

**STARK COUNTY PORT AUTHORITY
STARK COUNTY, OHIO**

(A Component Unit of Stark County)

BASIC FINANCIAL STATEMENTS

(AUDITED)

***FOR THE YEAR ENDED
DECEMBER 31, 2016***

RONALD MANSE, TREASURER



Dave Yost • Auditor of State

Board of Directors
Stark County Port Authority
116 Cleveland Avenue NW, Suite 600
Canton, Ohio 44702

We have reviewed the *Independent Auditor's Report* of the Stark County Port Authority, Stark County, prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stark County Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 27, 2017

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STARK COUNTY PORT AUTHORITY
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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Stark County Port Authority
Stark County
116 Cleveland Avenue NW
Suite 600
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, a component unit of Stark County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Stark County 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 Stark County 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 Stark County Port Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit 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, Ohio, as of December 31, 2016, and the changes in financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Predecessor Auditor

The financial statements of the Stark County Port Authority, Stark County, Ohio, as of and for the year ended December 31, 2015 were audited by a predecessor auditor whose report dated June 8, 2016, expressed an unmodified opinion on those statements.

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 May 11, 2017, on our consideration of the Stark County 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 Stark County Port Authority's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 11, 2017

**STARK COUNTY PORT AUTHORITY
STARK COUNTY, OHIO
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Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

The discussion and analysis for the Stark County Port Authority's (SCPA) financial performance provides an overall review of the SCPA for the year ended December 31, 2016. 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 2016 are as follows:

- In total, net position increased \$256,728 in 2016 from 2015. This increase resulted from recovering upfront expense related to preliminary work on the Hall of Fame Village Project. These SCPA incurred the expenses in 2015 leading to the decline and recovery upon executing the agreement in 2016.
- Total assets increased \$27,149,043 in 2016. This is due to an increase in the loans receivables; including, \$3,848,653 related to the Timken Steel Inc building construction project that began in 2015 and continued throughout 2016, and \$21,821,261 related to the 2016 Hall of Fame Village Project.
- Total liabilities increased by \$26,892,315 in 2016, which represents an 182% increase from 2015. This increase includes \$3,848,653 related to the 2015-2016 Timken Steel Inc. building construction project and \$24,000,000 related to the 2016 Hall of Fame Village Project. The Hall of Fame Village and Timken projects liability increase was partially offset by continuing to pay down all loans payable related to prior economic expansion projects.
- The total operating revenue amounted to \$542,837 in 2016, which is a decrease of \$30,335 from 2015 or 5.3%.
- The \$365,541 decrease in total operating expenses in 2016 compared to 2015 resulted from declines in administrative and legal expenses related Hall of Fame Village Project incurred in 2015 that were non-reoccurring expenses in 2016. The banking and advisory fees saw little change in either 2015 or 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include a statement of net position, revenues, expenses and changes in net position and a statement of cash flows.

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Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

FINANCIAL ANALYSIS

A comparative analysis of 2016 and 2015 are presented below

Changes in Net Position

The following table shows the changes in net position for the years 2016 and 2015:

	Table 1	
	Net Position	
	2016	2015
Assets		
Cash and Cash Equivalents	\$ 3,310,551	\$ 904,306
Account Receivable	2,271	-
Loans Receivable	39,524,398	14,783,871
Total Assets	42,837,220	15,688,177
Liabilities		
Loans Payable	41,645,415	14,783,871
Other Payable	30,771	-
Total Liabilities	41,676,186	14,783,871
Net Position		
Unrestricted (Deficit)	1,161,034	904,306
Total Net Position	\$ 1,161,034	\$ 904,306

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Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

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

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

	2016	2015
Revenues		
Charges for Services	\$ 297,406	\$ 299,225
Operating Grants	25,000	25,000
Loan Receipts	218,160	248,947
Other (OAQDA Prepaid 4th qtr INT for Timken)	2,271	-
<i>Total Operating Revenues</i>	<i>542,837</i>	<i>573,172</i>
Expenses		
Current:		
Administration	39,793	130,974
Advisor Fees	2,955	2,958
Bank Fees	-	30
Legal Fees	19,809	265,620
Debt Service:		
Interest and Fiscal Charges	220,431	248,947
<i>Total Operating Expenses</i>	<i>282,988</i>	<i>648,529</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>259,849</i>	<i>(75,357)</i>
Non-Operating Receipts		
Pass-through grant revenue	-	750,000
Pass-through grant expense	-	(750,000)
Realized Loss on Sale of Assets	(7,567)	-
Investment Income	4,446	2,664
<i>Total Non-Operating Receipts</i>	<i>(3,121)</i>	<i>2,664</i>
<i>Change in Net Position</i>	<i>256,728</i>	<i>(72,693)</i>
<i>Net Position at Beginning of Year</i>	<i>904,306</i>	<i>976,999</i>
<i>Net Position at End of Year</i>	<i>\$ 1,161,034</i>	<i>\$ 904,306</i>

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Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited)

CAPITAL ASSETS

At the end of 2016, the SCPA had no capital assets, net of depreciation.

