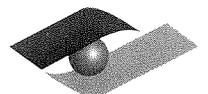


SUMMIT COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS

December 31, 2004 and 2003







**Auditor of State  
Betty Montgomery**

Board of Commissioners  
Summit County Port Authority

We have reviewed the Independent Auditor's Report of the Summit County Port Authority, Summit County, prepared by Bober, Markey, Fedorovich & Company for the audit period January 1, 2004 through December 31, 2004. 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 Summit County Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 9, 2005

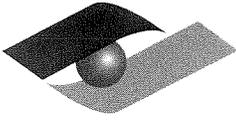
**This Page is Intentionally Left Blank.**

SUMMIT COUNTY PORT AUTHORITY

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-4
Balance Sheets	5
Statements of Revenues, Expenses and Changes in Net Assets	6
Statements of Cash Flows	7-8
Notes to Financial Statements	9-17
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	18-19





**Bober, Markey, Fedorovich  
& Company**

Certified Public Accountants / Business Advisors  
A Professional Corporation

411 Wolf Ledges Parkway  
Suite 400  
Akron, Ohio 44311-1040

330.762.9785

FAX 330.762.3108

[www.bobermarkey.com](http://www.bobermarkey.com)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Summit County Port Authority  
Akron, Ohio

We have audited the accompanying financial statements of the Summit County Port Authority, Summit County, Ohio (the "Authority") as of and for the years ended December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Summit County Port Authority as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the financial statements, during 2004, the Authority adopted Governmental Accounting Standard Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis on pages 3-4 is not a required part of the basic financial statements but is supplementary information required by the GASB. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Bober, Markey, Fedorovich & Company*

BOBER, MARKEY, FEDOROVICH & COMPANY

January 18, 2005



Summit County Port Authority  
Management's Discussion and Analysis  
December 31, 2004

**General**

The management of the Summit County Port Authority (the "Authority") provides the readers of the Authority's financial statements this brief narrative overview of the financial activities of the Authority for the fiscal year ended December 31, 2004.

The Authority is an independent political subdivision of the State of Ohio. The Authority was established for the purpose of providing economic development financing activities in Summit County, Ohio. The Authority engages in this activity by managing financing activities through issuance of revenue bonds. In addition, the Authority also provides Foreign-Trade Zone management and administrative services and the Authority is co-developer of an industrial park adjacent to the Akron-Canton Airport, whereby ground rental income is derived as tenants locate at the park.

**Overview**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority engages in economic development finance activities that are stand-alone and/or bond fund projects. Stand-alone projects include the Summa Health Centers for Excellence and the Akron Civic Theater. Bond fund projects are projects issued through the Authority's bond fund. The only bond fund project financed to date by the Authority is a tax increment finance (TIF) public infrastructure project jointly funded by the Authority and the Cleveland-Cuyahoga Port Authority. The Authority provided \$2.75 million of the \$11.6 million project.

It is noteworthy to consider the following regarding all of the Authority's finance projects:

1. All stand-alone transactions require the lender to look only to the borrower's lease payments and any certain specific revenue sources and cash reserves to provide funds sufficient to meet lease payments and/or debt service payments.
2. All bond fund transactions require the lender to look only to the borrower lease or loan payments for debt service unless a default arises, in which case the reserve mechanisms in the bond fund will make the debt service payments to the extent sufficient funds are available.

Major events during the year affecting the Authority's financial assets include the aforementioned Garfield Heights TIF project and in late December, the Authority publicly announced with the Cleveland-Cuyahoga Port Authority, a joint bond fund financing project, along with the State of Ohio's Enterprise Bond Fund, to upgrade the utility management systems of various facilities of Goodyear Tire & Rubber Company located in Akron, Ohio.

The Authority also entered into a Cooperative Agreement with Portage County for the purposes of providing economic development finance in that County.

The Authority attracted several investments to its CAK International Business Park (CAK) adjacent to the Akron-Canton Airport, which should generate \$143,000 annually through 2024 in rent income to the Authority. New tenants include a Diebold maintenance and parts distribution center, a manufacturing plant for Wacker Chemical, the regional headquarters for J&K Subway, Inc., and a Sam's Club's distribution center for ASW Logistics, Inc.



