20,678
Current portion of notes payable	29,716
	<u>118,417</u>

Long term liabilities:

Due to affiliates, net of current portion	352,814
Notes payable, net of current portion	479,124
Unearned revenue	5,025
	<u>836,963</u>

Total liabilities	955,380
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Deferred Inflows of Resources:

Lease interest	111,744
	<u>111,744</u>

Total deferred inflows of resources	111,744
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Net position:

Net investment in capital assets	2,000,897
Unrestricted net position	573,572
Total net position	2,574,469

Total liabilities, deferred inflows of resources and net position	\$ 3,641,593
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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, 2019

Operating revenues:	
Grants and reimbursement contracts	\$ 778,530
Service fees	155,460
Rent income	203,067
Contributions	35,000
Other Income	622
In-kind contributions	125,278
Total operating revenues	1,297,957
 Operating expenses	
Professional fees	17,283
Consultants/contractual	659,567
Space costs	182,951
Insurance	28,898
Equipment lease and maintenance	8,309
Taxes	20,678
Depreciation and amortization	94,668
Economic Development Assistance	124,460
Other	46,348
Total operating expenses	1,183,162
Operating income	114,795
 Non-operating revenues/(expenses):	
Interest income	17,068
Interest expense	(22,618)
Total non-operating revenues/(expenses)	(5,550)
Change in net position	109,245
Net position at beginning of year	2,642,653
Prior period adjustment	(177,429)
Net position at beginning of year (Restated - see note 12)	2,465,224
Net position at end of year	\$ 2,574,469

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

Lawrence County Port Authority
Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:

Cash from grants and reimbursement contracts	\$ 954,152
Cash from service fees	155,460
Cash from rental income	234,007
Cash from contributions and other income	35,622
Cash payments for goods and services	<u>(951,823)</u>
Net cash provided by operating activities	<u>427,418</u>

Cash flows from investing activities:

Purchase of land option	2,500
Purchases of buildings	(51,693)
Purchases of equipment	<u>(109,273)</u>
Net cash used in investing activities	<u>(158,466)</u>

Cash flows from noncapital financing activities:

Advances to/from affiliates	<u>(11,109)</u>
Net cash used in noncapital financing activities	<u>(11,109)</u>

Cash flows from capital and related financing activities:

Principal paid on debt	(67,195)
Principal from notes receivable	50,929
Cash from lease and other interest	17,068
Cash payment for interest	<u>(22,618)</u>
Net cash used in capital and related financing activities	<u>(21,816)</u>

Net change in cash	236,027
Cash at beginning of year	147,279
Cash at end of year	<u><u>\$ 383,306</u></u>

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

Operating income	\$ 114,795
Depreciation	94,321
Amortization	347
Changes in assets and liabilities	
(Increase)/decrease in grants receivable	172,904
(Increase)/decrease in lease receivable	30,940
(Increase)/decrease in accounts payable and accrued expenses	11,393
(Increase)/decrease in unearned grant revenue	<u>2,718</u>
Net cash provided by operating activities	<u>\$ 427,418</u>

Supplemental Disclosure

Non-cash in-kind contributions	<u><u>\$ 125,278</u></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, 2019 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.

The Port Authority participates in a joint venture, Old Engineer Property, LLC. The joint venture is presented in Note 14.

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 acquisition 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. Capital 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. The Port Authority applies restricted resources when a n expense is incurred for purposes for which both restricted and unrestricted net positions are available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Position (Continued)

The Port Authority did not have any restricted net position for 2019.

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. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Port Authority, deferred inflows of resources include lease interest.

NOTE 2 - CASH

Deposits

For the year ended December 31, 2019, the carrying amount of the Port Authority's deposits was \$383,306 and the depository balance was \$391,375. 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, 2019 was as follows:

Capital assets not being depreciated	Restated* Balance at 12/31/18	Additions	Disposals	Balance at 12/31/19
Land	\$ 193,612	\$ -	\$ -	\$ 193,612
Construction in progress	-	42,193	-	42,193
Capital assets being depreciated				
Buildings	1,925,040	9,500		1,934,540
Equipment	514,706	109,272	-	623,978
Less accumulated depreciation				
Building	(345,511)	(53,419)	-	(398,930)
Equipment	(350,769)	(40,902)	-	(391,671)
Capital assets, net	\$ 1,937,078	\$ 66,644	\$ -	\$ 2,003,722

* Restated – see Note 12

NOTE 4 – DUE FROM AFFILIATES

Changes in due from affiliates of the Port Authority during the year ended December 31, 2019 consisted of the following:

	<u>Balance at</u> <u>12/31/18</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at</u> <u>12/31/19</u>
Ironton- Lawrence County Area Community Action Organization, Inc.	\$ -	\$ 12,632	\$ -	\$ 12,632
Old Engineer Property LLC	186,599	31,500	-	218,099
Proctors Landing	<u>310,944</u>	<u>-</u>	<u>-</u>	<u>310,944</u>
	<u>\$ 497,543</u>	<u>\$ 44,132</u>	<u>\$ -</u>	<u>\$ 541,675</u>

All of the due from affiliates is considered non-current assets at December 31, 2019.