DEBT

The following table summarizes SCPA's debt:

	<u>2016</u>	<u>2015</u>
Ohio Water Development Agency	\$ 6,375,913	\$ 7,134,697
Ohio Air Quality Development Authority	191,267	419,590
Timken Steel Construction	11,078,237	7,229,584
Hall of Fame Village LLC Phase I	24,000,000	-
	<u>41,645,417</u>	<u>14,783,871</u>

Additional information on the SCPA's debt can be found in Note 6

CURRENT FINANCIAL RELATED ACTIVITIES

At December 31, 2016, SCPA had total assets of \$42,837,220 and total net position of \$1,161,034 representing an increase decrease of \$72,693 or 7.4%. In 2015, front end expenditures related to the Pro Football Hall of Fame Village Project that were expensed and recovered upon full execution of the contract related to this project. The 2016 net position is directly related to recovering those costs in 2016 as projected.

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., 6th Floor, Canton, OH 44702.

**STARK COUNTY PORT AUTHORITY
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Statements of Net Position
December 31, 2016
(With Comparative Amounts for 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Cash and Cash Equivalents	\$ 3,310,551	\$ 904,306
Accounts Receivable	2,271	
Loans Receivable	39,524,398	14,783,871
Total Assets	<u>42,837,220</u>	<u>15,688,177</u>
Liabilities		
Loans Payable	41,645,415	14,783,871
Other Payable	30,771	-
Total Liabilities	<u>41,676,186</u>	<u>14,783,871</u>
Net Position		
Unrestricted (Deficit)	1,161,034	904,306
Total Net Position	<u>\$ 1,161,034</u>	<u>\$ 904,306</u>

See Accompanying Notes to the Basic Financial Statements.

**STARK COUNTY PORT AUTHORITY
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Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2016
(With Comparative Amounts for 2015)

	2016	2015
Revenues		
Charges for Services	\$ 297,406	\$ 299,225
Operating Grants	25,000	25,000
Loan Receipts	218,160	248,947
Other (OAQDA 4th qtr INT prepaid Timken)	2,271	-
<i>Total Operating Revenues</i>	<i>542,837</i>	<i>573,172</i>
Expenses		
Current:		
Administration	39,793	130,974
Advisor Fees	2,955	2,958
Bank Fees	-	30
Legal Fees	19,809	265,620
Capital Outlay		
Debt Service:		
Interest and Fiscal Charges	220,431	248,947
<i>Total Operating Expenses</i>	<i>282,988</i>	<i>648,529</i>
<i>Operating Income (Loss)</i>	<i>259,849</i>	<i>(75,357)</i>
Non-Operating Revenues (Expenses)		
Pass-through grant revenue	-	750,000
Pass-through grant expense	-	(750,000)
Realized Loss on Sale of Assets	(7,567)	-
Investment Income	4,446	2,664
<i>Total Non-Operating Receipts</i>	<i>(3,121)</i>	<i>2,664</i>
<i>Change in Net Position</i>	<i>256,728</i>	<i>(72,693)</i>
<i>Net Position at Beginning of Year</i>	<i>904,306</i>	<i>976,999</i>
<i>Net Position at End of Year</i>	<i>\$ 1,161,034</i>	<i>\$ 904,306</i>

See Accompanying Notes to the Basic Financial Statements.

