



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 Statements

We have audited the accompanying financial statements and related notes of Blanchard Valley Port Authority, Hancock County, Ohio (the Authority) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements 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 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 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 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

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As described in Note 1B of the financial statements, the Authority prepared these financial statements 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 statements referred to above do 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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Blanchard Valley Port Authority, Hancock County, Ohio as of December 31, 2013 and 2012, 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 May 29, 2014, 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

May 29, 2014

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Cash Receipts:		
Administrative Fees	\$5,000	\$42,500
Cash Disbursements:		
Contractual Services	6,807	32,969
Membership Fees and Dues	100	100
Advertising and Printing	80	52
Other Expenses	119	301
Total Disbursements	7,106	33,422
Net Change in Fund Cash Balance	(2,106)	9,078
Fund Cash Balance, January 1	11,984	2,906
Unassigned Fund Cash Balance, December 31	\$9,878	\$11,984

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

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

Blanchard Valley Port Authority, Hancock 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 Sections 4582.21 to 4582.59 of the Ohio Revised Code. Its territorial limits encompass Hancock County and the City of Findlay. The Hancock County Commissioners and the City of Findlay appoints seven Board members to direct the Authority.

The Board for the Authority oversees the activities of the Authority. Mr. Jerry Arkebauer, President of Arkebauer and Associates, LLC serves as the Administrative Consultant of the Authority. Mr. Arkebauer is compensated for his services through a consulting agreement. Legal services are provided by Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

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

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, 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

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

The Ohio Revised Code requires the Authority to reserve (encumber) appropriations when individual commitments are made. The Authority did not use the encumbrance method of accounting.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

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.

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Deposits

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

	2013	2012
Total demand deposits	\$9,878	\$11,984

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

3. Budgetary

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,000	\$5,000	(\$95,000)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,200	\$7,106	\$59,094

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,000	\$42,500	\$17,500

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,870	\$33,422	(\$7,552)

Contrary to the requirements of the Revised Code expenditures exceeded appropriations in the General Fund in 2012.

4. Outstanding 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 75% of all new non-tax revenues it receives until all fees and expenses are paid in full. During the audit period, the Authority paid the executive director \$25,000 for his fees and services from the new non-tax revenues received. As of December 31,

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2013, there was an outstanding balance of fees and services in total of \$200,486 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, Egner 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 noncancelable 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, 2013 is \$6,656,223.

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 statements. 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 noncancelable 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 the debt issuance outstanding as of December 31, 2013 is \$6,045,500.

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 statements. 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.

6. Subsequent Events

Conduit Debt

**BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

In March 2014, the Authority authorized the issuance of Development Lease Revenue Bonds not to exceed \$90,000,000. The proceeds are being 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 is not obligated in any way to pay the debt charges on the bonds from any of its funds, and therefore, the debt will be excluded entirely from the Authority's debt presentation



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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 statements of Blanchard Valley Port Authority, Hancock County, Ohio (the Authority) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated May 29, 2014 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 statements, 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 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 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Entity's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State

Columbus, Ohio

May 29, 2014

BLANCHARD VALLEY PORT AUTHORITY
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

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 Fiscal Officer 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 Authority's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Authority. When prior certification is not possible, "then and now" certification should be used.

The Fiscal Officer 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 Fiscal Officer 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 Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: The Port Authority will consider this for the future.

FINDING NUMBER 2013-002

Noncompliance Citation

Ohio Rev. Code §5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Expenditures exceeded appropriations by \$7,552 in the General Fund in 2012.

Failure to have adequate appropriations in place at the time the expenditures are being made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary

Officials' Response: This was corrected in 2013.



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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
JUNE 12, 2014**