



Dave Yost • Auditor of State

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Wood County Port Authority
Wood County
932 Dixie Highway
Rossford, Ohio 43460

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Wood County Port Authority, Wood County, Ohio (the Port Authority), a component unit of Wood County, 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 such 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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wood County Port Authority, Wood County, Ohio as of December 31, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 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

June 8, 2017

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED**

The discussion and analysis of Wood County Port Authority's (Port Authority) financial performance provides an overall review of the Port Authority's financial activities 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 are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Port Authority's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- The assets of the Port Authority exceeded its liabilities at December 31, 2016 by \$7,458,946.
- Net position of the Port Authority decreased \$31,517 from 2015.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Port Authority is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the accrual basis of accounting.

The **Statement of Net Position** includes all of the Port Authority's Assets and Liabilities. These statements provide information about the nature and amounts of investments in resources (assets) owned by the Port Authority, and obligations owed by the Port Authority (liabilities) on December 31, 2016. The Port Authority's net position is the difference between assets and liabilities.

The **Statement of Revenues, Expenses and Changes in Net Position** provides information on the Port Authority's operations over the past year and the success of recovering all its costs through user fees, charges and other income. Revenues are reported when earned and expenses are reported when incurred.

The **Statement of Cash Flows** provides information about the Port Authority's cash receipts and cash disbursements. It summarizes the net changes in cash resulting from operating, investing, noncapital financing and capital financing activities.

The notes to the basic financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

USING THIS FINANCIAL REPORT

This report consists of two parts, the Management's Discussion and Analysis and 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. Since the Port Authority only uses one fund for its operations, the entity-wide and the fund presentation information is the same.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(CONTINUED)**

STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Net Position answers the question, "How did we do financially during 2016?" This statement includes all assets and liabilities, both financial and capital, and current and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. The basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This change in net position is important because it tells the reader whether, for the Port Authority as a whole, the financial position of the Port Authority has improved or diminished. However, in evaluating the overall position of the Port Authority, non-financial information will also need to be evaluated.

This section contains a condensed comparison of assets, liabilities, net position, revenues and expenses and explanations for significant differences.

Table 1 provides a summary of the Port Authority's net position as of December 31, 2016 and December 31, 2015.

**Table 1
Net Position**

	2016	2015
Assets:		
<i>Current Assets:</i>		
Cash & Cash Equivalents	\$112,542	\$189,770
Grant Receivable		30,000
<i>Noncurrent Assets:</i>		
Accrued Interest Receivable		
Nondepreciable Capital Assets	7,376,710	7,320,975
<i>Total Assets</i>	7,489,252	7,540,745
Liabilities:		
<i>Current Liabilities:</i>		
Accounts Payable	29,449	39,303
Unearned Revenue-Grants	857	10,979
<i>Total Liabilities</i>	30,306	50,282
Net Position:		
Net Investment in Capital Assets	7,376,710	7,320,975
Unrestricted	82,236	169,488
<i>Total Net Position</i>	\$7,458,946	\$7,490,463

In 2016, total net position decreased by \$31,517 due to an excess of expenses over revenues. Cash decreased due to the use of monies to fund current year expenses and grants receivable decreased. Capital assets increased due to additional outlays for ongoing projects. Liabilities decreased by \$19,976 from 2015 primarily due to a decrease in accounts payable for several projects and a decrease in unearned revenue-grants as eligible grant costs were incurred during 2016.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(CONTINUED)**

Table 2 shows the changes in net position for the years ended December 31, 2016 and 2015. In 2016, total net position decreased by \$31,517. This number reflects a decrease in net position due to the reasons noted above.

**Table 2
Changes in Net Position**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Administrative Fee	\$15,000	
OPERATING EXPENSES:		
Bank Charges	61	
Board Member Compensation	7,555	\$6,280
Board Member Expenses		190
Dues and Subscriptions	100	100
Conferences and Meetings	2,140	450
Insurance and Bonding	5,310	6,007
Engineering Expenses	21,443	72,938
Legal and Professional Fees	72,225	90,002
Grants		40,075
Miscellaneous	322	
Total Operating Expenses	<u>109,156</u>	<u>216,042</u>
Operating Loss	<u>(94,156)</u>	<u>(216,042)</u>
NON-OPERATING REVENUES (EXPENSES):		
Grants	(56,000)	
Contributed Assets from Other Governments	56,000	
Intergovernmental Revenue	50,121	135,699
Interest Income	106	155
Donated Services	10,155	
Proceeds from Sale of Assets	2,257	
Total Non-Operating Revenues (Expenses)	<u>62,639</u>	<u>135,854</u>
Change in Fund Net Position	(31,517)	(80,188)
Net Position, Beginning of Year	<u>7,490,463</u>	<u>7,570,651</u>
Net Position, End of Year	<u>\$7,458,946</u>	<u>\$7,490,463</u>

