



Dave Yost • Auditor of State



**STARK COUNTY PORT AUTHORITY  
STARK COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Independent Auditor's Report.....  | 1           |
| Management's Discussion and Analysis.....  | 3           |
| Basic Financial Statements   |             |
| Statements of Net Position.....  | 7           |
| Statements of Revenues, Expenses, and Changes in Net Position .....  | 8           |
| Statements of Cash Flows .....   | 9           |
| Notes to the Basic Financial Statements .....  | 11          |
| Independent Auditor's Report on Internal Control over<br>Financial Reporting and on Compliance and Other Matters<br>Required by Government Auditing Standards..... | 17          |
| Schedule of Prior Audit Findings .....   | 19          |

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Stark County Port Authority  
Stark County  
116 Cleveland Avenue N.W.  
Canton, Ohio 44702

To the Board of Directors:

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

We have audited the accompanying financial statements of Stark County Port Authority, Stark County, Ohio (the Port Authority), a component unit of Stark County, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Port Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Port Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of 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 Stark County Port Authority, Stark County as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years 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 12, 2015, 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 12, 2015

**Stark County Port Authority**  
Stark County  
Management's Discussion and Analysis  
(Unaudited)

The discussion and analysis for the Stark County Port Authority's (SCPA) financial performance provides an overall review of the SCPA for the years ended December 31, 2014 and 2013. The intent of this discussion and analysis is to look at the SCPA's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the SCPA's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2014 and 2013 are as follows:

- In total, net position increased \$172,595 in 2014 from 2013 following a decline in 2013 from 2012 of \$26,050. This increase resulted from increases in charges for service from financial projects undertaken in 2014 and the final charges related to the amendment of the scope and completion of the Kohler coating project. In addition, SCPA Board decision to reevaluate the prior rate in late 2013 reduced the rate of declining net position in 2013 and the full effects of those rate decisions and subsequent projects allowed the SCPA to reverse this prior year trends in 2014.
- Total assets decreased \$583,140 in 2014. This is due to a decrease in the loans receivables. In 2013 assets increased \$2,335,840 due to an increase in loans receivable.
- Total liabilities decreased by \$755,735 in 2014, which represents an 8.1% decrease from 2013. This decrease is due to paying down of all loans payable related to prior economic expansion projects. Conversely in 2013 the SCPA had an increase in loans payable of \$2,361,890 due to an increase in loans payable related to the Shearers Phase II facilities expansion. The 2014 decrease in liabilities related to loans payable indicates the SCPA's efforts in gaining additional pro-business, pro-job growth projects in 2014 took the form of conduit financing resulting in no increased liability for the SCPA.
- The total operating revenue amounted to \$550,616 in 2014, which is an increase of \$172,578 from 2013 or 45.7%. An increase in charges for service was the reason for the increase slightly offset by a decline in loan receipts. Conversely 2013 had an increase of \$107,598 or 39.8% resulting from an increase in loan receipts offset by a slight decline in charges for service in 2013 compared to 2012.
- The \$25,779 decrease in total operating expenses in 2014 compared to 2013 was due to the decrease in interest and fiscal charges related to the Shearers Phase II expansion funded through OWDA and the Stark State/Timken Wind Energy project funded through the OAQDA. In addition, SCPA was able to reduce administrative fees which were partially offset by an increase in legal fees related to conduit financing projects in 2014. Conversely, 2013 had an increase in operating expenses of \$43,491 compared to 2012, the majority of which was a result of an increase in interest and fiscal charges despite declines in both administrative and legal fees. The banking and advisory fees saw little change in either 2013 or 2014.

