



Dave Yost • Auditor of State



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

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position .....	6
Statements of Revenues, Expenses, and Changes in Net Position .....	7
Statements of Cash Flows .....	8
Notes to the Basic Financial Statements .....	9
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards .....	15
Schedule of Findings .....	17

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

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

We have audited the accompanying financial statements of Stark County Port Authority, Stark County, Ohio (the Port Authority), a component unit of Stark County, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Stark County Port Authority, Stark County, Ohio, as of December 31, 2015 and 2014, and the respective changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 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.



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

June 8, 2016

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

Management's Discussion and Analysis  
For the Years Ended December 31, 2015 and 2014  
(Unaudited)

The discussion and analysis for the Stark County Port Authority's (SCPA) financial performance provides an overall review of the SCPA for the years ended December 31, 2015 and 2014. 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 2015 and 2014 are as follows:

- In total, net position decreased \$72,693 in 2015 from 2014 following an increase in 2014 from 2013 of \$172,595. This decrease resulted from upfront expenses related to the Phase I construction project related to the Pro Football Hall of Fame and Hall of Fame Village LLC. The SCPA anticipates that all expense related to the project will be recouped upon full execution of the agreement and related financing.
- Total assets increased \$6,131,500 in 2015. This is due to an increase in the loans receivables; including, \$7,229,583 related to the 2015 Timken Steel Inc building construction project. In 2014 assets decreased \$583,140 due to a decrease in loans receivable.
- Total liabilities increased by \$6,204,193 in 2015, which represents a 72.3% increase from 2014. This increase includes \$7,229,583 related to the 2015 Timken Steel Inc. building construction project. This Timken project liability increase was partially offset by continuing to pay down all loans payable related to prior economic expansion projects. Conversely, in 2014 the SCPA had a decrease in loans payable of \$823,613 related to loans payable arising from SCPA's efforts in gaining additional pro-business, pro-job growth projects.
- The total operating revenue amounted to \$573,172 in 2015, which is an increase of \$22,556 from 2014 or 4.0%. An increase in charges for service was the reason for the increase slightly offset by a decline in loan receipts similar to 2014.
- The \$267,527 increase in total operating expenses in 2015 compared to 2014 this was due entirely to expense related to the upcoming Hall of Fame Village Project. It is expected that the SCPA will recover all of these early expenses upon finalizing the project agreement in 2016. The banking and advisory fees saw little change in either 2014 or 2015. Operating expenses for 2014 compared to 2013 decreased due to reductions in administrative fees and interest and fiscal charges.

**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.

**FINANCIAL ANALYSIS**

A comparative analysis of 2015, 2014 and 2013 is presented below:

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

Management's Discussion and Analysis  
For the Years Ended December 31, 2015 and 2014  
(Unaudited)

**Changes in Net Position**

The following table shows the changes in net position for the years 2015, 2014 and 2013:

	<b>Table 1 Net Position</b>		
	2015	2014	2013
<b>Assets</b>			
Cash and Cash Equivalents	\$ 904,306	\$ 1,044,877	\$ 619,404
Loans Receivable	14,783,871	8,511,800	9,520,413
Total Assets	15,688,177	9,556,677	10,139,817
<b>Liabilities</b>			
Loans Payable	14,783,871	8,511,800	9,335,413
Development Grants Payable	-	67,878	-
Total Liabilities	14,783,871	8,579,678	9,335,413
<b>Net Position</b>			
Unrestricted (Deficit)	904,306	976,999	804,404
Total Net Position	\$ 904,306	\$ 976,999	\$ 804,404

