



Dave Yost • Auditor of State



LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lawrence County Port Authority  
Lawrence County  
350 N. 5<sup>th</sup> Street  
Ironton, Ohio 45638  
To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Lawrence County Port Authority, Lawrence County, Ohio (the Port Authority), a component unit of Lawrence County, Ohio, as of and for the year ended December 31, 2016, 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.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 to the extent needed to opine on the effectiveness of the Port Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lawrence County Port Authority, Lawrence County, Ohio, as of December 31, 2016, and the change in financial position and cash flows thereof 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 this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the Port Authority's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents 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 financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 08, 2017, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 8, 2017

**LAWRENCE COUNTY PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 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, 2016. 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, 2016 are as follows:

- Total assets decreased \$172,612 or 2.58%, between 2016 and 2015. Total liabilities decreased \$291,639, or 6.66%, between 2016 and 2015. Total net position increased \$119,027, or 5.15%, between 2016 and 2015.
- Total operating revenues increased \$266,782 or 16.5% between 2016 and 2015. Total operating expenses increased \$212,409, or 13.73%, between 2016 and 2015.

**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.

**LAWRENCE COUNTY PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2016**

Table 1 provides a summary of the Port Authority's net position for 2016 and 2015.

Table 1  
Net Position

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Assets:			
Current assets	\$ 837,929	\$ 747,145	\$ 90,784
Capital assets	2,643,148	2,701,447	(58,299)
Non-current assets (other than capital)	<u>3,038,115</u>	<u>3,243,212</u>	<u>(205,097)</u>
 Total assets	 <u>6,519,192</u>	 <u>6,691,804</u>	 <u>(172,612)</u>
 Liabilities:			
Current liabilities	512,826	409,637	103,189
Long term liabilities	<u>3,574,242</u>	<u>3,969,070</u>	<u>(394,828)</u>
 Total liabilities	 <u>4,087,068</u>	 <u>4,378,707</u>	 <u>(291,639)</u>
 Net position:			
Net investment in capital assets	1,937,849	1,932,542	5,307
Unrestricted	<u>494,275</u>	<u>380,555</u>	<u>113,720</u>
 Total net position	 <u>\$ 2,432,124</u>	 <u>\$ 2,313,097</u>	 <u>\$ 119,027</u>

The decrease in total assets between 2016 and 2015 was primarily due to a decrease in the lease receivable balance. The decrease in long-term liabilities between 2016 and 2015 was due to scheduled debt payments that were made during the year combined with a decrease in deferred revenue.



**LAWRENCE COUNTY PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2016**

Table 2 provides a summary of changes in the Port Authority's net position for 2016 and 2015.

Table 2  
Changes in Net Position

	2016	2015	Change
<i>Operating revenues:</i>			
Grants/reimbursement contracts	\$ 1,300,151	\$ 1,043,209	\$ 256,942
Service fees	317,445	314,348	3,097
Contributions	453	720	(267)
In-kind contributions	265,404	253,401	12,003
Miscellaneous income	-	4,993	(4,993)
<i>Total operating revenues</i>	<u>1,883,453</u>	<u>1,616,671</u>	<u>266,782</u>
<i>Operating expenses:</i>			
Professional fees	19,239	20,910	(1,671)
Consultants/ contractual	1,057,515	1,001,401	56,114
Space cost	139,387	142,831	(3,444)
Insurance	9,389	2,161	7,228
Equipment lease and maintenance	9,300	36,574	(27,274)
Taxes	3,986	4,751	(765)
Travel	-	-	-
Supplies	672	2,266	(1,594)
Advertising	-	-	-
Depreciation	147,119	147,429	(310)
Amortization	379	379	-
Grant expenses - pass through	322,917	119,886	203,031
Other	49,530	68,436	(18,906)
<i>Total operating expenses</i>	<u>1,759,433</u>	<u>1,547,024</u>	<u>212,409</u>
<i>Non-operating revenues/(expenses):</i>			
Deferred developer fee income	21,000	21,000	-
Interest income	100,647	108,337	(7,690)
Interest expense	(126,640)	(135,684)	9,044
<i>Total non-operating revenues/(expenses)</i>	<u>(4,993)</u>	<u>(6,347)</u>	<u>1,354</u>
<i>Income before capital contributions:</i>	119,027	63,300	55,727
Capital contributions	-	30,000	(30,000)
<i>Change in net position</i>	119,027	93,300	25,727
<i>Beginning net position-2016 Restated (See Note 14)</i>	<u>2,313,097</u>	<u>2,266,640</u>	<u>46,457</u>
<i>Ending net position</i>	<u>\$ 2,432,124</u>	<u>\$ 2,359,940</u>	<u>\$ 72,184</u>

The increase in total operating revenues between 2016 and 2015 was primarily due to an increase in grants awarded to the Port Authority, specifically from the State of Ohio Technology Grant. The increase in total operating expenses between 2016 and 2015 was due to an increase in Federal and State pass-through expenses, primarily related to the aforementioned State of Ohio Technology Grant. The decrease in beginning net position was due to a prior period adjustment to record amounts due to Lawrence Economic Development Corporation for expenses to maintain a building owned by the Port Authority.

