



Dave Yost • Auditor of State

STARK COUNTY PORT AUTHORITY
STARK COUNTY

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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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, 2013 and 2012, 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 Government'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 Government'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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stark County Port Authority, Stark County as of December 31, 2013 and 2012, and the changes in its 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.

Emphasis of Matter

As noted in Note 3, the District changed from a cash basis of accounting to the basis of accounting that follows generally accepted accounting principles (GAAP-basis). We did not modify our opinion regarding this matter.

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 July 21, 2014, 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 for the year ended December 31, 2013. We previously 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 for the year ended December 31, 2012. These reports 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. These reports are 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

July 21, 2014

Stark County Port Authority
Stark County
Management's Discussion and Analysis
(Unaudited)

The discussion and analysis for the Stark County Port Authority's (SCPA) financial performance provides an overall review of the SCPA for the year ended December 31, 2013. 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 2013 and 2012 are as follows:

- In total, net position decreased \$26,050 in 2013 from 2012 following a decline in 2012 from 2011 of \$169,464. The significant declines in 2012 included an \$80,000 loss on the sale of land that was sold to a neighboring business to facilitate job growth. The SCPA board's decision to reevaluate the prior rate structure reduced the rate of declining net position and the full effects of those rate decisions and subsequent projects is expected to allow the SCPA to reverse this trend in 2014.
- Total assets increased \$2,335,840 in 2013. This was due to an increase in loans receivable. In 2012, assets decreased \$644,035 due to a decrease in loans receivable coupled with the sale of land including the loss on the sale of land of \$80,000.
- Total liabilities increased by \$2,361,890 in 2013, which represents a 33.9% increase from 2012. This increase is due to an increase in loans payable related to the Shearers Phase II expansion. Conversely, in 2012, the SCPA had a decline in loans payable of \$474,571 due to retiring portions of previous development projects and no significant new projects in 2012. The 2013 increased liabilities related to loans payable indicates the SCPA's efforts in gaining additional pro-business, pro-job growth projects the SCPA financed in 2013.
- Total operating revenue amounted to \$378,038 in 2013, which is an increase of \$107,598 from 2012 or 39.8%. An increase in loan receipts was the reason for the increase slightly offset by a decline in charges for services. Conversely, 2012 had a decrease of \$148,967 or 35.5% resulting from a decrease in overall revenue categories in 2012 compared to 2011.
- The \$43,492 increase in total operating expenses in 2013 compared to 2012 was due to the increase in interest and fiscal charges related to the Shearers Phase II expansion funded through OWDA and the Stark State/Timken Wind Energy project funded through the OAQDA. In addition, the SCPA was able to reduce both administrative and legal fee expenses for a combined total of \$71,902 despite taking on additional projects in 2013. Conversely, 2012 had a reduction in operating expenses of \$69,792 compared to 2011, the majority of which was a result of a decline in interest and fiscal charges related to outstanding debt on prior projects. However, the administrative and legal fees saw minimal improvement as compared to the significant reduction achieved in 2013.

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.

Stark County Port Authority
 Stark County
 Management's Discussion and Analysis
 (Unaudited)

FINACIAL ANALYSIS

A comparative analysis of 2013, 2012 and 2011 is presented below:

Changes in Net Position

The following table shows the changes in net position for the years 2013, 2012 and 2011:

	Table 1 Net Position		
	2013	2012	2011
Assets			
Cash and Cash in Segregated Accounts	\$ 619,404	\$ 2,145,454	\$ 2,234,918
Loans Receivable	9,520,413	5,658,523	5,948,094
Capital Assets, Net	-	-	265,000
Total Assets	10,139,817	7,803,977	8,448,012
Liabilities			
Loans Payable	9,335,413	6,973,523	7,448,094
Net Position			
Net Investment in Capital			
Assets	-	-	265,000
Restricted	-	1,270	30,040
Unrestricted (Deficit)	804,404	829,184	704,878
Total Net Position	\$ 804,404	\$ 830,454	\$ 999,918

Stark County Port Authority
 Stark County
 Management's Discussion and Analysis
 (Unaudited)