The Port Authority received \$15,000 in administrative income in 2016 for sponsoring the issuance of conduit debt for an entity during the year. The Port Authority had decreased intergovernmental revenues in 2016 as the grant activity was much more limited during 2016. The Port Authority had decreased engineering expenses and legal and professional fees due to less grant activity to fund projects during 2016. The Port Authority had an increase in contributed assets from other governments and grant expenses as the Port Authority received property from several governments and subsequently transferred property to various parties to benefit economic development in the area.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(CONTINUED)**

CAPITAL ASSETS

The Port Authority's asset capitalization minimum is \$5,000. The Port Authority had \$7,376,710 and \$7,320,975 in capital assets as of December 31, 2016 and 2015, respectively. Additional information regarding capital assets is provided in Note 4 to the basic financial statements.

CONTACTING THE PORT AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is intended to provide our citizens, investors and creditors with a general overview of the Port Authority's finances and to demonstrate the Port Authority's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the Port Authority's General Counsel at Wood County Port Authority, 932 Dixie Highway, Rossford, Ohio 43460-1333.

WOOD COUNTY PORT AUTHORITY
WOOD COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2016

Assets:

Current Assets:

Cash and Cash Equivalents \$112,542

Noncurrent Assets:

Nondepreciable Capital Assets 7,376,710

Total Assets 7,489,252

Liabilities:

Current Liabilities:

Accounts Payable 29,449

Unearned Revenue-Grants 857

Total Current Liabilities 30,306

Net Position:

Net Investment in Capital Assets 7,376,710

Unrestricted 82,236

Total Net Position \$7,458,946

The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Operating Revenues:

Administrative Fee	<u>\$15,000</u>
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Operating Expenses:

Bank Charges	61
Board Member Compensation	7,555
Dues and Subscriptions	100
Conferences and Meetings	2,140
Insurance and Bonding	5,310
Legal and Professional Fees	72,225
Engineering Expenses	21,443
Miscellaneous	<u>322</u>

Total Operating Expenses	<u>109,156</u>
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Operating Loss	<u>(94,156)</u>
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Non-Operating Revenues (Expenses):

Grants	(56,000)
Contributed Assets from Other Governments	56,000
Intergovernmental Revenue	50,121
Interest Income	106
Donated Services	10,155
Proceeds from Sale of Assets	<u>2,257</u>

Total Non-Operating Revenues (Expenses)	<u>62,639</u>
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Change in Net Position	(31,517)
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Net Position Beginning of Year	<u>7,490,463</u>
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Net Position End of Year	<u><u>\$7,458,946</u></u>
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The notes to the financial statements are an integral part of this statement.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Decrease in Cash and Cash Equivalents	
<i>Cash Flows Used by Operating Activities:</i>	
Cash Receipts from Administrative Fees	\$15,000
Cash Payments for Board Member Compensation	(7,555)
Cash Payments for Dues, Subscriptions, Conferences and Meetings	(2,240)
Cash Payments for Engineering Expenses	(37,929)
Cash Payments for Legal and Professional Fees	(55,438)
Cash Payments for Insurance and Bonding	(5,310)
Cash Payments for Bank Charges and Other	(383)
	(93,855)
<i>Net Cash Used by Operating Activities</i>	
<i>Cash Flows from Noncapital Financing Activities</i>	
Intergovernmental Revenue	69,999
	69,999
<i>Cash Flows Used by Capital and Related Financing Activities</i>	
Cash Receipt from Deposit on Land Purchase Previously Capitalized	2,257
Cash Payments for Nondepreciable Capital Assets	(55,735)
	(53,478)
<i>Net Cash Used by Capital and Related Financing Activities</i>	
<i>Cash Flows from Investing Activities</i>	
Interest on Investments	106
	106
Net Decrease in Cash	(77,228)
<i>Cash Beginning of Year</i>	189,770
<i>Cash End of Year</i>	\$112,542
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
<i>Operating Loss</i>	(\$94,156)
<i>Adjustments to Reconcile Operating Loss to Net Cash Adjustments:</i>	
<i>Expense Associated with Donated Services Not Affecting Cash</i>	10,155
<i>Change in Assets/Liabilities:</i>	
Decrease in Accounts Payable	(9,854)
	(9,854)
<i>Net Cash Used by Operating Activities</i>	(\$93,855)

The notes to the financial statements are an integral part of this statement.

