

STARK COUNTY PORT AUTHORITY

**STARK COUNTY, OHIO
(A Component Unit of Stark County)**

**Basic Financial Statements
(Audited)**

**For the Year Ended
December 31, 2019**



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Columbus, Ohio 43215
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(800) 282-0370

Board of Directors
Stark County Port Authority
400 3rd Street SE
Canton, Ohio 44702

We have reviewed the *Independent Auditor's Report* of the Stark County Port Authority, Stark County, prepared by Julian & Grube, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stark County Port Authority is responsible for compliance with these laws and regulations

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 12, 2020

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STARK COUNTY PORT AUTHORITY
Stark County, Ohio
(A Component Unit of Stark County)

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Independent Auditor's Report

Stark County Port Authority
Stark County
400 3rd Street SE
Suite 310
Canton, Ohio 44702

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Stark County Port Authority, Stark County, Ohio, a component unit of Stark County, as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Stark County 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 Stark County 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 Stark County Port Authority's internal control. Accordingly, we express no such 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.

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, Ohio, as of December 31, 2019, and the changes in its financial position and its cash flows for the year 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.

Report on Summarized Comparative Information

We have previously audited the Stark County Port Authority's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2020, on our consideration of the Stark County 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 Stark County Port Authority's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 22, 2020

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

Management's Discussion and Analysis
For the Year's Ended December 31, 2019
(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, 2019. 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 2019 are as follows:

- In total, net position increased \$67,461 in 2019 from 2018. The increase results from increased charges for service related to multiple new projects including application and financing fees, and an increase in interest revenue from investments.
- Total assets increased \$50,026,045 in 2019. This is due to increase in loans receivables; including, a net increase of \$20,803,037 related to Geis Project and 2019 refinancing, \$3,967,201 for Omni Project, \$18,518,996 for Hendrickson Project, \$7,510,287 for Schroer Project offset by decrease from repayments to OWDA of \$829,687 and increase in cash and cash equivalents of \$56,211.
- Total liabilities increased by \$49,958,584 in 2019. The net liabilities increase corresponds directly to debt which corresponds changes in loans receivable for projects including Geis Massillon including refinancing, Omni, Hendrickson, Schroer, and offset by reductions in OWDA debt and a \$11,250 in accounts payable.
- The total operating revenue amounted to \$1,031,869 in 2019, which is a decrease of \$525,536 driven by decreased charges for service offset by a slightly by increased loan receipts as outstanding balances increased due to additional projects and repayment.

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, OHIO
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Management's Discussion and Analysis
For the Year's Ended December 31, 2019
(Unaudited)

FINANCIAL ANALYSIS

Changes in Net Position

The following table shows the changes in net position for the years 2019 and 2018:

	Table 1 Net Position	
	2019	2018
Assets		
Cash and Cash Equivalents	\$ 1,340,440	\$ 1,284,229
Loans Receivable	73,474,221	23,504,387
Total Assets	74,814,661	24,788,616
Liabilities		
Loans Payable	73,474,221	23,504,387
Other Payable	-	11,250
Total Liabilities	73,474,221	23,515,637
Net Position		
Net Investment in Capital		
Restricted	366	360
Unrestricted (Deficit)	1,340,074	1,272,619
Total Net Position	\$ 1,340,440	\$ 1,272,979

**STARK COUNTY PORT AUTHORITY
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Management's Discussion and Analysis
For the Year's Ended December 31, 2019
(Unaudited)

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

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

	2019	2018
Revenues		
Charges for Services	\$ 189,175	\$ 726,219
Operating Grants	25,000	25,000
Loan Receipts	810,839	805,831
Other	6,855	355
<i>Total Operating Revenues</i>	1,031,869	1,557,405
Expenses		
Current:		
Administration	30,370	65,206
Bank Fees	562	69
Legal Fees	49,351	503,959
Economic Development Grant	97,000	-
Debt Service:		
Interest and Fiscal Charges	810,839	805,831
<i>Total Operating Expenses</i>	988,122	1,375,065
<i>Excess of Receipts Over (Under) Disbursements</i>	43,747	182,340
Non-Operating Receipts		
Investment Income	23,714	17,576
<i>Total Non-Operating Receipts</i>	23,714	17,576
<i>Change in Net Position</i>	67,461	199,916
<i>Net Position at Beginning of Year</i>	1,272,979	1,073,063
<i>Net Position at End of Year</i>	\$ 1,340,440	\$ 1,272,979

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

**STARK COUNTY PORT AUTHORITY
STARK COUNTY, OHIO
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Management's Discussion and Analysis
For the Year's Ended December 31, 2019
(Unaudited)

CAPITAL ASSETS

At the end of 2019, the SCPA had no capital assets, net of depreciation.

DEBT

The following table summarizes SCPA's debt:

	<u>2019</u>	<u>2018</u>
Ohio Water Development Agency	\$ 3,959,162	\$ 4,788,849
Timken Steel Construction	12,118,575	12,118,575
Geis Massillon LLC	-	6,596,963
Geis Refinance 2019 Issue	27,400,000	-
Omni	3,967,201	-
Henrickson	18,518,996	-
Schroer	7,510,287	-
	<u>\$ 73,474,221</u>	<u>\$ 23,504,387</u>

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

CURRENT FINANCIAL RELATED ACTIVITIES

At December 31, 2019, SCPA had total assets of \$74,814,661 and total net position of \$1,340,440 representing an increase of \$67,461 or 5.3% in net position. At December 31, 2018, SCPA had total assets of \$24,788,616 and a total net position of \$1,272,979. The SCPA continues to benefit from projects and competitive fee structure.

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, 400 3rd ST SE STE 310, Canton, OH 44702.

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

Statements of Net Position
December 31, 2019
(With Comparative Amounts for 2018)

	2019	2018
Assets		
Cash and Cash Equivalents	\$ 1,340,440	\$ 1,284,229
Loans Receivable	73,474,221	23,504,387
Total Assets	74,814,661	24,788,616
Liabilities		
Loans Payable	73,474,221	23,504,387
Other Payable	-	11,250
Total Liabilities	73,474,221	23,515,637
Net Position		
Retricted	366	360
Unrestricted (Deficit)	1,340,074	1,272,619
Total Net Position	\$ 1,340,440	\$ 1,272,979

See Accompanying Notes to the Basic Financial Statements

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2019
(With Comparative Amounts for 2018)

	2019	2018
Revenues		
Charges for Services	\$ 189,175	\$ 726,219
Operating Grants	25,000	25,000
Loan Receipts	810,839	805,831
Other	6,855	355
<i>Total Operating Revenues</i>	1,031,869	1,557,405
Expenses		
Current:		
Administration	30,370	65,206
Bank Fees	562	69
Legal Fees	49,351	503,959
Economic Development	97,000	-
Debt Service:		
Interest and Fiscal Charges	810,839	805,831
<i>Total Operating Expenses</i>	988,122	1,375,065
<i>Operating Income (Loss)</i>	43,747	182,340
Non-Operating Revenues (Expenses)		
Investment Income	23,714	17,576
<i>Total Non-Operating Receipts</i>	23,714	17,576
<i>Change in Net Position</i>	67,461	199,916
<i>Net Position at Beginning of Year</i>	1,272,979	1,073,063
<i>Net Position at End of Year</i>	\$ 1,340,440	\$ 1,272,979

See Accompanying Notes to the Basic Financial Statements

STARK COUNTY PORT AUTHORITY
STARK COUNTY, OHIO
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Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019
(With Comparative Amounts for 2018)

	2019 Business-Type Activities	2018 Business-Type Activities
	Operating Fund	Operating Fund
Cash Flows From Operating Activities		
Cash Received from Grants	\$ 25,000	\$ 25,000
Cash Received from Customers	196,030	726,219
Cash Received from Loan Interest	810,839	805,831
Cash Payments to Goods and Services	(188,533)	(557,984)
Cash Payment to Loan Interest	(810,839)	(805,831)
	32,497	193,235
Cash Flows From (Used) Noncapital and Related Financing Activities		
Proceeds from GEIS at Massillon LLC	31,192,542	6,596,963
Proceeds from GEIS Refinancing	27,400,000	-
Proceeds from Omni	3,967,201	-
Proceeds from Hendrickson	18,518,996	-
Proceeds from Schroer	7,510,287	-
Contributed Capital Hall of Fame Village Project	2,000	11,916,494
Cash Received from Outstanding Loans	11,219,192	14,600,792
Economic Development	(61,191,026)	(18,513,457)
Principal Paid on Noncapital Debt	(38,619,192)	(14,600,792)
<i>Net Cash (Used) by Noncapital and Related Financing Activities</i>	-	-
Cash Flows From Investing Activities		
Interest and Dividends	23,714	17,576
<i>Net Cash Provided by Investing Activities</i>	23,714	17,576
<i>Net Increase (Decrease) in Cash and Cash</i>	56,211	210,811
Balance - Beginning of the Year	1,284,229	1,073,418
Balance - End of the Year	\$ 1,340,440	\$ 1,284,229
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	43,747	182,340
Change in Assets and Liabilities		
Bonds/Loans Receivable	-	(355)
Other Accounts Payable	(11,250)	11,250
	32,497	193,235

See Accompanying Notes to the Basic Financial Statements

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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. The statement of cash flows provides information about how the SCPA finances and meets the cash flow needs of its proprietary activities. 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 not re-appropriated. GAAP does not require enterprise funds to present budgetary statements; therefore, budgetary statements have not been included.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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, 2019, investments were limited to Star Ohio. Investments are reported at fair value, which is based on quoted market prices.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 original 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 SCPA, 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. 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, 2019.

The SCPA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. DEPOSITS AND INVESTMENT

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

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 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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 the investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 3. DEPOSITS AND INVESTMENT – (Continued)

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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.

Investment in stripped principal or interest obligations, reverse repurchase agreements and derivatives is prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, 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 and bank balance of the SCPA's deposits was \$306,219 at December 31, 2019 and \$10,360 at December 31, 2018. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2019, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$28,110 was covered by the Ohio Pooled Collateral System (OPCS) and \$28,109 was exposed to custodial credit risk because the amount was uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the SCPA will not be able to recover deposits or collateral securities that are in the possession of an outside party. The SCPA has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (a) eligible securities pledged to the SCPA and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (b) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019 the SCPA's depository institution was approved for a reduced collateral rate of 50% through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the SCPA to a successful claim by the FDIC.

B. Investments

As of December 31, 2019, the SCPA had the following investments and maturities

<u>Investment</u>	Fair Value	Investment Maturities		
		6 months less	7 to 12 months	13 to 18 months
Amortized Cost:				
Star Ohio	\$ 1,034,221	\$ 1,034,221	\$ -	\$ -
Total	\$ 1,034,221	\$ 1,034,221	\$ -	\$ -

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 3. DEPOSITS AND INVESTMENT – (Continued)

Fair Value Measurements: The SCPA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The SCPA had no qualifying investments at December 31, 2019.

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: STAR Ohio carries a rating of AAAM by Standard & Poor’s. The SCPA has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The SCPA’s investment policy does not specifically address credit risk beyond requiring the SCPA to only invest in securities authorized by State statute.

Custodial Rate 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. The SCPA had no investment in repurchase agreements as of December 31, 2019. The entire balance of a repurchase agreement 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, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
Star Ohio	\$ 1,034,221	100%
Total	<u>\$ 1,034,221</u>	<u>100%</u>

NOTE 4. 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 5. RELATED PARTY TRANSACTIONS

The SCPA contracts with the Stark Economic Development Board (SEDB) to maintain the SCPA’s files and records in addition to providing facilities and related administrative functions. The SCPA paid the SEDB \$54,700 in 2019, \$55,010 in 2018 under the term of the contract.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 6. DEBT/LOANS PAYABLE

At December 31, 2019, debt outstanding totaled \$73,474,221 up from the \$23,504,387 debt outstanding at December 31, 2018. In 2019, SCPA refinanced a portion of the Geis Project leaving an outstanding balance of \$27.4 million. In addition, SCPA added three new projects that increase debt including: \$3.9 million for Omni, \$18.5 million for Hendrickson, and \$7.5 million for Schroer projects.

Issuance	Balance 12/31/18	Additions	Reductions	Balance 12/31/19
Ohio Water Developmental Authority	\$ 4,788,849	\$ -	\$ (829,687)	\$ 3,959,162
Timken Steel Project	12,118,575	-	-	\$ 12,118,575
Geis at Massillon LLC	6,596,963	31,192,542	(37,789,505)	\$ -
Geis Refinance 2019 Issue	-	27,400,000	-	\$ 27,400,000
Omni	-	3,967,201	-	\$ 3,967,201
Hendrickson	-	18,518,996	-	\$ 18,518,996
Schroer	-	7,510,287	-	\$ 7,510,287
Total	<u>\$ 23,504,387</u>	<u>\$ 88,589,026</u>	<u>\$ (38,619,192)</u>	<u>\$ 73,474,221</u>

A. OWDA

In 2004, the SCPA, 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 SCPA entered into a loan agreement with the Ohio Water Development Authority (OWDA). The loan agreement authorized the SCPA to obtain loan funds of \$3,144,739 at a rate of 3% for 15 years.

In 2010, the SCPA, in conjunction with Shearers Food 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 SCPA entered into a loan agreement with the Ohio Water Development Authority (OWDA). The loan agreement authorized the SCPA to obtain loan funds of \$3,400,000 at a rate of 3.2% for 15 years.

In 2013, the SCPA, in conjunction with Shearers Food Inc., entered into an agreement to assist in construction and expansion of its wastewater treatment facilities. In order to obtain funds for the construction of the project, the SCPA entered into a loan agreement with the Ohio Water Development Authority (OWDA). The loan agreement authorized the SCPA to obtain loan funds of \$3,819,522 at a rate of 3% for 15 years.

B. Timken Steel

In 2015 the SCPA authorized up to \$17,500,000 through The Bank of New York Mellon Trust Company for improving the Cambranus Steel Plant. The loan terms include a 5% interest rate with an indefinite length term. Construction was completed in 2017 and no amortization of principal has occurred nor has the length term been adjusted.

C. Geis

In 2018, the SCPA authorized up to \$41,000,000 through The Huntington Bank for the expansion at Shearer facilities in Massillon. In 2019, Geis repaid a portion of the loan and then refinanced the remaining portion. The refinancing included new issuance of \$27,400,000 at a rate of 4.77% for 7 years.

D. Omni

In 2019 the SCPA authorized up to \$10,000,000 through The Huntington Bank for the OMNI Orthopaedics facilities project. The SCPA has not received an amortization schedule for the Omni project.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 6. DEBT/LOANS PAYABLE – (Continued)

E. Hendrickson

In 2019 the SCPA authorized up to \$25,000,000 through The Huntington Bank for improving manufacturing facilities. Construction began in 2019 with \$18,518,996 expended by years end. The loan terms include a 4% interest rate with an indefinite length of time until construction is completed. The project is expected to be completed in 2020. The SCPA has not received an amortization schedule for the Hendrickson project.

F. Schroer

In 2019 the SCPA authorized up to \$11,500,000 through PNC Bank for construction of a new corporate headquarters and pharmacy building. Construction began in 2019 with \$7,510,287 expended by years end. The loan terms include a 4% interest rate with an indefinite length of time until construction is completed. The project is expected to be completed in 2020. The SCPA has not received an amortization schedule for the Schroer project.

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

Ohio Water Development Authority Loans			U.S. Realty Advisors - Geis 2019 Refinance		
Year Ending	Business-Type Activities		Year Ending	Business-Type Activities	
December 31	Principal	Interest	December 31	Principal	Interest
2020	424,200	59,582	2020	-	1,306,980
2021	498,503	102,727	2021	-	1,306,980
2022	513,570	87,660	2022	-	1,306,980
2023	529,093	72,137	2023	-	1,306,980
2024	545,085	56,145	2024	34,347	1,306,980
2025-2028	1,448,711	76,331	2025-2029	27,365,653	2,466,241
Total	<u>\$ 3,959,162</u>	<u>\$ 454,582</u>	Total	<u>\$ 27,400,000</u>	<u>\$ 9,001,141</u>

Note 7. LOANS RECEIVABLE

As of December 31, 2019, the loan receivable amount totaled \$73,474,221 up from the \$23,504,387 loan receivable at December 31, 2018. The increase is the net effect of expenditures and related refinancing for the Geis Project leaving an outstanding balance of \$27.4 million. In addition, SCPA added three new projects that increased receivables by \$3.9 million for Omni, \$18.5 million for Hendrickson, and \$7.5 million for Schroer projects. These increases were offset slightly by small declines in OWDA project receivables consistent with the corresponding debt repayment schedules. The facilities in all other projects with remaining debt will immediately convey upon repayment, consistent with the terms of their respective 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 the projects.

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 \$1,117,037 outstanding as of December 31, 2019. In addition to the 2014 YMCA conduit financing, the YMCA has \$855,761 outstanding as of December 31, 2019, 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 \$7,595,000 outstanding as of December 31, 2019, 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 SCPA authorized a grant for \$100,000 to the Stark Community Foundation for the benefit of the Faith in Stark program. Geis made \$435,600 in interest payments. In addition, Hendrickson has added \$2.3 million, Omni \$4.5 million, and Schroer \$2 million in debt for their projects.

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**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
400 3rd Street SE
Suite 310
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, Ohio, a component unit of Stark County, as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Stark County Port Authority's basic financial statements and have issued our report thereon dated May 22, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Stark County 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 Stark County 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 Stark County 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.

Stark County Port Authority
Stark County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Stark County 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 Stark County 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 Stark County Port Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a period at the end.

Julian & Grube, Inc.
May 22, 2020

OHIO AUDITOR OF STATE KEITH FABER



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
JUNE 25, 2020**