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

	<b>Table 2 Statements of Revenues, Expenses, and Changes in Net Position</b>		
	2015	2014	2013
<b>Revenues</b>			
Charges for Services	\$ 299,225	\$ 245,315	\$ 61,733
Operating Grants	25,000	25,000	25,000
Loan Receipts	248,947	276,528	282,555
Other	-	3,773	8,750
<i>Total Operating Revenues</i>	573,172	550,616	378,038
<b>Expenses</b>			
Current:			
Administration	130,974	78,617	106,270
Advisor Fees	2,958	3,000	2,601
Bank Fees	30	15	75
Legal Fees	265,620	22,842	7,677
Debt Service:			
Interest and Fiscal Charges	248,947	276,528	290,158
<i>Total Operating Expenses</i>	648,529	381,002	406,781
<i>Operating Income (Loss)</i>	(75,357)	169,614	(28,743)
<b>Non-Operating Revenues (Expenses)</b>			
Pass-through grant revenue	750,000	936,780	-
Pass-through grant expense	(750,000)	(936,780)	-
Investment Income	2,664	2,981	2,693
<i>Total Non-Operating Revenues (Expenses)</i>	2,664	2,981	2,693
<i>Change in Net Position</i>	(72,693)	172,595	(26,050)
<i>Net Position at Beginning of Year</i>	976,999	804,404	830,454
<i>Net Position at End of Year</i>	\$ 904,306	\$ 976,999	\$ 804,404

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

Management's Discussion and Analysis  
For the Years Ended December 31, 2015 and 2014  
(Unaudited)

**CAPITAL ASSETS**

At the end of 2015, the SCPA had no capital assets, net of depreciation.

**DEBT**

The following table summarizes SCPA's debt:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Ohio Water Development Agency	\$7,134,697	\$7,870,141	\$8,585,413
Ohio Air Quality Development Authority	419,590	641,659	750,000
Timken Steel Construction	<u>7,229,584</u>	<u>0</u>	<u>0</u>
	<u>\$14,783,871</u>	<u>\$8,511,800</u>	<u>\$9,335,413</u>

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

**CURRENT FINANCIAL RELATED ACTIVITIES**

At December 31, 2015, SCPA had total assets of \$15,688,177 and total net position of \$904,306 representing a decrease of \$72,693 or 7.4%. At December 31, 2014, SCPA had total assets of \$9,556,677 and a total net position of \$976,999 with an increase of 21.4% from 2013. The SCPA continued to benefit from the SCPA Boards new 2014 fee structure and controlling management and administrative costs has led to this turnaround in 2014. The decrease in 2015 results from front end expenses related to the Pro Football Hall of Fame Village Project that are anticipated to be recovered upon full execution of the contract related to this project.

**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. N.W., 6<sup>th</sup> Floor, Canton, OH 44702.

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

Statements of Net Position  
December 31, 2015 and 2014

	2015	2014
<b>Assets</b>		
Cash and Cash Equivalents	\$ 904,306	\$ 1,044,877
Loans Receivable	14,783,871	8,511,800
Total Assets	15,688,177	9,556,677
<b>Liabilities</b>		
Loans Payable	14,783,871	8,511,800
Development Grants Payable	-	67,878
Total Liabilities	14,783,871	8,579,678
<b>Net Position</b>		
Unrestricted (Deficit)	904,306	976,999
Total Net Position	\$ 904,306	\$ 976,999

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

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

Statements of Revenues, Expenses, and Changes in Net Position  
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Charges for Services	\$ 299,225	\$ 245,315
Operating Grants	25,000	25,000
Loan Receipts	248,947	276,528
Other	<u>-</u>	<u>3,773</u>
<i>Total Operating Revenues</i>	<u>573,172</u>	<u>550,616</u>
<b>Expenses</b>		
Current:		
Administration	130,974	78,617
Advisor Fees	2,958	3,000
Bank Fees	30	15
Legal Fees	265,620	22,842
Debt Service:		
Interest and Fiscal Charges	<u>248,947</u>	<u>276,528</u>
<i>Total Operating Expenses</i>	<u>648,529</u>	<u>381,002</u>
<i>Operating Income (Loss)</i>	(75,357)	169,614
<b>Non-Operating Revenues (Expenses)</b>		
Pass-through grant revenue	750,000	936,780
Pass-through grant expense	(750,000)	(936,780)
Investment Income	<u>2,664</u>	<u>2,981</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>2,664</u>	<u>2,981</u>
<i>Change in Net Position</i>	(72,693)	172,595
<i>Net Position at Beginning of Year</i>	<u>976,999</u>	<u>804,404</u>
<i>Net Position at End of Year</i>	<u>\$ 904,306</u>	<u>\$ 976,999</u>