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**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

NOTE 1: DESCRIPTION OF REPORTING ENTITY

Wood County Port Authority, Wood County, Ohio is a body corporate and politic 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 4582.22 of the Ohio Revised Code. Its territorial limits encompass all of Wood County.

The Port Authority was formerly known as the Northern Wood County Port Authority and was created by the City of Rossford, Ohio and Perrysburg Township, Wood County, Ohio. On July 23, 2010, the Wood County Commissioners, the Mayor of the City of Rossford, and the Perrysburg Township Trustees executed an agreement wherein Wood County joined the Port Authority. The agreement provides that the jurisdiction of the Port Authority is expanded to include all of Wood County, Ohio. The Port Authority shall be governed by a board of directors pursuant to RC 4582.27. The Board shall consist of seven (7) members. Initially, two Board members shall be appointed by the Mayor of the City; two appointed by Township Trustees; two appointed by the Wood County Commissioners; and one appointed jointly by the Mayor, the Trustees, and the Commissioners. The Directors from the City and Township will continue their respective terms. The Commissioners appointed two Board Members immediately after signing the agreement. The Joint Appointee shall be the current joint appointee of the City and Township. All terms will be four year terms with the initial terms of the County appointees being staggered by two years. Upon the first vacancy of a City, Township, and Joint Appointee, either through the expiration of term of office, by resignation, or otherwise, the Wood County Commissioners shall appoint the successor to each of those terms, until the Wood County Commissioners have a total of five (5) appointments to the Port Authority Board, except that in no event shall there be less than one representative of the City and Township on the Board of Directors at any one time.

The Port Authority is included as a component unit in Wood County's financial statements.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financial accountable.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Wood County Port Authority (the Port Authority) is presented to assist in understanding the entity's financial statements. The financial statements and notes are representations of the entity's management and board who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles for governmental agencies including those principles prescribed by the Governmental Accounting Standard Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of States, Local Governments*. The above policies have been consistently applied in the preparation of the financial statements.

A. Basis of Accounting

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Port Authority's basic financial statements consist of a statement of net position; a statement of revenue, expenses and changes in net position; and a statement of cash flows. The Port Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of operating income, the change in net position, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all 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 fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total 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.

C. Fund Accounting

The Port Authority maintains an Enterprise Fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The Port Authority did not report any deferred outflows of resources for 2016.

In addition to liabilities, the statement of net position may report 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. The Port Authority did not report any deferred inflows of resources for 2016.

E. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value on the date donated. The Port Authority has a capitalization threshold of \$5,000. 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 capitalized, but are expended when incurred.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consist of capital assets, and if applicable, net of accumulated depreciation and related debt. Net position is 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 position are available. The Port Authority did not have any restricted net position for 2016.

G. Statement of Cash Flows

For the purposes of the statement of cash flows, the Port Authority considers all short term investments with a maturity of three months or less at the time they are acquired to be cash equivalents.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority. All revenues and expenses not meeting these definitions are reported as non-operating.

I. Estimates

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

NOTE 3: CASH AND CASH EQUIVALENTS

Monies held by the Port Authority are classified by State statute into three categories. Active monies are public monies determined to be necessary to meet current demands upon the Port Authority treasury. Active monies must be maintained either as cash in the Port Authority treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts. Interim monies held by the Port Authority can be deposited or invested in the following securities:

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2); and
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Protection of the Port Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Deposits

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2016, none of the Port Authority's bank balance of \$116,192 was exposed to custodial credit risk because it was uninsured or uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Port Authority to a successful claim by the FDIC.

The Port Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Port Authority or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**WOOD COUNTY PORT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

NOTE 4: CAPITAL ASSETS

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

	Balance 01/01/16	Additions	Deletions	Balance 12/31/16
Capital Assets:				
Nondepreciable Capital Assets	\$ 7,320,975	\$ 55,735	\$ -	\$ 7,376,710

The capital assets, consisting of the Liberty Hi Road and Chessie Circle Trail (formally known as Westside Corridor) Projects, will be transferred off the balance sheet after the Port Authority's planned dedication to various entities.

NOTE 5: RISK MANAGEMENT

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

NOTE 5: RISK MANAGEMENT (Continued)

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

The Council maintains commercial insurance for the following risks:

- General Liability & Casualty
- Public Officials Liability
- Vehicle
- Property

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four years.