Summit County Port Authority  
Management's Discussion and Analysis  
December 31, 2004

**Condensed Financial Information**

Provided below is condensed balance sheet information for the Authority as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
<b>Assets:</b>		
Current assets	\$ 1,238,499	\$ 3,155,976
Property	2,270,500	27,281,201
Restricted and other assets	<u>23,853,382</u>	<u>21,108,775</u>
Total assets	<u>\$ 27,362,381</u>	<u>\$ 51,545,952</u>
<b>Liabilities and Net Assets:</b>		
Current liabilities	\$ 163,780	\$ 23,249
Other liabilities	23,037,626	47,938,878
Net assets	<u>4,160,975</u>	<u>3,583,825</u>
Total liabilities and net assets	<u>\$ 27,362,381</u>	<u>\$ 51,545,952</u>

**Assets & Liabilities:** The major change in assets and liabilities is due to the transfer of the Summa Health Systems property due to the refinancing of the related debt. The refinancing occurred in December 2004 and the property and related revenue bonds were removed from the Authority's balance sheet.

The Authority's operating increased net assets by \$577,150 in 2004 and decreased net assets by \$573,391 in 2003. Key elements of these changes are summarized below:

	<u>2004</u>	<u>2003</u>
<b>Operating Revenues</b>		
Loan processing fees	\$ 164,176	\$ 84,000
Grant	195,000	220,000
Other operating revenues	<u>155,441</u>	<u>134,434</u>
Total operating revenues	514,617	438,434
<b>Operating expenses</b>		
Salaries and benefits	295,521	271,578
Depreciation	691,250	518,000
Other operating expenses	<u>207,731</u>	<u>317,210</u>
Total operating expenses	<u>1,194,502</u>	<u>1,106,788</u>
Operating loss	(679,885)	(668,354)
<b>Nonoperating revenue</b>		
Gain from transfer of property	1,209,250	-
Other nonoperating revenue	<u>47,785</u>	<u>94,963</u>
Total nonoperating revenue	<u>1,257,035</u>	<u>94,963</u>
Net increase (decrease) in net assets	<u>\$ 577,150</u>	<u>\$ (573,391)</u>

**Operating revenues:** Loan processing fees increased due to increased activity in economic development and financing projects during 2004.

**Operating expenses:** Depreciation increased due to a full year of depreciation recognized in 2004 versus a part year in 2003 on the Summa Health Systems property. Other operating expenses decreased due to 2003 had an additional \$91,000 of Civic renovation costs.

**Nonoperating revenue and Increase in net assets:** Increased significantly due to the gain on the transfer of the Summa Health System property as mentioned above.



SUMMIT COUNTY PORT AUTHORITY  
BALANCE SHEETS  
December 31, 2004 and 2003

	ASSETS	
	2004	2003
<b>CURRENT ASSETS</b>		
Cash	\$ 869,744	\$ 711,372
Cash - restricted	333,237	2,424,706
Administrative fees receivable	31,960	15,904
Prepaid insurance	3,558	3,994
<b>TOTAL CURRENT ASSETS</b>	<b>1,238,499</b>	<b>3,155,976</b>
<b>PROPERTY</b>		
Building -Summa Health Center	-	27,650,000
Project construction in progress (See Note 11)	2,270,500	149,201
	2,270,500	27,799,201
Less accumulated depreciation	-	(518,000)
<b>TOTAL PROPERTY</b>	<b>2,270,500</b>	<b>27,281,201</b>
<b>RESTRICTED AND OTHER ASSETS</b>		
Note receivable - Akron Civic Theater	1,455,829	1,455,829
Restricted assets - Bond Fund Program Reserve	5,036,483	5,006,876
Lease receivable - Akron Civic Theater	14,611,070	14,646,070
Bond fund transactions		
Note receivable - Garfield Heights project	2,750,000	-
<b>TOTAL RESTRICTED AND OTHER ASSETS</b>	<b>23,853,382</b>	<b>21,108,775</b>
<b>TOTAL ASSETS</b>	<b>\$ 27,362,381</b>	<b>\$ 51,545,952</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Deferred revenue and expenses	\$ 125,000	\$ -
Accounts payable	29,788	12,065
Accrued payroll and payroll taxes	8,992	11,184
<b>TOTAL CURRENT LIABILITIES</b>	<b>163,780</b>	<b>23,249</b>
<b>OTHER LIABILITIES, INCLUDING AMOUNTS RELATING TO RESTRICTED ASSETS</b>		
Note payable - Summit County	1,455,829	1,455,829
Payable to Summit County for CAK International Business Park infrastructure improvements	1,613,073	1,613,073
Revenue bonds - Akron Civic Theater	14,611,070	14,646,070
Revenue bonds - Summa Health Center (See Note 10)	-	27,650,000
Revenue bonds - Green Sewer Project	2,607,654	2,573,906
Bond fund transactions		
Revenue bonds - Garfield Heights project	2,750,000	-
<b>TOTAL OTHER LIABILITIES</b>	<b>23,037,626</b>	<b>47,938,878</b>
<b>TOTAL LIABILITIES</b>	<b>23,201,406</b>	<b>47,962,127</b>
<b>NET ASSETS</b>		
Unrestricted	(839,025)	(1,416,175)
Restricted	5,000,000	5,000,000
<b>TOTAL NET ASSETS</b>	<b>4,160,975</b>	<b>3,583,825</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 27,362,381</b>	<b>\$ 51,545,952</b>