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

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

Statements of Cash Flows  
For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>Cash Flows From Operating Activities</b>		
Cash Received From Grants	\$ 25,000	\$ 25,000
Cash Received From Customers	299,225	245,315
Cash Received From Loan Interest	248,947	276,528
Other	-	3,773
Cash Payment to Goods and Services	(399,582)	(104,474)
Cash Payment to Loan Interest	(248,947)	(276,528)
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>(75,357)</u>	<u>169,614</u>
<b>Cash Flows From (Used) Noncapital and Related Financing Activities</b>		
Proceeds from Timken Steel Construction	7,229,584	-
Proceeds from Clean Ohio Grant	-	936,780
Cash Received from Outstanding Loans Economic Development	957,512	1,008,613
Principal Paid on Noncapital Debt	(7,297,462)	(868,902)
	<u>(957,512)</u>	<u>(823,613)</u>
<i>Net Cash (Used) by Noncapital and Related Financing Activities</i>	<u>(67,878)</u>	<u>252,878</u>
<b>Cash Flows From Investing Activities</b>		
Interest and Dividends	2,664	2,981
<i>Net Cash Provided by Investing Activities</i>	<u>2,664</u>	<u>2,981</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(140,571)	425,473
Balance - Beginning of the Year	1,044,877	619,404
Balance - End of the Year	<u>904,306</u>	<u>1,044,877</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	(75,357)	169,614
Proceeds from Financing Activities	67,878	(252,878)
Change in Assets and Liabilities:		
Loans Receivables	(6,272,071)	1,008,613
Development Grant Payable	(67,878)	67,878
Loans Payable	6,272,071	(823,613)
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ (75,357)</u>	<u>\$ 169,614</u>

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

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

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2015 and 2014

**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.

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

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2015 and 2014

**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 2015, investments were limited to federal agency securities and an overnight sweep repurchase agreement. Investments are 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 initial maturity of more than three months are reported 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, 2015.

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.

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

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2015 and 2014

**NOTE 3. DEPOSITS AND INVESTMENTS**

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 for immediate use, but which will be needed before the end of the current period of 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 deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period 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,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2015 and 2014

**NOTE 3. DEPOSITS AND INVESTMENTS - (Continued)**

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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are 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 all SCPA's deposits was \$157,023 at December 31, 2015 and \$1,044,877 at December 31, 2014. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$157,023 was covered by the FDIC.

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, 2015, the SCPA had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
Repurchase Agreement	\$ 290,000	\$ 290,000	\$ -	\$ -
Federal Agency Securities	<u>457,283</u>	<u>232,568</u>	<u>124,596</u>	<u>100,119</u>
Total	<u>\$ 747,283</u>	<u>\$ 522,568</u>	<u>\$ 124,596</u>	<u>\$ 100,119</u>

*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.

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

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2015 and 2014

**NOTE 3. DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit 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 \$290,000 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, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 290,000	38.81
Federal Agency Securities	457,283	61.19
Total	<u>\$ 747,283</u>	<u>100.00</u>

**NOTE 4. RISK MANAGEMENT**

The SCPA has obtained Management Liability insurance from the Hiscox Insurance Co., Inc. and a dishonesty bond with Westfield Surety 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 Stark Development Board (SDB) to maintain the SCPA's files and records in addition to providing facilities and related administrative functions. The SCPA paid the SDB \$59,613 in 2015 and \$69,017 in 2014 under the term of the contract.

**NOTE 6. DEBT / LOANS PAYABLE**

At December 31, 2015, debt outstanding totaled \$14,783,871 up from the \$8,511,800 debt outstanding at December 31, 2014. This includes the \$7,229,584 private placement bonds related to the Timken Steel Project and three loans from the Ohio Water Development Authority (OWDA), and the one 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 2016.

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

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2015 and 2014

**NOTE 6. DEBT / LOANS PAYABLE (CONTINUED)**

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

<b>Ohio Air Quality Development Loan</b>		
Year Ending	Business-Type Activities	
December 31	Principal	Interest
2016	\$ 228,323	\$ 10,053
2017	191,267	3,122
Total	\$ 419,590	\$ 13,175

<b>Ohio Water Development Authority Loans</b>		
Year Ending	Business-Type Activities	
December 31	Principal	Interest
2016	\$ 376,568	\$ 107,215
2017	770,166	197,400
2018	793,444	174,121
2019	817,426	150,140
2020	842,132	125,433
2021-2025	2,647,812	358,339
2026-2028	887,149	36,661
Total	\$ 7,134,697	\$ 1,149,309

