

PORTAGE COUNTY PORT AUTHORITY

PORTAGE COUNTY, OHIO

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014



Dave Yost • Auditor of State

Board of Directors
Portage County Port Authority
217 South Chestnut Street
Ravenna, Ohio 44266

We have reviewed the *Independent Auditors' Report* of the Portage County Port Authority, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 Portage 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 6, 2016

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**PORTAGE COUNTY PORT AUTHORITY
PORTAGE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2015 and 2014**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Portage County Port Authority
Portage County
217 South Chestnut Street
Ravenna, Ohio 44266

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Portage County Port Authority, Portage County, (the Port Authority) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Port Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Port Authority does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

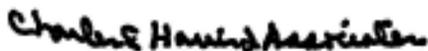
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Port Authority as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Portage County Port Authority, Portage County as of December 31, 2015 and 2014, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016, 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.



CHARLES E. HARRIS & ASSOCIATES, INC.

March 18, 2016

**PORTAGE COUNTY PORT AUTHORITY
PORTAGE COUNTY
STATEMENT OF RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
For the Year Ended December 31, 2015**

	2015
Cash Receipts:	
TIF Fees	\$ 16,150
Charges for Services	114,000
Earnings on Investments	13
	130,163
Total Cash Receipts	130,163
Cash Disbursements:	
Current:	
Contract Services	45,856
Membership Dues	5,100
Advertising and Marketing	989
Professional and Technical Services	37,833
Food Supplies	146
	89,924
Total Cash Disbursements	89,924
Excess of Cash Receipts Over/(Under) Cash Disbursements	40,239
Fund Cash Balance January 1, 2015	184,463
Fund Cash Balance December 31, 2015 Unassigned	224,702
Fund Cash Balance December 31, 2015	\$ 224,702

See accompanying Notes to the Financial Statements.

**PORTAGE COUNTY PORT AUTHORITY
PORTAGE COUNTY
STATEMENT OF RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
For the Year Ended December 31, 2014**

	2014
Cash Receipts:	
TIF Fees	\$ 11,426
Real Estate Taxes	26,187
Charges for Services	82,500
Earnings on Investments	13
	120,126
Total Cash Receipts	120,126
Cash Disbursements:	
Current:	
Contract Services	19,994
Real Estate Taxes	26,187
Membership Dues	5,100
Advertising and Marketing	345
Professional and Technical Services	108,687
Miscellaneous	43
Food Supplies	189
	160,545
Total Cash Disbursements	160,545
Excess of Cash Receipts Over/(Under) Cash Disbursements	(40,419)
Fund Cash Balance January 1, 2014	224,882
	184,463
Fund Cash Balance December 31, 2014 Unassigned	184,463
	\$ 184,463
Fund Cash Balance December 31, 2014	\$ 184,463

**PORTAGE COUNTY PORT AUTHORITY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Portage County Port Authority, Portage County (the Port Authority) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority operates under the direction of a seven member Board of Directors. The Board of Directors are appointed by the Portage County Board of Commissioners. The Port Authority is authorized to purchase, construct, sell, lease and operate facilities within its jurisdiction as enumerated in Ohio Revised Code Sections 4582.01 through 4582.59.

Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Port Authority is legally entitled to or can otherwise access the organization's resources; the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Port Authority is obligated for the debt of the organization. The Port Authority is also financially accountable for any organizations that are fiscally dependent on the Port Authority in that the Port Authority approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Port Authority, are accessible to the Port Authority and are significant in amount to the Port Authority. The Port Authority has one component unit, the Portage County Improvement Corporation (the Corporation), however the Corporation did not have any activity for 2014 or 2015.

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

B. ACCOUNTING BASIS

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

D. FUND ACCOUNTING

The Port Authority maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. All transactions are accounted for

**PORTAGE COUNTY PORT AUTHORITY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

in a single fund, the General Fund. The General Fund is used for all financial resources except those required by law or contract to be restricted.

E. BUDGETARY PROCESS

The Portage County Port Authority is not required to follow Ohio Revised Code 5705 budgetary requirements.

F. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Port Authority must observe constraints imposed upon the use of its governmental fund resources. The classifications are as follows:

1. Nonspendable – The Port Authority classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.
2. Restricted – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
3. Committed – The Directors can commit amounts via formal action (resolution). The Port Authority must adhere to these commitments unless the Directors amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.
4. Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Port Authority Directors or a Port Authority official delegated that authority by resolution, or by State Statute.
5. Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Port Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**PORTAGE COUNTY PORT AUTHORITY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits. At December 31, 2015 and 2014, the Port Authority had cash and investments with a carrying amount of \$224,702 and \$184,463 respectively.

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

3. TAX INCREMENT FINANCING (TIF)

Tax Increment Financing (TIF) is an economic development tool which allows a political subdivision to capture incremental real property tax revenues (the increase in assessed value of the real property from private development) and use those revenues to pay for or finance the costs of public infrastructure improvements.

4. REVENUE BONDS

Portage County Port Authority, Development Revenue Bonds, Series 2014 (Kent State University Project)

This Bond represents the duly authorized issue of Development Revenue Bonds, Series 2014 (Kent State University Project) (the "Bonds"), issuable under the Resolution No. 2014-007 adopted by the Board of Directors of the Issuer on September 2, 2014 (the "Bond Legislation") in original principal amount of \$20,460,000 and issued for the purpose of refunding the Issuer's Development Revenue Bonds, Series 2013 (Dubois Property Project) issued on January 11, 2014 in the original principal amount of \$3,680,000 and financing a portion of the costs of the Project, comprising port authority facilities, as defined in Section 4582.21, Ohio Revised Code. The Bonds are issued pursuant to Section 13 of Article VIII of the Ohio Constitution and to the laws of the State, particularly Sections 4582.21 through 4582.59, Ohio Revised Code, and to the Bond Legislation. The Bonds are a special obligation of the Issuer, issued under and to be secured and entitled to the protection given by the Bond Legislation. No assets of the Authority were pledged.

Portage County Port Authority, Taxable Development Revenue Bonds, Series 2015 (Kent Summit LLC Project)

This Bond represents the duly authorized issue of Taxable Development Revenue Bonds, Series 2015 (Kent Summit LLC Project) (the "Bonds"), issuable under the Resolution No. 15-002 adopted by the Board of Directors of the Issuer on May 19, 2015 (the "Bond Resolution") in the maximum principal amount of \$20,250,000 and issued for the purpose of financing a portion of the costs of the Project, comprising port authority facilities, as defined in Section 4582.21, Ohio Revised Code. The Bonds are issued pursuant to Section 13 of Article VIII of the Ohio Constitution and to the laws of the State, particularly Sections 4582.21 through 4582.59, Ohio Revised Code, and to the Bond Resolution. This Bond is a special obligation of the Issuer, issued under and to be secured and entitled to the protection given by the Bond Resolution. No assets of the Authority were pledged.

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Portage County Port Authority
Portage County
217 South Chestnut Street
Ravenna, Ohio 44266

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 Portage County Port Authority, Portage County, (the Port Authority) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated March 18, 2016, wherein we noted the Port Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinions 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.

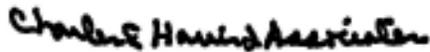
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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



Charles E. Harris & Associates, Inc.
March 18, 2016

**PORTAGE COUNTY PORT AUTHORITY
PORTAGE COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, as of December 31, 2013 and 2012 reported no material citations or recommendations.

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Dave Yost • Auditor of State

PORTAGE COUNTY PORT AUTHORITY

PORTAGE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 16, 2016**