NOTE 6: FINANCING ACTIVITY

During fiscal year 2016, the Port Authority received operating monies from the Wood County Commissioners totaling \$40,000.

NOTE 7: CONTINGENCIES

Grants

The Port Authority received financial assistance from State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Port Authority. However, the effect of any such disallowed claims on the overall financial position of the Port Authority at December 31, 2016, if applicable, cannot be determined at this time.

NOTE 8: CONDUIT DEBT

OI Levis Park STS, Inc.

In November 2005, the Port Authority issued \$10,570,000 of Rossford/Perrysburg Township Joint Economic Development Authority/Port Authority Taxable Development Revenue Bonds, Series 2005. The proceeds of the revenue bonds were used to fund the completion of the OI World Headquarters office building. The Port Authority has leased the property on which this building is located and owns the building. The Port Authority has leased the building to OI Levis Park STS, Inc. The lease is non-cancelable until the underlying revenue bonds are paid in full. The lease payments cover the principal and interest payments on the Revenue Bonds, Series 2005. All expenses related to the revenue bonds and the maintenance of the building is the responsibility of OI Levis Park STS, Inc. OI Levis Park STS, Inc. pays the lease payments directly to the trustee. In addition, an agreement to guarantee the indebtedness was executed by Owens-Brockway Glass Container, Inc. and the Port Authority.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

NOTE 8: CONDUIT DEBT (Continued)

In accordance with Governmental Accounting Standards, these revenue bonds issued by the Port Authority are considered conduit debt and do not create a liability and therefore are not presented on the Port Authority's financial statements. The Port Authority has no responsibility for the repayment of the debt and the lease payments are paid directly to the trustee by OI Levis Park STS, Inc.

HD Troy OH Landlord, LLC

In August 2013, the Port Authority issued \$75,000,000 of Wood County Port Authority Taxable Development Revenue Bonds, Series 2013. The proceeds of the revenue bonds were used to fund the completion of a 1,600,000 square foot distribution center. The Port Authority has leased the property on which this building is located and owns the building. The Port Authority has leased the building to HD Troy OH Landlord, LLC. The lease is non-cancelable until the underlying revenue bonds are paid in full. The lease payments cover the principal and interest payments on the Revenue Bonds, Series 2013. All expenses related to the revenue bonds and the maintenance of the building is the responsibility of HD Troy OH Landlord, LLC.

In accordance with Governmental Accounting Standards, these revenue bonds issued by the Port Authority are considered conduit debt and do not create a liability and therefore are not presented on the Port Authority's financial statements. The Port Authority has no responsibility for the repayment of the debt and the lease payments are paid directly to the trustee by HD Troy OH Landlord, LLC.

Hollister Hotel, LLC

In October 2016, the Port Authority issued \$10,080,000 of Port Authority Taxable Development Revenue Bonds, Series 2016. The proceeds of the revenue bonds were used to fund the construction of a new 106 room hotel located in Perrysburg, Ohio. The Port Authority has leased the property on which this building is located and owns the building. The Port Authority has leased the building to Hollister Hotel, LLC. The lease is non-cancelable until the underlying revenue bonds are paid in full. The lease payments cover the principal and interest payments on the Revenue Bonds, Series 2016. All expenses related to the revenue bonds and the maintenance of the building is the responsibility of Hollister Hotel, LLC. Hollister Hotel, LLC pays the lease payments directly to the trustee.

In accordance with Governmental Accounting Standards, these revenue bonds issued by the Port Authority are considered conduit debt and do not create a liability and therefore are not presented on the Port Authority's financial statements. The Port Authority has no responsibility for the repayment of the debt and the lease payments are paid directly to the trustee by Hollister Hotel, LLC.

NOTE 9: LIBERTY HI ROAD PROJECT

On August 17, 2010, the Port Authority contracted with the Ohio Department of Transportation, CSX Transportation, Inc., and Wood County whereby the Port Authority agreed to construct a grade separation at the intersection of Liberty Hi Road, in Henry Township, Wood County, Ohio. CSX Transportation, Inc. agreed to provide real property necessary for the construction of the roadway improvement valued at \$883,304 and it agreed to provide cash for the roadway improvement in the amount of \$5,774,470. The Port Authority also received a roadway improvement grant from the Ohio Department of Development in the amount of \$600,000. The roadway improvement was substantially completed by August 11, 2011, however, the roadway improvement has not yet been dedicated to the County due to issues with the roadway. The Port Authority continues to incur and pay additional costs associated with addressing issues with the roadway and such costs have been included in the cost of this project.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

NOTE 10: CHESSIE CIRCLE TRAIL PROJECT (FORMALLY KNOWN AS WESTSIDE CORRIDOR PROJECT)

Since 2003, efforts have been underway to purchase approximately 11 miles of the CSX Toledo Terminal Westside Corridor, located in Wood and Lucas County, Ohio, to preserve the rail right-of-way for future use. The rail corridor extends from Laskey Road, to River Road in Toledo, Lucas County, Ohio and from River Road (State Route 65) to Bates Road in Perrysburg Township, Wood County, Ohio.