**STARK COUNTY PORT AUTHORITY
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Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016
(With Comparative Amounts for 2015)

	2016	2015
	Business-Type Activities	Business-Type Activities
	Operating Fund	Operating Fund
Cash Flows From Operating Activities		
Cash Received from Grants	\$ 25,000	\$ 25,000
Cash Received from Customers	297,406	299,225
Cash Received from Loan Interest	218,160	248,947
Cash Payments to Goods and Services	(62,557)	(399,582)
Cash Payment to Loan Interest	(220,431)	(248,947)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>257,578</u>	<u>(75,357)</u>
Cash Flows From (Used) Noncapital and Related Financing Activities		
Proceeds from Timken Steel Construction	3,848,653	7,229,584
Proceeds from Hall of Fame Village Project	24,000,000	-
Contributed Capital Hall of Fame Village Project	3,215,000	-
Cash Received from Outstanding Loans	929,385	957,512
Economic Development	(28,884,914)	(7,297,462)
Principal Paid on Capital Debt	(987,107)	(957,512)
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	<u>2,121,017</u>	<u>(67,878)</u>
Cash Flows From Investing Activities		
Realized (Loss) on Sale of Investments	(7,567)	-
Interest and Dividends	35,217	2,664
<i>Net Cash Provided by Investing Activities</i>	<u>27,650</u>	<u>2,664</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	2,406,245	(140,571)
Balance - Beginning of the Year	904,306	1,044,877
Balance - End of the Year	<u>\$ 3,310,551</u>	<u>\$ 904,306</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	259,849	(75,357)
Proceeds from Financing Activities		67,878
Change in Assets and Liabilities		
Accounts Receivable (Int on Debt paid OAQDA)	(2,271)	
Bonds/Loans Receivable		(6,272,071)
Development Grant Payable	-	(67,878)
Bonds/Loans Payable		6,272,071
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>257,578</u>	<u>(75,357)</u>

See accompanying Notes to the Basic Financial Statements

**STARK COUNTY PORT AUTHORITY
STARK COUNTY, OHIO
(A COMPONENT UNIT OF STARK COUNTY)**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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. GAAP does not require enterprise funds to present budgetary statements; therefore, budgetary statements have not been included.

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STARK COUNTY, OHIO
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

During, 2016, investments were limited to an overnight sweep repurchase agreement. The Investment is reported at fair value, which is based on quoted market prices.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the SCPA are considered to be cash equivalents. Investments with an original maturity of more than three months are report as investments.

An analysis of the SCPA's investment account at year end is provided in Note 3.

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 restricted net position as of December 31, 2016.

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.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 3. DEPOSITS AND INVESTMENT

State statutes classify monies held by the SCPA into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed immediate use, but which will be needed before the end of the current period of the designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposit or invested in the following securities:

1. United States Treasury Bills, Bonds, Notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided the investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 3. DEPOSITS AND INVESTMENT – (Continued)

8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the SCPA's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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.

Investment in stripped principal or interest obligations, reverse repurchase agreements and derivatives is prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the SCPA and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

The carrying amount of the SCPA's deposits was \$2,220,551 at December 31, 2016 and \$157,023 at December 31, 2015. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$11,041 was covered by FDIC, while the remaining \$2,209,510, which was unspent proceeds on new debt, was fully collateralized and not exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the SCPA's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the SCPA.

B. Investments

As of December 31, 2016, the SCPA had the following investments and maturities

<u>Investment</u>	Fair Value	Investment Maturities		
		6 months less	7 to 12 months	13 to 18 months
Repurchase Agreement	\$ 1,090,000	\$ 1,090,000	\$ -	\$ -
Total	\$ 1,090,000	\$ 1,090,000	\$ -	\$ -

**STARK COUNTY PORT AUTHORITY
STARK COUNTY, OHIO
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 3. DEPOSITS AND INVESTMENT – (Continued)

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the SCPA's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The SCPA's investment policy does not specifically address credit risk beyond requiring the SCPA to only invest in securities authorized by State statute.

Custodial Rate Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the SCPA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the SCPA's \$1,090,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the SCPA. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agency, but not in the SCPA's name. The SCPA has no investment policy dealing with investment custodial risk beyond the requirement of the State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The SCPA places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the SCPA at December 31, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 1,090,000	100
Total	\$ 1,090,000	100

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 \$30,000 in 2016 and \$59,613 in 2015 under the term of the contract.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY, OHIO
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 6. DEBT/LOANS PAYABLE

At December 31, 2016, debt outstanding totaled \$41,645,415 up from the \$14,783,871 debt outstanding at December 31, 2015. This includes: \$24,000,000 in bonds and loans related to the 2016 Hall of Fame Village Project; \$11,078,237 private placement bonds related to the Timken Steel Project; \$6,375,913 in loans from the Ohio Water Development Authority (OWDA); and a \$191,267 loan from the Ohio Air Quality Development Authority. The OWDA loans were used for the construction of buildings. The Ohio Air Quality Development Authority (OAQDA) loan was used to assist in financing the Timken Wind Energy project. The SCPA has not received an amortization schedule for Timken private issuance bond as the total issuance is estimated to be approximately \$15 million and should be completed in 2017. The SCPA has not received an amortization schedule for Hall of Fame Village Project - Phase I private issuance bond of \$14,000,000 and issuance of a \$10,000,000 construction loan as the construction is ongoing and is expected to be completed in 2017.

