



Dave Yost • Auditor of State

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

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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:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Stark County Port Authority, Stark County, (the Port Authority) as of and for the years ended December 31, 2012.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Stark County Port Authority, Stark County as of December 31, 2012, and its combined 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 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2013, 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

April 26, 2013

**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, 2012**

	Enterprise Fund
Operating Cash Receipts	
Charges for Services	\$86,285
Loan Receipts	649,482
Other	9,244
	745,011
<i>Total Operating Cash Receipts</i>	<i>745,011</i>
Operating Cash Disbursements	
Current:	
Administration	135,132
Advisor Fees	2,501
Bank Fees	30
Legal Fees	50,716
Debt Service:	
Principal	474,572
Interest and Fiscal Charges	174,910
	837,861
<i>Total Operating Cash Disbursements</i>	<i>837,861</i>
<i>Operating (Loss)</i>	<i>(92,850)</i>
Non-Operating Cash Receipts	
Investment Income	3,386
<i>Total Non-Operating Cash Receipts</i>	<i>3,386</i>
<i>Net Receipts Over Disbursements</i>	<i>(89,464)</i>
<i>Fund Cash Balances, January 1</i>	<i>2,234,918</i>
<i>Fund Cash Balances, December 31</i>	<i>\$2,145,454</i>

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, 2012**

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, 2012
(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 2012 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, 2012 was as follows:

	<u>2012</u>
Demand deposits	<u>\$7,732</u>
Total deposits	<u>7,732</u>
U.S. Treasury Notes	2,137,722
Total investments	<u>2,137,722</u>
Total deposits and investments	<u><u>\$2,145,454</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, 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 was as follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise Fund	\$771,682	\$748,397	(\$23,285)
Total	\$771,682	\$748,397	(\$23,285)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise Fund	\$862,982	\$837,861	\$25,121
Total	\$862,982	\$837,861	\$25,121

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, 2012, \$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, 2012, \$3,400,000 has been drawn against the loan. The Port Authority began repayment of this loan during 2012.

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, 2012, \$1,500,000 has been drawn against the loan.

**STARK COUNTY PORT AUTHORITY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

4. Debt (Continued)

The Port Authority has not received an amortization schedule for this loan or has made any repayments during fiscal year 2012.

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, 2012, \$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*
2013	\$336,335	\$283,146
2014	\$336,335	\$283,146
2015	\$336,335	\$283,146
2016	\$336,335	\$283,146
2017	\$336,335	\$283,146
2018-2022	\$1,099,005	\$1,415,732
2023-2026	\$0	\$991,013
Total	<u>\$2,780,680</u>	<u>\$3,822,475</u>

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 2012, the Port Authority paid SDB a total \$55,184 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, 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 Stark County Port Authority, Stark County, (the Port Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated April 26, 2013.

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.

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
Columbus, Ohio

April 26, 2013



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
AUGUST 13, 2013**