**Stark County Port Authority**  
 Stark County  
 Management's Discussion and Analysis  
 (Unaudited)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements include a Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

**FINANCIAL ANALYSIS**

A comparative analysis of 2014, 2013 and 2012 is presented below:

**Changes in Net Position**

The following table shows the changes in net position for the years 2014, 2013 and 2012:

|                            | Table 1<br>Net Position |            |              |
|----------------------------|-------------------------|------------|--------------|
|                            | 2014                    | 2013       | 2012         |
| <b>Assets</b>              |                         |            |              |
| Cash and Cash Equivalents  | \$ 1,044,877            | \$ 619,404 | \$ 2,145,454 |
| Loans Receivable           | 8,511,800               | 9,520,413  | 5,658,523    |
| Total Assets               | 9,556,677               | 10,139,817 | 7,803,977    |
| <b>Liabilities</b>         |                         |            |              |
| Loans Payable              | 8,511,800               | 9,335,413  | 6,973,523    |
| Development Grants Payable | 67,878                  | -          | -            |
| Total Liabilities          | 8,579,678               | 9,335,413  | 6,973,523    |
| <b>Net Position</b>        |                         |            |              |
| Restricted                 | -                       | -          | 1,270        |
| Unrestricted (Deficit)     | 976,999                 | 804,404    | 829,184      |
| Total Net Position         | \$ 976,999              | \$ 804,404 | \$ 830,454   |

**Stark County Port Authority**  
 Stark County  
 Management's Discussion and Analysis  
 (Unaudited)

*The following represents SCPA's summary of changes in net position:*

**Table 2**  
**Statements of Revenues, Expenses, and Changes in Net Position**

|  | 2014       | 2013       | 2012       |
|--|------------|------------|------------|
| <b>Revenues</b>                                |            |            |            |
| Charges for Services                           | \$ 245,315 | \$ 61,733  | \$ 86,285  |
| Operating Grants                               | 25,000     | 25,000     | -          |
| Loan Receipts                                  | 276,528    | 282,555    | 174,910    |
| Other  | 3,773      | 8,750      | 9,245      |
| <i>Total Operating Revenues</i>                | 550,616    | 378,038    | 270,440    |
| <b>Expenses</b>                                |            |            |            |
| Current:                                       |            |            |            |
| Administration                                 | 78,617     | 106,270    | 135,133    |
| Advisor Fees                                   | 3,000      | 2,601      | 2,501      |
| Bank Fees                                      | 15         | 75         | 30         |
| Legal Fees                                     | 22,842     | 7,677      | 50,716     |
| Debt Service                                   |            |            |            |
| Interest and Fiscal Charges                    | 276,528    | 290,158    | 174,910    |
| <i>Total Operating Expenses</i>                | 381,002    | 406,781    | 363,290    |
| <i>Operating Income (Loss)</i>                 | 169,614    | (28,743)   | (92,850)   |
| <b>Non-Operating Revenues (Expenses)</b>       |            |            |            |
| Pass-through grant revenue                     | 936,780    | -          | -          |
| Pass-through grant expense                     | (936,780)  | -          | -          |
| Investment Income                              | 2,981      | 2,693      | 3,386      |
| Loss on Sale of Capital Assets                 | -          | -          | (80,000)   |
| <i>Total Non-Operating Revenues (Expenses)</i> | 2,981      | 2,693      | (76,614)   |
| <i>Change in Net Position</i>                  | 172,595    | (26,050)   | (169,464)  |
| <i>Net Position at Beginning of Year</i>       | 804,404    | 830,454    | 999,918    |
| <i>Net Position at End of Year</i>             | \$ 976,999 | \$ 804,404 | \$ 830,454 |

**Stark County Port Authority**  
Stark County  
Management's Discussion and Analysis  
(Unaudited)

**CAPITAL ASSETS**

At the end of 2014, the SCPA had no capital assets, net of depreciation.

Additional information on the SCPA's capital assets can be found in Note 6.