The accompanying notes are an integral part of these financial statements.



SUMMIT COUNTY PORT AUTHORITY  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 For the Years Ended December 31, 2004 and 2003

	2004	2003
<b>OPERATING REVENUES</b>		
Project administrative fees	\$ 37,203	\$ 51,923
CAK Business Park - ground sublease rent	56,052	24,361
Loan processing fees	164,176	84,000
Foreign Trade Zone contract services & administrative fees	53,000	38,150
Summit County operating grant	195,000	220,000
Other income	9,186	20,000
TOTAL OPERATING REVENUES	514,617	438,434
<b>OPERATING EXPENSES</b>		
Salaries and benefits	295,521	271,578
Miscellaneous operating expenses	90,235	101,939
CAK Business Park expenses	58,623	55,520
Civic renovation costs	-	102,012
Professional services	58,873	57,739
Depreciation	691,250	518,000
TOTAL OPERATING EXPENSES	1,194,502	1,106,788
OPERATING LOSS	(679,885)	(668,354)
<b>OTHER NONOPERATING REVENUE</b>		
Gain from transfer of property-Summa Health Systems	1,209,250	-
Grant-State of Ohio-Ohio Arts & Sports Facilities Commission	-	16,532
Interest income	47,785	78,431
TOTAL OTHER NONOPERATING REVENUE	1,257,035	94,963
CHANGE IN NET ASSETS	577,150	(573,391)
NET ASSETS, BEGINNING OF YEAR	3,583,825	4,157,216
NET ASSETS, END OF YEAR	\$ 4,160,975	\$ 3,583,825

The accompanying notes are an integral part of these financial statements.



SUMMIT COUNTY PORT AUTHORITY  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2004 and 2003

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and tenants	\$ 428,561	\$ 231,902
Receipts from other governments	195,000	220,000
Payments to suppliers for goods and services	(189,572)	(339,334)
Payments to employees and of employee benefits	(297,713)	(269,141)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	136,276	(156,573)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Lease payments received	35,000	-
Draws on lines of credit/note payable	-	880,354
Payments on line of credit/note payable	-	(100,000)
Grant awards	-	16,532
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	35,000	796,886
<b>CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Net proceeds/(payments) from the issuance/(redemption) of revenue bonds	(1,252)	2,573,906
Expenditures for project construction in progress	(2,121,299)	(149,201)
NET CASH (USED IN) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,122,551)	2,424,705
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Issuance of note receivable	-	(880,354)
Repayment received on note receivable	-	100,000
Interest income received	47,785	78,431
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	47,785	(701,923)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,903,490)	2,363,095
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	8,142,954	5,779,859
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 6,239,464	\$ 8,142,954
<b>Cash and cash equivalents is comprised of:</b>		
Cash	869,744	711,372
Cash - restricted	333,237	2,424,706
Restricted assets - Bond Fund Program Reserve	5,036,483	5,006,876
	\$ 6,239,464	\$ 8,142,954

The accompanying notes are an integral part of these financial statements.



SUMMIT COUNTY PORT AUTHORITY  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2004 and 2003

	2004	2003
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net operating loss	\$ (679,885)	\$ (668,354)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	691,250	518,000
Changes in operating assets and liabilities:		
Administrative fees receivable	(16,056)	(7,024)
Prepaid insurance	436	(2,059)
Grant receivable	-	20,492
Deferred revenue and expenses	125,000	-
Accounts payable	17,723	(20,065)
Accrued payroll and payroll taxes	(2,192)	2,437
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 136,276	\$ (156,573)

SUPPLEMENTAL DATA OF NONCASH TRANSACTIONS:

In December, 2004, the Summa Health Systems Revenue bonds of \$27.65 million, were refinancing by the lessor of the building, resulting in the retirement of these bonds, therefore, the Authority no longer holds these bonds or the related lease receivable and building. The building was transferred to Summa Health Systems upon the refinancing, a gain on the transfer of \$1.2 million was recognized by the Authority.

In October, 2004, the Authority issued \$7.5 million Multifamily Housing Revenue Bonds related to the acquisition, construction, rehabilitation and equipping of a 100-unit residential rental project. The Authority and the owner of the project also entered into an agreement related to the purchase of this facility, and total receivables equal the bond obligation.

In September, 2004, the Authority issued \$2.75 million Development Revenue Bonds to be used to finance the cost of acquisition of real property and construction of public improvements including road and utilities in connection with the development of a retail center in Garfield Heights, Ohio.

In August, 2003, the Authority issued \$5.5 million of Special Obligation Revenue Bonds related to the construction of a manufacturing and distribution facility. The Authority and the tenant of this facility also entered into a lease agreement for this facility, total lease receivables equal the bond obligation.

The accompanying notes are an integral part of these financial statements.



SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE 1 – DESCRIPTION OF SUMMIT COUNTY PORT AUTHORITY

The Summit County Port Authority (the "Authority") was formed by Summit County Council in 1993 to preserve key railroad lines from abandonment in an era of rail mergers and consolidations. County Council recognized the expanding role of port authorities within the state and passed legislation enabling the Authority to use the economic development powers allowed under the Ohio Revised Code.

The Authority is now encouraging industrial development, creating employment opportunities and providing financing and tax incentives to local businesses in order to provide a foundation to compete in the international marketplace. The Authority is directed by a seven-member Board appointed by the Summit County Executive, in accordance with the procedures provided by the Summit County Charter.

The Authority's activities are financed and operated as an enterprise fund such that the costs and expenses of providing services are recovered primarily through user charges. The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (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. In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority has elected not to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The most significant of the Authority's accounting policies are described below.

Basis of Accounting

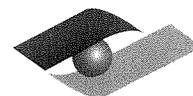
These financial statements are presented on the accrual basis of accounting; revenues are recognized when earned and expenses are recognized as incurred. Revenues received in advance are deferred and recognized as earned over the period to which they relate.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and requires an annual budget. This budget includes estimated receipts and appropriations. In addition, the Rules and Regulations of the Authority require the Board to adopt an appropriation resolution. The Authority maintains budgetary control by not permitting expenditures to exceed their respective appropriations without amendment of appropriations from the Board of Directors.

Cash and Cash Equivalents

Summit County is the fiscal agent for the Authority operations. Accordingly, the Summit County Auditor maintains the Authority's funds in an Agency fund on the County's financial records. The Authority's Secretary of the Board is the fiscal agent for the Authority's development projects.



SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

The Authority maintains a portion of its cash at a local bank. The Federal Deposit Insurance Corporation insures up to \$100,000 for cash deposits. At December 31, 2004 and 2003, the Authority's uninsured cash balances were \$118,800 and \$116,366, respectively. The Authority believes no significant concentration of credit risk exists with respect to these cash deposits.

For the purposes of the statement of cash flows, cash and equivalents are defined as demand deposits held by Summit County and cash invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. The Authority's investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for at the balance sheet date. STAR Ohio is a "2a7-like pool" as defined by GASB Statement No. 31. The deposits invested with STAR Ohio are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

Capital Assets

All capital assets are capitalized at cost and updated for additions and retirements during the year. The Authority maintains a capitalization threshold of \$1,000. Capital assets are depreciated using the straight-line method over the following useful lives:

Furniture and office equipment	5-10 years
Building	40 years

Restricted Assets – Bond Fund Program Reserve

The Authority's investments are governed by the trust indenture and State of Ohio statutes, which allow the Authority to invest in certain obligations including State of Ohio obligations. All of the Authority's restricted assets are invested in the State Treasury Asset Reserve (STAR Ohio) at December 31, 2004 and 2003. These STAR Ohio investments are considered cash equivalents.