**LAWRENCE COUNTY PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2016**

**Capital Assets**

At December 31, 2016, the Port Authority had a total of \$ 3,896,409 invested in capital assets less accumulated depreciation of \$1,253,261 resulting in total capital assets, net of accumulated depreciation, of \$2,643,148. Capital asset additions of \$88,820 were recorded for 2016 and depreciation expense for the year totaled \$147,119. 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, 2016, debt outstanding was \$3,124,681. 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. 5<sup>th</sup> Street, Ironton, Ohio 45638.

Lawrence County Port Authority  
Statement of Net Position  
December 31, 2016

**Assets:**

**Current assets:**

Cash	\$ 375,497
Accounts receivable	
Grants receivable	123,256
Current portion of lease receivable	<u>339,176</u>
	<u>837,929</u>

**Capital assets:**

Land	159,012
Land held for resale	700,000
Buildings	1,814,660
Equipment	1,222,737
Accumulated depreciation	<u>(1,253,261)</u>
	<u>2,643,148</u>

**Other long-term assets:**

Lease receivable, net of current portion	2,746,482
Due from affiliates	239,599
Note receivable	50,929
Deferred costs, net	<u>1,105</u>
	<u>3,038,115</u>

**Total assets** \$ 6,519,192

**Liabilities:**

**Current liabilities:**

Accounts payable	\$ 44,821
Due to affiliates	185,059
Current portion of notes payable	<u>282,946</u>
	<u>512,826</u>

**Long term liabilities:**

Notes payable, net of current portion	2,841,735
Unearned revenue	640,982
Escrow	<u>91,525</u>
	<u>3,574,242</u>

**Total liabilities** 4,087,068

**Net position:**

Net investment in capital assets	1,937,849
Unrestricted net position	<u>494,275</u>
<b>Total net position</b>	<u>2,432,124</u>

**Total liabilities and net position** \$ 6,519,192

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, 2016

**Operating revenues:**

Grants and reimbursement contracts	\$ 1,300,151
Service fees	317,445
Contributions	453
In-kind contributions	<u>265,404</u>
Total operating revenues	<u>1,883,453</u>

**Operating expenses:**

Professional fees	19,239
Consultants/ contractual	1,057,515
Space costs	139,387
Insurance	9,389
Building and equipment maintenance	9,300
Taxes	3,986
Supplies	672
Depreciation	147,119
Amortization	379
Grant expenses - pass through	322,917
Other	<u>49,530</u>
Total operating expenses	<u>1,759,433</u>

Operating income 124,020

**Non-operating revenues/(expenses):**

Deferred developer fee income	21,000
Interest income	100,647
Interest expense	<u>(126,640)</u>
Total non-operating revenues/(expenses)	(4,993)

**Change in net position** 119,027

**Net position at beginning of year** 2,359,940

**Prior period adjustment (See Note 14)** (46,843)

**Net position at beginning of year, restated** 2,313,097

**Net position at end of year** \$ 2,432,124

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

Lawrence County Port Authority  
Statement of Cash Flows  
Year Ended December 31, 2016

**Cash flows from operating activities:**

Cash from grants and reimbursement contracts	\$ 1,244,019
Cash from service fees	327,740
Cash from contributions	453
Cash payments for goods and services	(1,350,696)
Net cash provided by operating activities	<u>221,516</u>

**Cash flows from investing activities:**

Purchases of equipment	<u>(88,820)</u>
	(88,820)

**Cash flows from noncapital financing activities:**

Advances to/from affiliates	<u>(28,601)</u>
	(28,601)

**Cash flows from capital and related financing activities:**

Principal paid on debt	(271,680)
Principal from lease receivable	208,074
Cash from lease interest	21,000
Cash from deferred developer fee	100,647
Cash payment for interest	(126,640)
Proceeds from escrow payments	<u>9,454</u>
Net cash used in capital and related financing activities	<u>(59,145)</u>

Net change in cash 44,950

Cash at beginning of year 330,547

Cash at end of year \$ 375,497

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

Operating income	\$ 124,020
Depreciation	147,119
Amortization	379

Changes in assets and liabilities:

(Increase)/decrease in accounts receivable	10,295
(Increase)/decrease in grants receivable	(56,132)
Increase/(decrease) in accounts payable	<u>(4,165)</u>

Net cash provided by operating activities \$ 221,516

**Supplemental Disclosure**

Non-cash in-kind contributions \$ 265,404

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

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**LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**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, 2016 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.

**LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**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. Capital assets are depreciated using the straight-line method over estimated useful lives ranging from three to forty years.



LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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 2016.

**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, 2016, the carrying amount of the Port Authority's deposits was \$375,497 and the depository balance was \$559,421. 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 \$216,650 which was uninsured.

**LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

<b>Capital assets not being depreciated</b>	<u>Balance at 12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 12/31/16</u>
Land	\$ 159,012	\$ -	\$ -	\$ 159,012
Land held for resale	700,000	-	-	700,000
<b>Capital assets being depreciated</b>				
Buildings	1,814,660	-	-	1,814,660
Equipment	1,133,917	88,820	-	1,222,737
Less accumulated depreciation	<u>(1,106,142)</u>	<u>(147,119)</u>	<u>-</u>	<u>(1,253,261)</u>
<b>Capital assets, net</b>	<u>\$ 2,701,447</u>	<u>\$ (58,299)</u>	<u>\$ -</u>	<u>\$ 2,643,148</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.

**LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**NOTE 4 - RUMPKE CONSOLIDATED COMPANIES, INC. PROJECT (Continued)**

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:

	2017	\$		339,176
	2018			339,176
	2019			339,176
	2020			339,176
	2021			339,176
	Thereafter			1,389,778
	Total			3,085,658
	Unearned income			(415,232)
	Net investment in lease			\$ 2,670,426

**NOTE 5 – DUE FROM AFFILIATES**

Changes in due from affiliates of the Port Authority during the year ended December 31, 2016 consisted of the following:

	<u>Balance at</u> <u>12/31/15</u>		<u>Additions</u>		<u>Payments</u>		<u>Balance at</u> <u>12/31/16</u>
Old Engineer Property LLC	\$ 114,599	\$	25,000	\$	-	\$	139,599
Proctors Landing			100,000				100,000
	114,599		125,000				239,599

**NOTE 6 - DUE TO AFFILIATES**

Changes in due to affiliates of the Port Authority during the year ended December 31, 2016 consisted of the following:

	<u>Balance at</u> <u>12/31/15</u>		<u>Additions</u>		<u>Payments</u>		<u>Balance at</u> <u>12/31/16</u>
Ironton- Lawrence County Area Community Action Organization, Inc.	\$ 36,818	\$	122,245	\$	(19,847)	\$	139,216
Lawrence Economic Development Corporation	5,000		46,843		(6,000)		45,843
Total	\$ 41,818	\$	169,088	\$	(25,847)	\$	185,059

**NOTE 7 - RELATED PARTY TRANSACTIONS**

Ironton-Lawrence County Area Community Action Organization, Inc. provided \$45,945 of in-kind contributions to Lawrence County Port Authority in 2016 for consulting services in providing administrative services. Tri-State Transit Authority provided \$219,459 of in-kind contributions for maintenance and transit related services.

**NOTE 8 – NOTE RECEIVABLE**

On December 30, 2015, 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.

**LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**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, 2016 consisted of the following:

	Balance at <u>12/31/15</u>		<u>Additions</u>		<u>Payments</u>	Balance at <u>12/31/16</u>		<u>Due in One Year</u>
Wesbanco	\$2,323,356	\$	-	\$	(167,365)	\$ 2,155,991	\$	174,543
State of Ohio	304,100		-		(40,709)	263,391		41,947
Liberty Federal	155,415		-		(35,700)	119,715		37,295
Citizens Deposit	613,490		-		(27,906)	585,584		29,161
Total	<u>\$3,396,361</u>	\$	<u>-</u>	\$	<u>(271,680)</u>	<u>\$ 3,124,681</u>	\$	<u>282,946</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.

**LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**NOTE 12 - NOTES PAYABLE (Continued)**

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.

