



Dave Yost • Auditor of State

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Blanchard Valley Port Authority
Hancock County
1660 Tiffin Avenue
Findlay, Ohio 45840

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balances, receipts and disbursements and related notes of Blanchard Valley Port Authority, Hancock County, Ohio (the Authority) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 Authority's preparation and fair presentation of the financial statement 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 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 opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statement, the Authority prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Authority does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of Blanchard Valley Port Authority, Hancock County, Ohio as of December 31, 2015 and 2014, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2016, on our consideration of the 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 Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 13, 2016

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Cash Receipts		
Administrative Fees		\$328,250
Cash Disbursements		
Contractual Services	\$27,026	232,756
Membership Fees and Dues	100	100
Advertising and Printing	53	80
Other Expenses	324	2,898
	<u>27,503</u>	<u>235,834</u>
<i>Total Cash Disbursements</i>		
	<u>27,503</u>	<u>235,834</u>
<i>Net Change in Fund Cash Balances</i>	(27,503)	92,416
<i>Fund Cash Balances, January 1</i>	<u>102,294</u>	<u>9,878</u>
Unassigned Fund Cash Balances, December 31	\$74,791	\$102,294

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

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**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Blanchard Valley Port Authority, Hancock County, Ohio (the Authority) as a body corporate and politic. The Hancock County Commissioners and the City of Findlay appoints seven Board members to direct the Authority. The Authority's territorial limits encompass Hancock County and the City of Findlay.

The Authority's management believes this financial statement presents all activities for which the Authority is financially accountable.

B. Accounting Basis

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Fund Accounting

The Authority uses only one fund classification, a General Fund. The General Fund is the general operating fund. It is used to account for all financial resources.

D. Budgetary Process

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and appropriations may not exceed estimated resources. The Authority's Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

3. Encumbrances

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2015 AND 2014
(Continued)**

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Authority must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Board can *commit* amounts via formal action (resolution). The Authority must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or an Authority official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. DEPOSITS

The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2015	2014
Total demand deposits	<u>\$74,791</u>	<u>\$102,294</u>

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2015 AND 2014
(Continued)**

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$200,000		(\$200,000)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$76,700	\$27,503	\$49,197

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$375,000	\$328,250	(\$46,750)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Total	\$253,400	\$235,834	\$17,566

4. CONTRACTUAL COMMITMENT

The Authority contracts with its Administrative Consultant for his services. Per the contract, he is to be paid for his fees and expenses from 50% of all new non-tax revenues it receives when fees and expenses are current and 75% of all new non-tax revenues it receives when fees and expenses are in the arrear. During the audit period, the Authority paid the executive director \$252,225 for his fees and services from the new non-tax revenues received. As of December 31, 2015, there was no outstanding balance of fees and services due the Administrative Consultant.

5. CONDUIT DEBT

University of Findlay 2009

In January 2009, the Authority issued \$10,000,000 of Lease Obligation Bonds. The proceeds of the bonds were used to refinance prior bonds which were for the purpose of constructing a fitness and recreation center, acquisition of property, as well as improvements to resident halls, South Campus Equestrian riding area, Renniger Gymnasium, Croy Gymnasium, Egnor Fine Arts Building, Shafer Library and the University bookstore. The Authority has leased the property on which these buildings are located and owns the buildings. The Authority has leased the buildings to the University of Findlay. The lease is non-cancelable until the underlying bonds are paid in full. The lease payments cover the principal and interest payments on the Lease Obligation Bonds. All expenses related to the revenue bonds and the maintenance of the buildings is the responsibility of the University of Findlay. The aggregate amount of this debt outstanding as of December 31, 2015 was not available.

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2015 AND 2014
(Continued)**

The University of Findlay pays the lease payments directly to the trustee.

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

University of Findlay 2012

In November 2012, the Authority issued \$7,000,000 of Lease Obligation Bonds. The proceeds of the bonds were used to refinance up to the outstanding principal amount of certain obligations related to the Charitable Gift Annuity Agreement by and among Blanchard Valley Health System, Winebrenner Village and the Corporation. The prior obligation was used to purchase real property. The Authority has leased the property and owns the property. The Authority has subleased the property to the University of Findlay. The lease is non-cancelable until the underlying bonds are paid in full. The lease payments cover the principal and interest payments on the Lease Obligation Bonds. All expenses related to the revenue bonds and the maintenance of the buildings is the responsibility of the University of Findlay. The aggregate amount of this debt outstanding as of December 31, 2015 was not available.

The University of Findlay pays the lease payments directly to the trustee.

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

Marathon 2014

In April 2014, the Authority approved the issuance of Development Lease Revenue Bonds not to exceed \$90,000,000. The original issue of the bonds is for \$80,000,000 with the possibility of an additional \$10,000,000 that could be issued. The proceeds of the bonds were used for the construction of an office building, a service building, two parking garages and connecting pedestrian bridges for Marathon Petroleum Company LP located in Findlay, Ohio. The Authority owns the property on which these buildings are located and owns the buildings. The Authority has subleased the property to Marathon Petroleum Company LP. The lease is non-cancelable until the underlying bonds are paid in full. The lease payments cover the principal and interest payments on the Development Lease Revenue Bonds. All expenses related to the revenue bonds and the maintenance of the buildings is the responsibility of Marathon Petroleum Company LP. The aggregate amount of this debt outstanding as of December 31, 2015 was not available.

Marathon Petroleum Company LP pays the lease payments directly to the trustee.

In accordance with Governmental Accounting Standards, these lease obligation bonds issued by the Authority are considered conduit debt and do not create a liability and therefore are not presented on the Authority's financial statement. The Authority has no responsibility for the repayment of the debt and the lease payments are paid directly to the trustee by the Marathon Petroleum Company LP. During 2014, the Port Authority received the sum of \$225,000 in consideration for the issuance of the revenue bonds.

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2015 AND 2014
(Continued)**

6. LEASE

In July 2014, the Authority agreed to construct a 400,000 square foot grocery distribution center in Findlay, Hancock County, Ohio. The Authority owns the property on which this building is located and owns the building. The Authority has subleased the property to McLane Company, Inc. and executed and delivered a construction manager agreement. The term of the lease is from July 2014 through July 2019. The lease is non-cancelable with an option to purchase at the end of the term for \$5,000 plus all costs of the Authority. The rent obligation is satisfied upon the construction of the distribution center with McLane Company, Inc.'s own funds and use of the distribution center. No other direct payments are required except for the contracting fee.

The Authority received \$100,000 in 2014 for the contracting fee.

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

Blanchard Valley Port Authority
Hancock County
1660 Tiffin Avenue
Findlay, Ohio 45840

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 statement of Blanchard Valley Port Authority, Hancock County, Ohio (the Authority) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statement, and have issued our report thereon dated April 13, 2016 wherein we noted the Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 statement, but not to the extent necessary to opine on the effectiveness of the 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 Authority's financial statement. 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 Authority's financial statement is 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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the 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, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

April 13, 2016

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 5705.41(D) due to improper certification of expenditures.	Yes	
2013-002	Ohio Rev. Code § 5705.41 (B) due to expenditures exceeding appropriations.	Yes	

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BLANCHARD VALLEY PORT AUTHORITY

HANCOCK 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
MAY 10, 2016**