NOTE 5 - DUE TO AFFILIATES

Changes in due to affiliates of the Port Authority during the year ended December 31, 2019 consisted of the following:

	<u>Balance at</u> <u>12/31/18</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at</u> <u>12/31/19</u>
Ironton- Lawrence County Area Community Action Organization, Inc.	\$ 342,657	\$ 58,708	\$ (25,686)	\$ 375,679
Lawrence Economic Development Corporation	<u>35,843</u>	<u>-</u>	<u>-</u>	<u>35,843</u>
Total	<u>\$ 378,500</u>	<u>\$ 58,078</u>	<u>\$ (25,686)</u>	<u>\$ 411,522</u>

At December 31, 2019, \$352,814 of the \$411,522 due from affiliates is considered non-current liabilities.

NOTE 6 - RELATED PARTY TRANSACTIONS

Ironton-Lawrence County Area Community Action Organization, Inc. provided \$125,278 of in-kind contributions to Lawrence County Port Authority in 2019 for consulting services in providing administrative services.

NOTE 7 - 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 8 - 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 9 - 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 10 - NOTES PAYABLE

Changes in note obligations of the Port Authority during the year ended December 31, 2019 consisted of the following:

	Balance at <u>12/31/18</u>	<u>Additions</u>	<u>Payments</u>	Balance at <u>12/31/19</u>	Due in <u>One Year</u>
Liberty Federal	\$ 43,468	\$ -	\$ (40,692)	\$ 2,776	\$ 2,776
Citizens Deposit	<u>532,567</u>	<u>-</u>	<u>(26,503)</u>	<u>506,064</u>	<u>26,940</u>
Total	<u>\$ 576,035</u>	<u>\$ -</u>	<u>\$ (67,195)</u>	<u>\$ 508,840</u>	<u>\$ 29,716</u>

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 current interest rate on the note is 4.25%. The note matures in August 2027.

	Liberty Federal Loan			Citizens Deposit Loan		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,776	\$ 13	\$ 2,789	\$ 26,940	\$ 21,060	\$ 48,000
2021	-	-	-	28,108	19,892	48,000
2022	-	-	-	29,326	18,674	48,000
2023	-	-	-	30,596	17,404	48,000
2024	-	-	-	31,923	16,077	48,000
2025-2027	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,171</u>	<u>34,010</u>	<u>393,181</u>
Total	<u>\$ 2,776</u>	<u>\$ 13</u>	<u>\$ 2,789</u>	<u>\$ 506,064</u>	<u>\$ 127,117</u>	<u>\$ 633,181</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, 2019, the outstanding balance on the note was \$1,023,817.

NOTE 10 - NOTES PAYABLE (Continued)

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. The bonds are payable from and secured by a pledge of the rental and other revenues pursuant to the aforementioned lease. These bonds do 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, 2019, the outstanding balance on the note was \$5,052,081.

NOTE 11 – LEASES

The Port Authority entered into a property lease with the Lawrence County Board of Commissioners in December 2009 to provide facilities for the Southeast Ohio Emergency Medical Services “SEOEMS” at an annual amount not to exceed \$62,100 per year. The lease term ended in December of 2014 but was extended at that time for an additional 10 years through December 2024.

The Port Authority entered into a property lease with the Columbia Gas Transmission in September 2019 to provide an area to store construction equipment and supplies. The lease calls for rent in the amount of \$49,784 for 2019, \$74,676 for 2020, and monthly rent payments of \$6,223 starting January 2021 through December 2021.

The Port Authority entered into a property lease with River City Depot, LLC in March of 2014 to provide for property for the Depot Restaurant. The original lease term ended in March of 2019 and was renewed for a period of five years at a monthly rate of \$1,000 per month. The renewed lease term ends in March of 2024.

The Port Authority entered into a property lease with Batchelor Holdings, LLC in June 2017 to provide use of the property known as the Transit Center. The lease term is month to month with a minimum of a 60 day notice of termination. The original lease rent was \$800 per month; however, the amount was reduced to \$500 per month in January of 2018 and remains at this rate.