	Wesbanco Loan			State of Ohio Pioneer Loan		
	Principal	Interest	Total	Principal	Interest	Total
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	205,220	53,512	258,732	47,288	1,987	49,275
2022-2025	914,170	179,277	1,093,447	40,503	8,771	49,274
2026	294,134	7,720	301,854	-	-	-
Total	<u>\$ 2,155,991</u>	<u>\$ 532,970</u>	<u>\$ 2,688,961</u>	<u>\$ 263,391</u>	<u>\$ 32,258</u>	<u>\$ 295,649</u>

	Liberty Federal Loan			Citizens Deposit Loan		
	Principal	Interest	Total	Principal	Interest	Total
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	2,770	12	2,782	32,191	15,809	48,000
2021	-	-	-	33,269	14,731	48,000
2022-2025	-	-	-	145,704	46,296	192,000
2026-2027	-	-	-	283,974	13,283	297,257
Total	<u>\$ 119,715</u>	<u>\$ 8,260</u>	<u>\$ 127,975</u>	<u>\$ 585,584</u>	<u>\$ 143,673</u>	<u>\$ 729,257</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, 2016, the outstanding balance on the note was \$1,932,671.

**LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**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.

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 these financials, the project was near completion and Superior Inc. is making interest payments on the bonds.

In January, 2017, the Port Authority authorized the purchase of the Chesapeake Community Center property from the Chesapeake School System for the purpose of making improvements and promoting other community development in the facility.

**NOTE 14 – RESTATEMENT**

December 31, 2015 Ending Net Position	\$2,359,940
Restatement – Prior Period Adjustment	<u>(46,843)</u>
January 1, 2016 Beginning Net Position	\$2,313,097

During fiscal year 2016, management identified additional amounts due to affiliates in the amount of \$46,843. This liability should have been recorded in an earlier period. A decrease in net position and a corresponding increase in liabilities of \$46,843 was recorded as of December 31, 2015.

**LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016**

Federal Grantor / Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Pass Through Entity Number	Disbursements
<b><u>U.S. Department of Transportation</u></b>			
<i>Direct from the Federal Government</i>			
DOT Federal Transit - Formula grants - OH-34-0022	20.507	N/A	\$45,156
DOT Federal Transit - Formula grants - OH-2016-004	20.507	N/A	460,727
DOT Federal Transit - Formula grants - OH-90-X159	20.507	N/A	96,763
DOT Federal Transit - Formula grants - OH-90-X747	20.507	N/A	167,544
DOT Federal Transit - Formula grants - OH-90-X866	20.507	N/A	<u>16,170</u>
<b>Total U.S. Department of Transportation</b>			<u>786,360</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Direct from the Federal Government</i>			
HUD Shelter Plus Care	14.238	N/A	32,097
<i>Pass Through the Ironton-Lawrence County Area CAO, Inc.</i>			
Continuum of Care	14.267	OH0188L5EO71407	50,735
Continuum of Care	14.267	OH0188L5EO71508	<u>65,482</u>
			<u>116,217</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>148,314</u>
<b>Total Federal Awards Expenditures</b>			<u>\$ 934,674</u>

*The accompanying notes are an integral part of this schedule.*

**LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016**

**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, 2016.

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.

**NOTE 4 – MATCHING REQUIREMENTS**

Certain Federal programs require the Lawrence County Port Authority to contribute non-federal funds (matching funds) to support the federally funded programs. The Lawrence County Port Authority has met its matching requirements. The schedule does not include the expenditures of non-federal matching funds.





# Dave Yost • Auditor of State

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

Lawrence County Port Authority  
Lawrence County  
350 N. 5<sup>th</sup> Street  
Ironton, Ohio 45638  
To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lawrence County Port Authority, Lawrence County, Ohio (the Port Authority) as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated September 8, 2017.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Port Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Port Authority's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 8, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Lawrence County Port Authority  
Lawrence County  
350 N. 5<sup>th</sup> Street  
Ironton, Ohio 45638  
To the Board of Directors:

### ***Report on Compliance for the Major Federal Program***

We have audited the Lawrence County Port Authority's (the Port Authority's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Lawrence County Port Authority's major federal program for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Port Authority's major federal program.

### ***Management's Responsibility***

The Port Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the Port Authority's compliance for the Port Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the Port Authority's major program. However, our audit does not provide a legal determination of the Port Authority's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Lawrence County Port Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2016.

***Report on Internal Control Over Compliance***

The Port Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Port Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 8, 2017

**LAWRENCE COUNTY PORT AUTHORITY  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA 20.507 – Federal Transit Formula Grant
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

**3. FINDINGS AND FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**LAWRENCE COUNTY PORT AUTHORITY**

**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 10, 2017**