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

Table 2
Statements of Revenues, Expenses, and Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues			
Charges for Services	\$ 61,733	\$ 86,285	\$ 171,736
Operating Grants	25,000	-	25,000
Loan Receipts	282,555	174,910	190,901
Other	<u>8,750</u>	<u>9,245</u>	<u>31,770</u>
<i>Total Operating Revenues</i>	<u>378,038</u>	<u>270,440</u>	<u>419,407</u>
Expenses			
Current:			
Administration	106,270	135,133	136,495
Advisor Fees	2,601	2,501	2,701
Bank Fees	75	30	229
Legal Fees	7,677	50,716	72,755
Interest and Fiscal Charges	<u>290,158</u>	<u>174,910</u>	<u>220,901</u>
<i>Total Operating Expenses</i>	<u>406,781</u>	<u>363,289</u>	<u>433,081</u>
<i>Operating (Loss)</i>	(28,743)	(92,850)	(13,674)
Non-Operating Receipts			
Investment Income	2,693	3,386	7,079
Loss on Sale of Capital Assets	<u>-</u>	<u>(80,000)</u>	<u>-</u>
<i>Total Non-Operating Receipts</i>	<u>2,693</u>	<u>(76,614)</u>	<u>7,079</u>
<i>Change in Net Position</i>	(26,050)	(169,464)	(6,595)
<i>Net Position at Beginning of Year</i>	<u>830,454</u>	<u>999,918</u>	<u>1,006,513</u>
<i>Net Position at End of Year</i>	<u>\$ 804,404</u>	<u>\$ 830,454</u>	<u>\$ 999,918</u>

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

CAPITAL ASSETS

At the end of 2013, the SCPA had no capital assets, net of depreciation.

Additional information on the SCPA's capital assets can be found in Note 7.

Stark County Port Authority
Stark County
Management's Discussion and Analysis
(Unaudited)

CURRENT FINANCIAL RELATED ACTIVITIES

At December 31, 2013, SCPA had total assets of \$10,139,817 and total net position of \$804,404 representing a decline \$26,050 or 3.13%. At December 31, 2012, SCPA had total assets of \$5,658,523 and a total net position of \$830,454 a decline of \$169,464 or 16.9% of which \$80,000 was from the loss on the sale of property. While the loss on sale of assets was not beneficial to the SCPA's net position it did alleviate the costs associated with owning a unproductive parcel of land while conveying the property to a neighboring business helping to facilitate an expansion consistent with the SCPA's purpose of encouraging and facilitating economic development and job growth. In addition, management reevaluated its rate structure for project financing in 2013 and believes the declines will end in 2014 with the new fee structures. The board continues to monitor all activity affecting the condition of the SCPA.

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., 6th Floor, Canton, OH 44702.

Stark County Port Authority
Stark County

*****Net Position
*****December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash in Segregated Accounts	\$ 619,404	\$ 2,145,454
Loans Receivable	<u>9,520,413</u>	<u>5,658,523</u>
Total Assets	<u>10,139,817</u>	<u>7,803,977</u>
Liabilities		
Loans Payable	9,335,413	6,973,523
Net Position		
Restricted	-	1,270
Unrestricted (Deficit)	<u>804,404</u>	<u>829,184</u>
Total Net Position	<u>\$ 804,404</u>	<u>\$ 830,454</u>

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

Stark County Port Authority
Stark County

Statements of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2013 and 2012

	2013	2012
Revenues		
Charges for Services	\$ 61,733	\$ 86,285
Operating Grants	25,000	-
Loan Receipts	282,555	174,910
Other	8,750	9,245
<i>Total Operating Revenues</i>	378,038	270,440
Expenses		
Current:		
Administration	106,270	135,133
Advisor Fees	2,601	2,501
Bank Fees	75	30
Legal Fees	7,677	50,716
Debt Service:		
Interest and Fiscal Charges	290,158	174,910
<i>Total Operating Expenses</i>	406,781	363,289
<i>Operating (Loss)</i>	(28,743)	(92,850)
Non-Operating Receipts		
Investment Income	2,693	3,386
Loss on Sale of Capital Assets	-	(80,000)
<i>Total Non-Operating Receipts</i>	2,693	(76,614)
<i>Change in Net Position</i>	(26,050)	(169,464)
<i>Net Position at Beginning of Year</i>	830,454	999,918
<i>Net Position at End of Year</i>	\$ 804,404	\$ 830,454

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

Stark County Port Authority
Stark County

Statements of Cash Flows
Proprietary Funds
For the Year Ending December 31, 2013 and 2012