**DEBT**

The following table summarizes SCPA's debt:

|  | <u>2014</u>        | <u>2013</u>        | <u>2012</u>        |
|--|--------------------|--------------------|--------------------|
| Ohio Water Development Agency          | \$7,870,141        | \$8,585,413        | \$5,473,523        |
| Ohio Air Quality Development Authority | <u>641,659</u>     | <u>750,000</u>     | <u>1,500,000</u>   |
|  | <u>\$8,511,800</u> | <u>\$9,335,413</u> | <u>\$6,973,523</u> |

Additional information on the SCPA's debt can be found in Note 7.

**CURRENT FINANCIAL RELATED ACTIVITIES**

At December 31, 2014, SCPA had total assets of \$9,556,677 and total net position of \$976,999 representing an increase \$172,595 or 21.4%. At December 31, 2013, SCPA had total assets of \$10,139,817 and a total net position of \$804,404 a decline of \$26,050 or 3.1%. The SCPA benefited from the SCPA Boards reevaluation of its rate structure in late 2013 and the new 2014 fee structure and controlling management and administrative costs has led to this turnaround in 2014. The Board continues to monitor all activity affecting the condition of the SCPA.

**REQUEST FOR INFORMATION**

This financial report is designed to provide the citizens, taxpayers, and consumers of Stark County with a general overview of SCPA's financial position. If you have any questions about this report or need additional financial information, contact the Chairman, 116 Cleveland Ave., 6<sup>th</sup> Floor, Canton, OH 44702.

**Stark County Port Authority**  
Stark County

Statements of Net Position  
December 31, 2014 and 2013

|                            | 2014                     | 2013                     |
|----------------------------|--------------------------|--------------------------|
| <b>Assets</b>              |                          |                          |
| Cash and Cash Equivalents  | \$ 1,044,877             | \$ 619,404               |
| Loans Receivable           | <u>8,511,800</u>         | <u>9,520,413</u>         |
| Total Assets               | <u><u>9,556,677</u></u>  | <u><u>10,139,817</u></u> |
| <b>Liabilities</b>         |                          |                          |
| Loans Payable              | 8,511,800                | 9,335,413                |
| Development Grants Payable | <u>67,878</u>            | <u>-</u>                 |
| Total Liabilities          | <u><u>8,579,678</u></u>  | <u><u>9,335,413</u></u>  |
| <b>Net Position</b>        |                          |                          |
| Unrestricted (Deficit)     | <u>976,999</u>           | <u>804,404</u>           |
| Total Net Position         | <u><u>\$ 976,999</u></u> | <u><u>\$ 804,404</u></u> |

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

**Stark County Port Authority**  
Stark County

Statements of Revenues, Expenses, and Changes in Net Position  
For the years ended December 31, 2014 and 2013

|  | 2014        | 2013         |
|--|-------------|--------------|
| <b>Revenues</b>                                |             |              |
| Charges for Services                           | \$ 245,315  | \$ 61,733    |
| Operating Grants                               | 25,000      | 25,000       |
| Loan Receipts                                  | 276,528     | 282,555      |
| Other  | 3,773       | 8,750        |
| <i>Total Operating Revenues</i>                | 550,616     | 378,038      |
| <b>Expenses</b>                                |             |              |
| Current:                                       |             |              |
| Administration                                 | 78,617      | 106,270      |
| Advisor Fees                                   | 3,000       | 2,601        |
| Bank Fees                                      | 15          | 75           |
| Legal Fees                                     | 22,842      | 7,677        |
| Debt Service:                                  |             |              |
| Interest and Fiscal Charges                    | 276,528     | 290,158      |
| <i>Total Operating Expenses</i>                | 381,002     | 406,781      |
| <br><i>Operating Income (Loss)</i>             | <br>169,614 | <br>(28,743) |
| <b>Non-Operating Revenues (Expenses)</b>       |             |              |
| Pass-through grant revenue                     | 936,780     |              |
| Pass-through grant expense                     | (936,780)   |              |
| Investment Income                              | 2,981       | 2,693        |
| <i>Total Non-Operating Revenues (Expenses)</i> | 2,981       | 2,693        |
| <br><i>Change in Net Position</i>              | <br>172,595 | <br>(26,050) |
| <br><i>Net Position at Beginning of Year</i>   | <br>804,404 | <br>830,454  |
| <i>Net Position at End of Year</i>             | \$ 976,999  | \$ 804,404   |

