



Dave Yost • Auditor of State

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

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Dave Yost • Auditor of State

Stark County Port Authority
Stark County
116 Cleveland Avenue N.W.
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 an 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 adverse 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 29, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of Stark County Port Authority, Stark County, a component unit of Stark County, (the Port Authority) as of and for the year ended December 31, 2011. 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 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, 2011 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, 2011, or its changes in financial position or cash flows, where applicable for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Stark County Port Authority, Stark County, as of December 31, 2011, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2012, 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 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

May 29, 2012

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise Fund
Operating Cash Receipts	
Charges for Services	\$171,736
Operating Grants	25,000
Loan Receipts	651,550
Other	31,770
<i>Total Operating Cash Receipts</i>	880,056
Operating Cash Disbursements	
Current:	
Administration	136,495
Advisor Fees	2,701
Bank Fees	229
Legal Fees	72,755
Capital Outlay	591,268
Debt Service:	
Principal	460,649
Interest and Fiscal Charges	220,901
<i>Total Operating Cash Disbursements</i>	1,484,998
<i>Operating (Loss)</i>	(604,942)
Non-Operating Cash Receipts	
Issuance of Debt (OWDA Loan)	591,268
Issuance of Debt (OAQDA Loan)	1,500,000
Investment Income	7,079
<i>Total Non-Operating Cash Receipts</i>	2,098,347
<i>Net Receipts Over Disbursements</i>	1,493,405
<i>Fund Cash Balances, January 1</i>	741,513
<i>Fund Cash Balances, December 31</i>	\$2,234,918

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

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**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The 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. Deposits and Investments

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

The Port Authority's accounting values U.S. Treasury Notes 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.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(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 at year-end are carried over and are not re-appropriated.

A summary of the 2011 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 Deposits and Investments

The Port Authority maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2011 was as follows:

	2011
Demand deposits	<u>\$78,047</u>
Total deposits	<u>78,047</u>
U.S. Treasury Notes	2,156,871
Total investments	<u>2,156,871</u>
Total deposits and investments	<u><u>\$2,234,918</u></u>

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

Investments: The Federal Reserve holds the Authority's U.S. Treasury Notes in book-entry form by, in the name of the Port Authority's financial institution. The financial institution maintains records identifying the Port Authority as owner of these securities.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 was as follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise Fund	\$2,889,659	\$2,978,403	\$88,744
Total	\$2,889,659	\$2,978,403	\$88,744

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise Fund	\$2,491,781	\$1,484,998	\$1,006,783
Total	\$2,491,781	\$1,484,998	\$1,006,783

4. Debt

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 (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, 2011, \$3,144,739 had been drawn against the loan. The Port Authority has begun repayment of the loan.

On December 21, 2010 the Port Authority, in conjunction with Shearer's Foods Inc., entered into an agreement to assist in construction and expansion of its production facilities. In order to obtain funds for the construction of the project, the Port Authority entered into a loan agreement with Ohio Water Development Authority (OWDA).

The loan agreement authorized the Port Authority to obtain loan funds in the amount up to \$3,400,000 at a rate of 3.2% for 15 years. As of December 31, 2011, \$3,400,000 has been drawn against the loan. The Port Authority began repayment of this loan during 2011.

On September 13, 2011 the Port Authority, in conjunction with Stark State College, entered into an agreement to assist in financing the Timken Wind Energy Project. In order to obtain funds for the construction of the project, the Port Authority entered into a loan agreement with the Ohio Air Quality Development Authority (OAQDA).

The loan agreement authorized the Port Authority to obtain loan funds not to exceed \$1,500,000 at a rate of 3% for 10 years. As of December 31, 2011, \$1,500,000 has been drawn against the loan.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)**

4. Debt (Continued)

The Port Authority will begin repayment of this loan during 2012. The Port Authority has not received an amortization schedule for this loan.

The Port Authority has served as the issuer of \$10,000,000 in economic development revenue bonds for the National Football Museum, Inc. The proceeds were used to expand, reconstruct, renovate, equip, furnish, and improve the Pro Football Hall of Fame facilities. The National Football Museum Inc.'s facilities are leased and subsequently sold to the Museum. The lease payments are made to the trustee, The Huntington Trust Company, in an amount equal to the debt principal and interest payments. The trustee then makes the principal and interest payments on the bonds. The economic development revenue bonds do not constitute a general obligation, debt or bonded indebtedness of the Stark County Port Authority. Neither is the full faith and credit or taxing power of the Stark County Port Authority pledged to make repayment. As of December 31, 2011, \$10,000,000 was still outstanding. The bonds were issued in 2011.

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

Year ending December 31:	OWDA Superior	OWDA Shearers*
2012	\$336,335	\$283,146
2013	\$336,335	\$283,146
2014	\$336,335	\$283,146
2015	\$336,335	\$283,146
2016	\$336,335	\$283,146
2017-2021	\$1,465,340	\$1,415,732
2022-2026	\$0	\$1,274,159
Total	<u>\$3,147,015</u>	<u>\$4,105,621</u>

**Amounts were restated during fiscal year 2011 to agree to the amortization schedule.*

5. Risk Management

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

- Public Officials liability, and
- Commercial general liability

6. Related Party Transactions

The Port Authority contracts with the Stark Development Board (SDB) for administrative and management services. During 2011, the Port Authority paid SDB a total \$96,913 for those services.



Dave Yost • 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 N.W.
Canton, OH 44702

To the Board of Directors:

We have audited the financial statements of the Stark County Port Authority, Stark County, a component unit of Stark County, (the Port Authority) as of and for the year ended December 31, 2011 and have issued our report thereon dated May 29, 2012 wherein we noted the Port Authority followed accounting practices the Auditor of State prescribes or permits 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

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 more than a reasonable possibility that a material misstatement of the Port Authority's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Port Authority's management in a separate letter dated May 29, 2012.

We intend this report solely for the information and use of management, the Board of Director's members and others within the Port Authority. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

May 29, 2012



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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 26, 2012**