	Business - Type Activities	
	Operating Fund	
	2013	2012
Cash Flows From Operating Activities		
Cash Received From Grants	\$ 25,000	\$ -
Cash Received From Customers	61,733	86,285
Cash Received From Loan Interest	282,555	174,910
Other	8,750	9,245
Cash Payment to Goods and Services	(116,623)	(188,380)
Cash Payment to Loan Interest	(290,158)	(174,910)
<i>Net Cash Provided (Used) by Operating Activities</i>	(28,743)	(92,850)
Cash Flows From (Used) Noncapital and Related Financing Activities		
Proceeds from OWDA Shearers Phase II	3,806,178	-
Cash Received from Outstanding Loans Economic Development	694,288	474,572
Principal Paid on Noncapital Debt	(5,306,178)	-
<i>Net Cash (Used) by Noncapital and Related Financing Activities</i>	(694,288)	(474,572)
Cash Flows From Investing Activities		
Interest and Dividends	2,693	3,386
<i>Net Cash Provided by Investing Activities</i>	2,693	3,386
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(1,526,050)	(89,464)
Balance - Beginning of the Year	2,145,454	2,234,918
Balance - End of the Year	619,404	2,145,454
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(28,743)	(92,850)
Ohio Air Quality Development Authority Escrow Money	1,500,000	
Change in Assets and Liabilities:		
Loans Receivables	(3,861,890)	474,571
Loans Payable	2,361,890	(474,571)
Net Cash Provided (Used) by Operating Activities	\$ (28,743)	\$ (92,850)

Non- Cash Transactions:

\$750,000 in debt outstanding was forgiven by the Loan Issuer

See accompanying notes to the basic financial statements

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Stark County Port Authority
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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.

Stark County Port Authority
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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.

Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

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, 2013.

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.

Note 3. Change in Accounting Basis

For fiscal year 2013, the SCPA changed from the cash basis of accounting to a basis of accounting that follows generally accepted accounting principles (GAAP-basis).

The transition from the cash basis to GAAP-basis of accounting had the following effect on fund balance at December 31, 2012:

Fund Balance at December 31, 2012	\$2,145,454
Restatement due to change in reporting basis adjustments	<u>(1,315,000)</u>
Restated Net Position at December 31, 2012	<u><u>830,454</u></u>

Stark County Port Authority
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 4. Deposits and Investments

Monies held by the SCPA are classified by State statute into two categories, active and inactive. Active monies are public monies determined to be necessary to meet current demand upon the SCPA treasury. Active 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.

Protection of the SCPA's deposits is provided by the Federal Deposit Insurance Corporation, 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. Monies held by the SCPA which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury Bills, Bonds, Notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States, or any book entry, zero-coupon United States Treasury security that is a direct obligation of 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. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the SCPA;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
8. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Deposits

Custodial credit risk is the risk, that in the event of bank failure, the SCPA's deposits may not be returned to it. Protection of the SCPA's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of the SCPA's funds shall be required to pledge security for repayment of all public moneys. The SCPA has no investment policy dealing with deposit custodial credit risk beyond the requirement in the State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the Treasurer or an agent designated by the Treasurer.

Stark County Port Authority
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Deposits - The carrying amount of the SCPA's deposits was \$619,404 at December 31, 2013 and \$2,145,454 at December 31, 2012. The entire bank balance of \$615,702 in 2013 and \$2,145,454 in 2012 were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the SCPA's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the SCPA to a successful claim by the FDIC.

Beginning January 1, 2013, noninterest-bearing accounts will no longer be insured separately from interest-bearing accounts at the same financial institution. Instead, noninterest-bearing and interest-bearing accounts will collectively be insured up to a coverage limit of \$250,000, at each separate financial institution.

Note 5. Risk Management

The SCPA has obtained commercial crime and public officials' liability insurance from the Westfield Insurance 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 6. Related Party Transactions

During 1998, the SCPA applied for and received loans through the Stark County Community Improvement Corporation (CIC). The Stark Development Board (SDB) does the billing of these loans for the CIC and charges a service fee for this service to the entities receiving the loan. The SCPA contracts with the SDB to maintain the SCPA's files and records in addition to providing facilities and related administrative functions. The SCPA paid the SDB \$77,505 in 2013 and \$55,184 in 2012 under the term of the contract.

Note 7. Capital Assets

During 2013, construction of the Stark State/Timken Wind Energy building was completed for \$1,500,000 and the facility was conveyed to Stark State consistent with the terms of the Ohio Air Quality Development Authority loan agreement. In addition, the SCPA had construction in progress totaling \$3,806,178 related to the Shearers Phase II expansion of its water reclamation capabilities. The facility is immediately conveyed to Shearers consistent with the terms of the Ohio Water Developmental Authority loan agreement and the loan repayment schedule between Shearers and the SCPA. In 2012, the SCPA sold the sole remaining parcel of land held by the SCPA, known as the Crane Property under the terms of a land contract purchase. The effects of the sale on land represents a reduction in assets of \$265,000, an increase in loans receivable of \$185,000 for the value of the carrying principle and a loss on the sale of asset of \$80,000.

Note 8. Debt

At December 31, 2013, debt outstanding totaled \$9,335,413 up from the \$6,973,523 debt outstanding at December 31, 2012.. This consists of three loans from the Ohio Water Development Authority (OWDA), including the \$3,806,178 received in connection with Shearers Phase II expansion of its water reclamation capabilities, and one loan from the Ohio Air Quality Development Authority. The OWDA loans were used for the construction of buildings. The SCPA has not received an amortization schedule for the 2013 OWDA loan for Shearers Phase II expansion. 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 the Ohio Air Quality Development Authority loan; however, \$750,000 of the \$1,500,000 original loan amount was forgiven by the OAQDA consistent with the terms of the loan agreement and the facility meeting certain job creation and retention thresholds.

Stark County Port Authority
 Stark County
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2013

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

Ohio Air Quality Development Loan		
Year Ending	Business-Type Activities	
December 31	Principal	Interest
2014	108,341	22,095
2015	221,600	16,772
2016	228,323	10,053
2017	191,736	3,122
Total	<u>\$ 750,000</u>	<u>\$ 52,042</u>

Ohio Water Development Authority Loan		
Year Ending	Business-Type Activities	
December 31	Principal	Interest
2014	503,693	145,789
2015	518,917	130,565
2016	534,602	114,880
2017	550,760	98,722
2018	567,407	82,075
2019-2023	1,763,550	201,685
2024-2026	545,678	20,615
	-	-
Total	<u>\$ 4,984,607</u>	<u>\$ 794,331</u>

Note 9. Loans Receivable

As of December 31, 2013, the loan receivable amount totaled \$9,520,413 up from the \$6,973,523 loan receivable at December 31, 2012. The increase in loan receivable directly correlates with the increase in debt outstanding from 2012 and 2013. The revenue will be utilized to retire the corresponding debt related to previous projects.

Note 10. Subsequent Events

On June 26, 2014, the SCPA authorized additional conduit financing up to \$3,000,000 in bonds for the YMCA for the purpose of additional expansion of its Jackson Township YMCA previously financed through the SCPA.

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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 years ended December 31, 2013 and 2012, 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 July 21, 2014 wherein we noted the Port Authority changed from a cash basis of accounting to the basis of accounting that follows generally accepted accounting principles (GAAP-basis). We previously 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 for the year ended December 31, 2012.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2013-001 described in the accompanying schedule of findings 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

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

July 21, 2014

STARK COUNTY PORT AUTHORITY
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013

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

Debt Covenant Noncompliance

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Article IV Section 4.2(e)(ii) of the loan agreement between the Ohio Air Quality Development Authority and the Stark County Port Authority (SCPA) for the Timken Wind Energy Project indicates that within one hundred twenty (120) days after the end of each fiscal year of the SCPA, a copy of its audited financial statements, including the balance sheet of the SCPA as at the end of such fiscal year, together with related statements of income, retained earnings and cash flows for such fiscal year, setting forth in comparative form the corresponding figures as at the end of or for the previous fiscal year, all in reasonable detail and all examined by and accompanied by an audited opinion of the Ohio Auditor of State to the effect that such financial statements were prepared in accordance with the government accounting standards applied therein, and present fairly the SCPA's financial position at the close of such periods and the results of its operations for such periods. In addition, the SCPA shall provide to the Authority, along with such financial statements, a certificate from its accountants which states that the SCPA has complied with all financial covenants which are set for in Section 4.3(e) hereof, or, as the case may be, disclose any defaults thereunder.

The Port Authority did not submit a copy of its audited financial statements or a certificate of compliance to the Ohio Air Quality Development Authority within one hundred twenty (120) days after the end of the fiscal year.

The Port Authority should submit a copy of its audited financial statements and a certificate of compliance annually to the Ohio Air Quality Development Authority within one hundred twenty (120) days after the end of the fiscal year to comply with all debt covenants and not be considered in default on the loan and therefore be subject to remedial action.

Official's Response: Officials did not respond to the finding above.

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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
SEPTEMBER 02, 2014**