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

**Stark County Port Authority**  
Stark County

Statements of Cash Flows  
Proprietary Funds  
For the Years Ending December 31, 2014 and 2013

|  | Business - Type Activities |                    |
|--|----------------------------|--------------------|
|  | Operating Fund             |                    |
|  | 2014                       | 2013               |
| <b>Cash Flows From Operating Activities</b>  |                            |                    |
| Cash Received From Grants  | \$ 25,000                  | \$ 25,000          |
| Cash Received From Customers   | 245,315                    | 61,733             |
| Cash Received From Loan Interest   | 276,528                    | 282,555            |
| Other  | 3,773                      | 8,750              |
| Cash Payment to Goods and Services   | (104,474)                  | (116,623)          |
| Cash Payment to Loan Interest  | (276,528)                  | (290,158)          |
| <i>Net Cash Provided (Used) by Operating Activities</i>  | <u>169,614</u>             | <u>(28,743)</u>    |
| <b>Cash Flows From (Used) Noncapital and Related Financing Activities</b>                            |                            |                    |
| Proceeds from Clean Ohio Grant   | 936,780                    | -                  |
| Proceeds from OWDA Shearers Phase II   | -                          | 3,806,178          |
| Cash Received from Outstanding Loans Economic Development  | 1,008,613                  | 694,288            |
| Principal Paid on Noncapital Debt  | (868,902)                  | (5,306,178)        |
|  | <u>(823,613)</u>           | <u>(694,288)</u>   |
| <i>Net Cash (Used) by Noncapital and Related Financing Activities</i>                                | <u>252,878</u>             | <u>(1,500,000)</u> |
| <b>Cash Flows From Investing Activities</b>  |                            |                    |
| Interest and Dividends   | 2,981                      | 2,693              |
| <i>Net Cash Provided by Investing Activities</i>   | <u>2,981</u>               | <u>2,693</u>       |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>  | 425,473                    | (1,526,050)        |
| Balance - Beginning of the Year  | 619,404                    | 2,145,454          |
| Balance - End of the Year  | <u>1,044,877</u>           | <u>619,404</u>     |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b> |                            |                    |
| Operating Income (Loss)  | 169,614                    | (28,743)           |
| Ohio Air Quality Development Authority Escrow Money  | -                          | 1,500,000          |
| Proceeds from Financing Activities   | (252,878)                  | -                  |
| Change in Assets and Liabilities:  |                            |                    |
| Loans Receivables  | 1,008,613                  | (3,861,890)        |
| Development Grant Payable  | 67,878                     | -                  |
| Loans Payable  | (823,613)                  | 2,361,890          |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ 169,614</u>          | <u>\$ (28,743)</u> |

**Non- Cash Transactions:**

\$750,000 in debt outstanding was forgiven by the Loan Issuer in 2013.

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

**This page intentionally left blank.**

**Stark County Port Authority**  
Stark County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 1. Description of the Entity**

The Stark County Port Authority (SCPA) is a body politic and corporate established to promote, develop and advance the general welfare, commerce, and economic development of Stark County and its citizens, and to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The SCPA is directed by a five-member Board appointed by the Stark County Commissioners.

The SCPA is a component unit of Stark County due to the members of the SCPA's Board being appointed by the Stark County Board of Commissioners and being economically dependent on the County for operating subsidies.

The SCPA's management believes these financial statements present all activities for which the SCPA is financially accountable. The SCPA was formed in June 1995 and became independent from Stark County as their fiscal agent in May 1998.

**Note 2. Summary of Significant Accounting Policies**

The basic financial statements (BFS) of the SCPA have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The SCPA's significant accounting policies are described below.