A consortium of public entities combined to purchase the rail corridor using federal transportation funds. The consortium members include the Trust for Public Land, Metroparks of the Toledo Area, University of Toledo, City of Toledo, Wood County Park District, Wood County Port Authority, and the Toledo Metropolitan Area Council of Governments (TMACOG).

Through the sale process, the Wood County Port Authority acquired the real property from River Road in Lucas County to River Road (State Route 65) in Wood County, including a bridge spanning the Maumee River and a value for the property and bridge was assigned to the Port Authority in the amount of \$320,091. The Port Authority intends to remove the bridge and insure that alternative transportation access is expanded to provide the crossing of the Maumee River from Wood to Lucas County.

NOTE 11: NEW ACCOUNTING POLICIES

For the fiscal year ended December 31, 2016, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 77, Tax Abatement Disclosures, and GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Authority.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Authority.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Authority.

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

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

NOTE 11: NEW ACCOUNTING POLICIES (Continued)

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose the certain information about the agreements including brief descriptive information such as the tax being abated, the authority under and mechanism by which tax abatements are provided, eligibility criteria, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Authority.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Authority.

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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

Wood County Port Authority
Wood County
932 Dixie Highway
Rossford, Ohio 43460

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 Wood County Port Authority, Wood 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 June 8, 2017, wherein we noted the Port Authority is a component unit of Wood County.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-002.

Entity's Response to Findings

The Port Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Port Authority's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State

Columbus, Ohio

June 8, 2017

**WOOD COUNTY PORT AUTHORITY
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Significant Deficiency

Financial Monitoring

Accurate financial reporting is the responsibility of the Treasurer / Secretary and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Port Authority improperly classified Cash Flows for Engineering Expenses of \$16,486 as Cash Flows for Legal and Professional Fees on the Statement of Cash Flows.

Due to an insufficiency of monitoring by management the amounts noted above were improperly classified.

The failure to correctly report financial activity in the accounting records and financial statements may impact, a user's understanding of the financial operations, the ability to make sound financial decisions, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Directors. The accompanying financial statements were adjusted to correct this error.

We recommend the Port Authority adopt policies and procedures, including a final review of the financial statements by the Treasurer / Secretary and Board of Directors, to identify and correct errors and omissions.

Officials' Response: The Port Authority agrees that accurate financial reporting is very important. However, the Port Authority believes that classification of expenses when it comes to various professional fees does not represent a reportable condition that would have any type of impact on the reader of the financial statements. The Port Authority Board of Directors could understand the issuance of a reportable condition if there were significant adjustments to the financial statements that affected revenues, expenses, or changes in net position; however, we believe these matters don't warrant inclusion in the audit report. To insure this matter is not repeated, the Port Authority can summarize expenses such as these all as professional fees in the future to assure that there are no misunderstandings regarding these issues.

Auditor of State's Conclusion: AU-C 265.07 defines a significant deficiency as 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. While the above noted misstatement was not determined to be a material weakness, it was significant enough to warrant an adjustment on the Statement of Cash Flows, one of the three financial statements presented by the Wood County Port Authority.

FINDING NUMBER 2016-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(D)(1) provides in part that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon. There are several exceptions to the requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of an appropriate fund free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the transactions tested were certified by the Secretary / Treasurer at the time the commitments were incurred, and there was no evidence the Board followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Port Authority's funds exceeding budgetary spending limitations, the Secretary / Treasurer should certify that the funds are or will be available prior to obligation by the Port Authority. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2016-002 (Continued)

The Secretary / Treasurer should certify the full purchase amounts to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires for the authorization of disbursements. The Secretary / Treasurer should sign the certification prior to incurring a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Secretary / Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: The Port Authority will take steps to comply with ORC Section 5705.41(D)(1) by working to implement purchase orders and having them properly certified by the Secretary / Treasurer, where practicable, and using "Then and Now" certifications where the use of purchase orders is not practicable.

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WOOD COUNTY PORT AUTHORITY

WOOD 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
JUNE 27, 2017**