**NOTE 7. LOANS RECEIVABLE**

As of December 31, 2015, the loan receivable amount totaled \$14,783,871 up from the \$8,511,800 loan receivable at December 31, 2014. The increase in loan receivable directly correlates with the increase in debt outstanding from 2014 and 2015. During 2015, construction of the Timken Steel Inc. building began resulting in expenses of \$7,229,584. The facility is immediately conveyed to Timken Steel Inc. consistent with the terms of the 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 \$2,041,481 outstanding as of December 31, 2015. In addition to the 2014 YMCA conduit financing, the YMCA had \$2,408,706 outstanding as of December 31, 2015, related to the YMCA constructed in downtown Canton with conduit financing provided by the SCPA in 2013. Finally, the Pro Football Hall of Fame expansion had \$9,280,000 outstanding as of December 31, 2015, 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 I improvements related to William Benson Stadium in conjunction with the Pro Football Hall of Fame. This agreement also approves the issuance of \$14,000,000 in private placement bonds related to the same. The bonds were issued on March 11, 2016. The interest rate varies and will be determined at time of required payments. The initial maturity date is March 11, 2018 with extensions available based on various conditions.



# Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Stark County Port Authority, Stark County, (the Port Authority), a component unit of Stark County, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated June 8, 2016.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be 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, 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*.

***Entity's Response to Finding***

The Port Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Port Authority's response and, accordingly, we express no opinion on it.

***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.



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

June 8, 2016

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**1. Financial Reporting**

<i>Finding Number</i>	2015-001
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MATERIAL WEAKNESS

Errors were noted in the Port Authority's financial statements for 2015, some of which required adjustment to the financial statements as indicated below:

- A pass-through grant from the State of Ohio for \$750,000 was not recorded as a revenue or expense on the financial statements of the Port Authority during 2015. The financial statements were adjusted for this error.
- A \$13,344 Ohio Water Development Authority (OWDA) Fee was not reflected within the loan activity that flowed through the Port Authority as a loan receivable and payable. This amount was not adjusted on the financial statements.
- An unrealized loss on investments of \$7,555 was not recorded on the financial statements of the Port Authority as of December 31, 2015. This amount was not adjusted on the financial statements

The Port Authority did not have procedures in place to help ensure the financial statements and disclosures were complete and accurate.

The Port Authority should implement procedures to review the revenues and expenses to help determine required adjustments necessary for reporting and any required amounts are properly reflected in the financial statements. This may help ensure revenues and expenses are recorded and the financial statements and notes are properly reported at year end.

**Official's Response:**

1. The Port Authority did record the revenue and expenses related to the pass through grant on its General Ledger and the financial statements were reconciled for fund balance. The fact that that both the revenue and expenses were left off of the face of the statements can be resolved in the future by providing sufficient time for the statements to be reviewed with the Treasurer (or his designee) and the financial preparer prior to giving the report to the Auditor of State. This second set of eyes on the documents should help to identify any omissions from the statement detail regardless if the fund balance was accurate or not.
2. The Port Authority will annually review and visit the OWDA website to assure that any fees placed on the loan are in fact recorded. OWDA is one of the few State Agencies that place loan settlement items on the loan without providing direct correspondence with the entity. This step should assure that the Port Authority records items related to loans timely.

**Official's Response (Continued)**

3. The unrealized gain or loss was left off of the original statement and was brought up in the opening discussions by the Port Authority Financial preparer to discuss. The intent was to provide an amended financial statement upon getting clarification from the Auditor. As the Audit progressed the decision was made that no amended financials should be provided and that adjustments would be made to the submitted financial report. The financial preparer error in thinking that this would be an adjustment he could make after the fact and just discuss at the audit kickoff. The financial preparer will make sure this entry is made in the original financial statements prior to providing to the Auditor in the future. It is the goal of the preparer to see these investments liquidated and rolled into Star Ohio for future investment earnings and eliminating the entry of an unrealized gain in favor of a one-time gain or loss and further eliminating advisory fees that predominantly offset any interest earnings. The Treasurer of the Board agrees with this philosophy.



# 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 28, 2016**