**A. Basis of Presentation**

Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**B. Measurement Focus and Basis of Accounting**

Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

The Ohio Revised Code Section 4582.13 required that each fund be budgeted annually. This budget includes estimated receipts and appropriations. According to the bylaws of the SCPA, the Board shall adopt an appropriation resolution. The SCPA reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and are not re-appropriated.

**Stark County Port Authority**  
Stark County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the SCPA is pooled. Individual fund integrity is maintained through the SCPA's records.

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

**E. Capital Assets and Depreciation**

Capital assets are capitalized at cost and updated for additions and deletions during the year. At fiscal year end, the SCPA had no capital assets.

**F. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the SCPA. For the Port Authority these revenues are charges for services for leases, operating grants and loan receipts. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the SCPA. All revenues and expenses not meeting this definition are reported as nonoperating.

**G. Net Position**

Net position represents the difference between assets and liabilities. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings or liabilities used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the SCPA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The SCPA had no net investment in capital assets or restricted net position as of December 31, 2014.

The SCPA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**H. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3. Deposits and Investments**

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

**Stark County Port Authority**  
Stark County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 3. Deposits and Investments (continued)**

Protection of the SCPA's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Monies held by the SCPA which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

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 payment of principal and interest by the United States, or any book entry, zero-coupon United States Treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the SCPA;
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 (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
8. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**Deposits**

**Custodial credit risk** is the risk, that in the event of bank failure, the SCPA's deposits may not be returned to it. Protection of the SCPA's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of the SCPA's funds shall be required to pledge security for repayment of all public moneys. The SCPA has no investment policy dealing with deposit custodial credit risk beyond the requirement in the State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the Treasurer or an agent designated by the Treasurer.

**Deposits** - The carrying amount of the SCPA's deposits was \$1,044,877 at December 31, 2014 and \$619,404 at December 31, 2013. The entire bank balance of \$1,039,558 in 2014 and \$615,702 in 2013 were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the SCPA's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the SCPA to a successful claim by the FDIC.

**Stark County Port Authority**  
Stark County  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 3. Deposits and Investments (continued)**

Beginning January 1, 2013, noninterest-bearing accounts will no longer be insured separately from interest-bearing accounts at the same financial institution. Instead, noninterest-bearing and interest-bearing accounts will collectively be insured up to a coverage limit of \$250,000, at each separate financial institution.

**Note 4. Risk Management**

The SCPA has obtained commercial crime and public officials' liability insurance from the Westfield Insurance Company. There has not been a significant reduction of coverage from the prior year and settled claims have not exceeded commercial coverage in any of the last three years.

**Note 5. Related Party Transactions**

The SCPA contracts with the SDB to maintain the SCPA's files and records in addition to providing facilities and related administrative functions. The SCPA paid the SDB \$69,017 in 2014 and \$77,505 in 2013 under the term of the contract.

**Note 6. Capital Assets**

During 2014, there were no capital asset transactions that occurred. In 2013, construction of the Stark State/Timken Wind Energy building was completed for \$1,500,000 and the facility was conveyed to Stark State consistent with the terms of the Ohio Air Quality Development Authority loan agreement. In addition, the SCPA had construction in progress totaling \$3,806,178 related to the Shearers Phase II expansion of its water reclamation capabilities. The facility is immediately conveyed to Shearers consistent with the terms of the Ohio Water Developmental Authority loan agreement and the loan repayment schedule between Shearers and the SCPA.

**Note 7. Debt / Loans Payable**

At December 31, 2014, debt outstanding totaled \$8,511,800 down from the \$9,335,413 debt outstanding at December 31, 2013. This consists of three loans from the Ohio Water Development Authority (OWDA), and one loan from the Ohio Air Quality Development Authority. The OWDA loans were used for the construction of buildings. The SCPA has not received an amortization schedule for the 2013 OWDA loan for Shearers Phase II expansion. At December 31, 2014, \$3,389,227 of this loan remained outstanding. The Ohio Air Quality Development Authority (OAQDA) loan was used to assist in financing the Timken Wind Energy project. In 2013, \$750,000 of the \$1,500,000 original loan amount was forgiven by the OAQDA consistent with the terms of the loan agreement and the facility meeting certain job creation and retention thresholds.