Future minimum rentals required under the above-mentioned leases at December 31, 2019 are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 80,100
2021	74,100
2022	74,100
2023	74,100
2024	<u>65,100</u>
Total	<u>\$ 367,500</u>

NOTE 11 – LEASES (Continued)

Also, the Port Authority is the lessor in a direct financing lease with the Lawrence County Agricultural Society for property for the Lawrence County Fairgrounds. The lease began in July 2012 and is scheduled to end on July 2032. Under the lease agreement, the lessee has a bargain option to purchase the leased property at the end of the lease term and, during the term of the lease, is required to pay the cost of taxes, insurance, utilities, maintenance and repair of the property. The County has recognized a lease receivable of \$604,000 that is equal to the future minimum lease payments to be received. The unearned portion of the lease is reported as a deferred inflow of resources. The following represents the future minimum lease payments to be received by the Port Authority at December 31, 2019:

Year	Amount
2020	\$ 48,000
2021	48,000
2022	48,000
2023	48,000
2024	48,000
Thereafter	364,000
Total future minimum lease receivable	\$ 604,000
Less: unearned interest income	(111,744)
Net minimum lease receivable	\$ 492,256

NOTE 12 – RESTATEMENT OF NET POSITION

The Port Authority restated Net Position at December 31, 2018 due to errors discovered in depreciation expense and leases receivable. These corrections resulted in the following restatement to Net Position:

Net Position Ending at December 31, 2018	\$ 2,642,653
Restatement due to Accumulated Depreciation	(625)
Restatement due to Lease Receivable	(176,804)
Restated Net Position at December 31, 2018	\$ 2,465,224

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 United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Due to the pandemic, the Port Authority deferred rent payments on the River City's Depot LLC and Batchelor Holdings LLC rental agreements beginning April 1, 2020. As of the date of the report, the rent deferral is still in place. The full financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Port Authority. In addition, the impact of the Port Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 14 – JOINT VENTURE

The Port Authority is a member of the Old Engineer Property LLC (the Company), which is a limited liability company organized pursuant to Ohio Revised Code Chapter 1705 to acquire, own, hold, develop, manage, lease and sell real property and associated personal property commonly known as the “Old County Engineer Property” and “Lawrence County Children’s Home.” The Company operates as a partnership with the Port Authority holding a 25% partnership interest. The other members include the Ironton-Lawrence County Area Community Action Agency, Inc. and Lawrence Economic Development Corporation. The members have an ongoing financial responsibility to the Company and contribute cash and/or property to the capital of the Company when called for by the Company’s management committee. The Port Authority’s capital contributions for the year ended December 31, 2019 totaled \$155,960. Complete financial statements of the joint venture can be obtained from the Ironton Lawrence County Community Action Agency, Inc. at 305 North 5th Street, Ironton, Ohio 45638.

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*

Independent Auditor's Report

Board of Directors
Lawrence County Port Authority
350 North 5th Street
Ironton, Ohio 45638

We have audited, in accordance with the 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 business-type activities of Lawrence County Port Authority, (the Port Authority) as of and for the year ended December 31, 2019, 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 October 7, 2020. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Port Authority and the Port Authority restated its beginning net position to correct errors.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

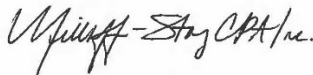
As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Port Authority's Response to Finding

The Port Authority's responses to the finding identified in our audit is described in the accompanying schedule of findings and responses. The 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.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

October 7, 2020

Lawrence County Port Authority
Lawrence County
Schedule of Findings and Responses
For the Year Ended December 31, 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2019-001

Material Weakness – Financial Reporting

A monitoring system by the Port Authority should be in place to prevent or detect misstatements for the accurate presentation of the Port Authority’s financial statements. Various errors were identified in the financial statements and the notes to the financial statements of the Port Authority. Errors were identified requiring correction within the financial statements, including improper classification of capital assets, improper classification of due to affiliates and rent revenue, and improper recording of a lease receivable as an asset held for resale. We also noted accumulated depreciation was not broken out by class in the capital asset note and leases and a joint venture were not disclosed in the note to the financial statements. These errors were corrected in the accompanying financial statements and notes to the financial statements.

We recommend the Port Authority implement additional control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements and omissions in the financial statements and related note disclosures.

Client Response:

We were made aware of a significant error on our financial statements that passed audits for the previous 6 years. We will engage an outside CPA firm to compile the complete financial statements and disclosures to help review and prevent errors.

OHIO AUDITOR OF STATE KEITH FABER



LAWRENCE COUNTY PORT AUTHORITY

LAWRENCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/22/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov