



Mary Taylor, CPA
Auditor of State

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

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Mary Taylor, CPA

Auditor of State

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 21, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the Stark County Port Authority, Stark County, Ohio, (the Port Authority) as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Port Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Port Authority's larger (i.e. major) funds separately. While the Port Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Port Authorities to reformat their statements. The Port Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2006, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance and reserves for encumbrances of the Stark County Port Authority, Stark County, as of December 31, 2006, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Port Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 21, 2007

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$19,862
Intergovernmental	25,000
Miscellaneous Revenue	385
Total Operating Cash Receipts	45,247
Operating Cash Disbursements:	
Administration	72,608
Professional Services	68,849
Legal Services	46,564
Insurance	9,736
Miscellaneous Bank Fees	53
County and State Treasurers fees	7,533
Total Operating Cash Disbursements	205,343
Non-Operating Cash Receipts	
Investment Income	18,861
Total Non-Operating Cash Receipts (Under)	
Operating Cash Disbursements	(141,235)
Other Financing Receipts/(Disbursements):	
Special Item - Lawsuit Settlement	1,012,812
Special Item - Legal Fees	(336,711)
Total Other Financing Receipts/(Disbursements)	676,101
Excess of Non-Operating Cash Receipts and Other Financing Receipts Over Operating Cash Disbursements and Other Financing Disbursements	534,866
Cash Balance, January 1	\$364,158
Cash Balance, December 31	\$899,024
Reserve for Encumbrances, December 31	\$10,282

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

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>
Cash Receipts:	
Miscellaneous	<u>\$94,342</u>
Cash Disbursements:	
Capital Outlay	100,000
Debt Service - Interest Payment	<u>94,342</u>
Total Cash Disbursements	<u>194,342</u>
Total Cash Receipts (Under) Cash Disbursements	(100,000)
Cash Balance, January 1	<u>100,000</u>
Cash Balance, December 31	<u><u>\$0</u></u>

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

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Stark County Port Authority, Stark County, Ohio, (the Port Authority) is a body corporate and politic 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 Port Authority is directed by a five-member Board appointed by the Stark County Commissioners.

The Port Authority is a component unit of Stark County since the members of the Port Authority's Board are appointed by the Stark County Board of Commissioners and the Port Authority is economically dependent on the County for financial support.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Port Authority recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Port Authority's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or disbursements investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Port Authority values certificates of deposit at cost.

D. Fund Accounting

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

The Port Authority maintains a Debt Service Fund to record loan proceeds from the Ohio Environmental Protection Agency and the Ohio Water Development Authority (OWDA) for construction of facilities at Superior Dairy, Inc.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

Ohio Revised Code Section 4582.13, requires that each fund be budgeted annually. This budget includes estimated receipts and appropriations.

1. Appropriations

Pursuant to the bylaws of the Port Authority, the Board shall adopt an appropriation resolution.

2. Encumbrances

The Port Authority reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and are not re-appropriated.

A summary of 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Port Authority records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Port Authority maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2006 was as follows:

Demand deposits	\$9,823
Money market account	71,905
Certificates of deposit	<u>817,296</u>
Total deposits	<u><u>\$899,024</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise Fund	\$1,064,171	\$1,076,920	\$12,749
Debt Service Fund	94,342	94,342	0
	<u>\$1,158,513</u>	<u>\$1,171,262</u>	<u>\$12,749</u>

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise Fund	\$582,961	\$552,336	\$30,625
Debt Service Fund	194,342	194,342	0
Total	\$777,303	\$746,678	\$30,625

4. NONCOMPLIANCE

During 2006, certain Port Authority expenditures were not certified by the Fiscal Officer prior to incurring the obligation, contrary to Ohio Revised Code Section 5705.41(D).

5. DEBT

- A.** At December 31, 2006, debt outstanding totaled \$50,000 with the Community Improvement Corporation (CIC) with a 3% rate of interest.

The Port Authority obtained the CIC loan during 1998 for operating purposes. The interest is paid in annual installments with the balance of the loan being repaid at the end of the loan term.

Amortization of the debt, including interest, is \$50,000 and was scheduled to be paid in full by the end of the fiscal year ended December 31, 2003. However, the loan was deferred by the Stark County CIC. The deferment period will continue until the former Crane property is sold or leased at which time, the balloon payment will become due within 6 months.

- B.** On October 11, 2004, the Port Authority, in conjunction with Superior Dairy, Inc., entered into an agreement to construct a Pre-treatment System. In order to obtain funds for the construction of the project, the Port Authority entered into a loan agreement with the Ohio Water Development Authority (OWDA).

The loan agreement authorized the Port Authority to obtain loan funds in an amount up to \$3,200,000 at a rate of 3% for 15 years. As of December 31, 2006, \$3,144,739 had been drawn against the loan. The Port Authority is required to pay interest only on the loan for five years.

6. RISK MANAGEMENT

The Port Authority has obtained commercial insurance for the following risks:

- Public Officials liability, and
- Commercial general liability

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)**

7. RELATED PARTY TRANSACTIONS

The Port Authority contracts with the Stark Development Board (SDB) for administrative and management services. During 2006, the Port Authority paid SDB a total of \$72,568 for those services.

8. SPECIAL ITEM

The Port Authority was a defendant in a lawsuit. The outcome of this suit was settled on June 29, 2006. The Port Authority received \$1,012,812 from a final gross settlement of \$2,675,000 in the multi-party lawsuit with Great American Insurance concerning a fire at a Port Authority owned warehouse. Legal fees associated with the lawsuit settlement were \$336,711.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Stark County Port Authority, Stark County, Ohio, (the Port Authority) as of and for the year ended December 31, 2006, and have issued our report thereon dated September 21, 2007, wherein we noted the Port Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Port Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal controls over financial reporting: 2006-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Port Authority's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above as finding number 2006-001 is also a material weakness.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2006-001.

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

We intend this report solely for the information and use of the audit committee, management, and Board of Directors. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 21, 2007

STARK COUNTY PORT AUTHORITY
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006

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

Noncompliance/Material Weakness

FINDING NUMBER 2006-001

Ohio Rev. Code Section 5705.41(D) requires 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 of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every 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 standard 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, 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 that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Port Authority can authorize the drawing of a warrant for the payment of the amount due. The Port Authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of 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 Port Authority.

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 Port Authority 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 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.

Noncompliance/Material Weakness Continued)

FINDING NUMBER 2006-001 (Continued)

During 2006, 13 out of the 17 (76%) expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation. It was also found that none of the exceptions above were utilized for the items found to be in noncompliance. The Fiscal Officer should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

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

The Port Authority should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Port Authority incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

This weakness reduces the likelihood that material noncompliance will be detected in a timely manner by the Port Authority.

Officials' Response: The Port Authority staff and Fiscal Officer (Treasurer) will take steps to correct this situation in the future. A review of Ohio Revised Code 5705.41 will be completed to ensure that when circumstances warrant, the uses of "Then and Now", "Blanket Certificates" and "Super Blanket Certificates" are made. A record of the review training will be placed in the file.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Material Noncompliance: Ohio Rev. Code Section 5705.41(D) - During 2005, 10 out of 19 (53%) of the expenditures tested, were not certified by the Fiscal Officer prior to incurring the obligation.	No	During 2006, 13 out of 17 (76%) of expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation.



Mary Taylor, CPA
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
DECEMBER 4, 2007**