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is accrued and reported as a liability when earned by the Authority's employees. There is no liability for unpaid, accumulated sick leave since employees do not receive payment for unused sick time.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Reclassifications

The 2003 financial statements have been reclassified to conform to the 2004 presentation.



SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE 3 – CASH POOL

The Summit County Fiscal Officer maintains a cash pool used by all of the County's funds, including those of the Authority. The Ohio Revised Code prescribes allowable deposits and investments. The Authority's carrying amount of cash on deposit with the County was \$966,096 and \$2,898,653 as of December 31, 2004 and 2003, respectively. The Summit County Fiscal Officer is responsible for maintaining adequate depository collateral for all funds in the Summit County's pooled and deposit accounts and ensuring that all monies are invested in accordance with the Ohio Revised Code.

NOTE 4 – BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and 2003 are as follows:

2004 Actual vs. Budget			
Fund Type	Actual	Budget	Variance
Enterprise			
Revenues	\$ 562,402	\$ 240,769	\$ 321,633
Expenditures	\$ 503,252	\$ 568,960	\$ (65,708)
2003 Budget vs. Actual			
Fund Type	Actual	Budget	Variance
Enterprise			
Revenues	\$ 533,397	\$ 528,578	\$ 4,819
Expenditures	\$ 588,788	\$ 522,880	\$ 65,908

NOTE 5 – BOND FUND PROGRAM

The Authority has established a Bond Fund Program to provide long-term, fixed interest rate financing for qualified industrial, commercial and public projects. The primary objective of the Bond Fund Program is to further economic development efforts and investment in Summit County through the retention and creation of quality, private-sector jobs.

The State of Ohio Department of Development (ODOD) awarded the Authority a grant of \$2 million, received in April, 2001, which was deposited into the Bond Fund Program Reserve account. The conditional grant from ODOD is for a 20 year term, with the interest earned on the fund remitted back to ODOD through December, 2011, beginning 2012 and continuing through December, 2021, 50% of the interest earned is required to be remitted back to ODOD. In February, 2001, the Authority obtained a \$3 million grant from Summit County for the Bond Fund Program, which was also deposited into the Bond Fund Program Reserve account.

Under the Program, debt service requirements on each bond issue are to be secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financed facilities. In addition, all borrowers are required to provide cash or a letter of credit as additional security for the related bonds. Amounts in the Bond Fund Program Reserve may be used for debt service in the event the borrower is unable to make the required payments under the lease. Amounts held in the Authority's Bond Fund Program Reserve was \$5,036,483 and \$5,006,876 at December 31, 2004 and 2003, respectively, and are included in restricted assets in the accompanying balance sheets.



SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

In September, 2004, the Authority issued \$2.75 million Authority Development Revenue Bonds, as part of a \$11.6 million project jointly funded by the Cleveland-Cuyahoga Port Authority. The proceeds of the bonds will be used to finance the costs of acquisition of real property and the construction of public improvements including roads and utilities in connection with the development of a retail center located in Garfield Heights, Ohio.

NOTE 6 – BENEFIT PLAN

All employees of the Authority are required to be members of the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. PERS issues a stand-alone financial report that may be obtained by making a written request to PERS, 277 East Town Street, Columbus, Ohio 43215 or by calling (614) 466-2085. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% of covered payroll for 2004 and 2003, the Authority is required to contribute 13.21% for 2004 and 2003. The Authority's contributions to PERS were \$32,219 and \$28,929 for 2004 and 2003, respectively.

NOTE 7 – CONDUIT DEBT

ASC Manufacturing, Ltd.

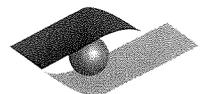
In September 2002, the Authority issued \$3,500,000 of Summit County Port Authority Adjustable Rate Port Facilities Revenue Bonds, Series 2002. The proceeds of the revenue bonds are being used to fund the expansion of a manufacturing facility. In July 1999, the Authority issued \$3,500,000 of Summit County Port Authority Variable Rate Revenue Bonds, Series 1999, which the bond proceeds were used to fund the construction of the original manufacturing facility. The issuance of either of these revenue bonds did not encumber the assets of the Authority.