	Balance <u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/16</u>
Ohio Water Development Authority	\$ 7,134,697	\$ -	\$ (758,784)	\$ 6,375,913
Ohio Air Quality Development Authority	419,590	-	(228,323)	191,267
Timken Steel Project	7,229,584	3,848,653	-	11,078,237
Hall of Fame Village Project	-	24,000,000	-	24,000,000
Total Loans Payable	<u>\$ 14,783,871</u>	<u>\$ 27,848,653</u>	<u>\$ (987,107)</u>	<u>\$ 41,645,417</u>

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

Ohio Air Quality Development Loan

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2017	191,267	3,122
Total	<u>\$ 191,267</u>	<u>\$ 3,122</u>

Ohio Water Development Authority Loan

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2017	387,949	95,833
2018	793,444	174,121
2019	817,426	150,140
2020	842,132	125,433
2021	498,503	102,727
2022-2026	2,588,361	276,217
2027-2028	448,098	16,056
Total	<u>\$ 6,375,913</u>	<u>\$ 940,527</u>

**STARK COUNTY PORT AUTHORITY
STARK COUNTY, OHIO
(A COMPONENT UNIT OF STARK COUNTY)**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 7. LOANS RECEIVABLE

As of December 31, 2016, the loan receivable amount totaled \$39,524,398 up from the \$14,783,871 loan receivable at December 31, 2015. The increase in loan receivable directly correlates with the increase in debt outstanding from 2015 and 2016 less the unspent proceeds from the Hall of Fame Village Project financing, as well as a payment of \$57,722 made to Ohio Air Quality Development Authority that has not been reimbursed to SCPA. In 2016 construction of the Hall of Fame Village Phase I Stadium Renovation began resulting in expenses of \$21,821,259. In addition, the construction of the Timken Steel Inc. building continued resulting in expenses of \$3,848,653. The facilities, in both projects, immediately convey to Hall of Fame Village LLC and Timken Steel Inc. respectively, consistent with the terms of their respective project and financing agreement; therefore, the expenses are included as loans receivable as incurred. The revenue will be utilized to retire the corresponding debt related to previous projects.

Note 8. CONDUIT DEBT

The SCPA authorized conduit financing of \$2,080,000, for the YMCA, to be used for the purposes of expanding the facilities in its Jackson Township location. This expansion doubles the square footage of the original facility. The financing was completed in 2014 and had \$1,810,370 outstanding as of December 31, 2016. In addition to the 2014 YMCA conduit financing, the YMCA has \$2,090,625 outstanding as of December 31, 2016, 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 \$8,890,000 outstanding as of December 31, 2016, 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.

Note 9. SUBSEQUENT EVENTS

The Stark County Port Authority entered into agreement with the Hall of Fame Village LLC for the purpose of overseeing the Phase II improvements related to a Hotel and Convention Center adjacent William Benson Stadium and the Pro Football Hall of Fame. The Phase I improvement was financed through the SCPA in 2016 and outlined above. This agreement also approves the issuance of debt related to the same. No debt has been issued as of the filing of this report.



Julian & Grube, Inc.

Serving Ohio Local Governments

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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*

Stark County Port Authority
Stark County
116 Cleveland Avenue NW
Suite 600
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, a component unit of Stark County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Stark County Port Authority's basic financial statements and have issued our report thereon dated May 11, 2017. Our report includes a reference to other auditors who audited the financial statements of the Stark County Port Authority, as of and for the fiscal year ended December 31, 2015, as described in our report on the Stark County Port Authority's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that were reported on separately by those auditors.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Stark County 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 Stark County 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 Stark County 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.

Board of Directors
Stark County Port Authority

Compliance and Other Matters

As part of reasonably assuring whether the Stark County 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 Stark County 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 Stark County Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
May 11, 2017

**STARK COUNTY PORT AUTHORITY
STARK COUNTY, OHIO
(A Component Unit of Stark County)**

**STATUS OF PRIOR AUDIT FINDING
DECEMBER 31, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	2015	Material Weakness - Financial Reporting - The Port Authority did not have procedures in place to help ensure the financial statements and disclosures were complete and accurate.	Yes	N/A



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 11, 2017**