**Stark County Port Authority**  
 Stark County  
 Notes to the Basic Financial Statements  
 For the Years Ended December 31, 2014 and 2013

**Note 7. Debt / Loans Payable (continued)**

Amortization of the debt, including interest, is scheduled as follows:

| <b>Ohio Air Quality Development Loan</b> |                          |                  |
|--|--------------------------|------------------|
| Year Ending                              | Business-Type Activities |                  |
| December 31                              | Principal                | Interest         |
| 2015                                     | \$ 221,600               | \$ 16,772        |
| 2016                                     | 228,323                  | 10,053           |
| 2017                                     | 191,736                  | 3,122            |
| 2018                                     | -                        | -                |
| Total                                    | <u>\$ 641,659</u>        | <u>\$ 29,947</u> |

| <b>Ohio Water Development Authority Loans</b> |                          |                   |
|---|--------------------------|-------------------|
| Year Ending                                   | Business-Type Activities |                   |
| December 31                                   | Principal                | Interest          |
| 2015  | \$ 518,917               | \$ 130,565        |
| 2016  | 534,602                  | 114,880           |
| 2017  | 550,760                  | 98,722            |
| 2018  | 567,407                  | 82,075            |
| 2019  | 584,556                  | 64,926            |
| 2020-2024                                     | 1,447,771                | 151,129           |
| 2025-2026                                     | 276,901                  | 6,246             |
| Total   | <u>\$ 4,480,914</u>      | <u>\$ 648,543</u> |

**Note 8. Loans Receivable**

As of December 31, 2014, the loan receivable amount totaled \$8,511,800 down from the \$9,520,413 loan receivable at December 31, 2013. The decrease in loan receivable directly correlates with the decrease in debt outstanding from 2013 to 2014. The revenue will be utilized to retire the corresponding debt related to previous projects.

**Note 9. Conduit Debt**

The SCPA authorized conduit financing of \$2.080 million, for the YMCA, to be used for the purposes of expanding the facilities in its Jackson Township location. This expansion is expected to virtually double the square footage of the original facility which has been overflowing capacity for the past three to four years. The financing was completed in 2014 and the entire \$2.080 million remained outstanding as of December 31, 2014. In addition to the 2014 YMCA conduit financing, the YMCA had \$2,720,127 outstanding as of December 31, 2014, related to the YMCA constructed in downtown Canton with conduit financing provided by the SCPA in 2013. Finally, the Pro Football Hall of Fame expansion had \$9,610,000 outstanding as of December 31, 2014, related to conduit financing provided by the SCPA in 2011. The SCPA has no liability attached to any of the outstanding balances related to conduit financing, as such, the SCPA carries no liability impacting its Statement of Net Position.

**This page intentionally left blank.**



# 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

Stark County Port Authority  
Stark County  
116 Cleveland Avenue N.W.  
Canton, Ohio 44702

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 Stark County Port Authority, Stark County, (the Port Authority) a component unit of Stark County as of and for the years ended December 31, 2014 and 2013, 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 12, 2015.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 12, 2015

**STARK COUNTY PORT AUTHORITY  
STARK COUNTY**

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

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2013-001       | The Port Authority did not submit a copy of its audited financial statements or a certificate of compliance to the Ohio Air Quality Development Authority within one hundred twenty (120) days after the end of the fiscal year. | Yes              | Finding No Longer Valid – agreement modified to reflect 30 days after the audited statements are released.                             |

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**STARK COUNTY PORT AUTHORITY**

**STARK 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  
JULY 7, 2015**