In addition, the Authority amended their existing financing lease agreement pertaining to this manufacturing facility. The Authority owns the building and leases the building to ASC Manufacturing, Ltd. (ASC). The lease is non-cancelable until the underlying revenue bonds are paid in full. The amended lease payments cover principal and interest payments on both the 1999 and 2002 Revenue Bonds. All expenses related to the Revenue Bonds and the maintenance of the facility is the responsibility of ASC. ASC pays the lease payments directly to the Trustee. In addition an agreement to guarantee financing for the 1999 Bonds was entered into between Summit County and the Bond Trustee. Both bond issues are secured by irrevocable letters of credit.

In accordance with Governmental Accounting Standards, these revenue bonds issued by the Authority are considered conduit debt and do not create a liability and therefore are not presented on the Authority's financial statements. The Authority has no responsibility for the payment of the debt and the lease payments are paid directly to the respective trustees by ASC. During 2003, ASC Manufacturing, Ltd. repaid the 1999 and 2002 revenue bond issues, in connection with the repayment of these bonds, the Authority received a \$20,000 prepayment fee.

Meadow Lane, LLC

In August 2003, the Authority issued \$5.5 million of Summit County Port Authority Revenue Bonds. The bond proceeds will be used to finance the construction and equipping a manufacturing and distribution facility to be leased by Meadow Lane, LLC (Meadow Lane). These bonds are special obligations of the Authority payable solely from the proceeds received by the Authority under its lease with Meadow Lane and do not represent or constitute a debt or a pledge of the credit of the Authority. Meadow Lane and the Authority entered into a financing



SUMMIT COUNTY PORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2004 and 2003

lease agreement pertaining to this facility. The lease is non-cancelable until the underlying revenue bonds are paid in full. All expenses related to the revenue bonds are being paid out of the bond proceeds. The operation and maintenance of the buildings is the responsibility of Meadow Lane.

In accordance with Governmental Accounting Standards, these revenue bonds issued by the Authority are considered conduit debt and do not create a liability and therefore are not presented on the Authority's financial statements. The Authority has no responsibility for the payment of the debt and the lease payments are paid directly to the respective trustee by Meadow Lane. The bond is secured by an irrevocable letter of credit. Total amount of conduit debt outstanding for this project was \$5.5 million as of December 31, 2004 and 2003, respectively.

Eastland Woods, LLC

In August 2004, the Authority issued \$7.5 million of Summit County Port Authority Revenue Bonds. The bond proceeds will be used to finance the acquisition, construction, rehabilitation and equipping of an approx. 100-unit residential rental project to be owned by Eastland Woods, LLC. (Eastland Woods). These bonds are special obligations of the Authority payable solely from the proceeds received by the Authority under its agreement with Eastland Woods and do not represent or constitute a debt or a pledge of the credit of the Authority. Eastland Woods and the Authority entered into a financing lease agreement pertaining to this facility. The lease is non-cancelable until the underlying revenue bonds are paid in full. All expenses related to the revenue bonds are being paid out of the bond proceeds.

In accordance with Governmental Accounting Standards, these revenue bonds issued by the Authority are considered conduit debt and do not create a liability and therefore are not presented on the Authority's financial statements. The Authority has no responsibility for the payment of the debt and the lease payments are paid directly to the respective trustee by Eastland Woods. The bond is secured by assets of the project. Total amount of conduit debt outstanding for this project was \$7.5 million as of December 31, 2004.

NOTE 8 – PAYABLE TO SUMMIT COUNTY FOR CAK INTERNATIONAL BUSINESS PARK

During 1999, Summit County advanced funds on behalf of the Authority for the construction of the CAK International Business Park. The funds were used for road construction, water lines, sewers, and street lighting. The Authority is required to reimburse Summit County for these funds over an 18-year amortization, with annual payments of principal and interest, commencing on December 2002 through December 2019. Interest from August 1999 to December 2002 is not being charged by Summit County. Interest is variable ranging from 4.65% to 6.6%, with escalating principal payments ranging from \$25,000 to \$250,000 throughout the term of the debt. Total amount of this debt was \$1,753,627, however, \$186,011 of the debt proceeds was retained by Summit County and will be used to pay both principal (\$140,544) and interest (\$45,467) on the debt until the \$186,011 is exhausted. Therefore the Authority's debt obligation is \$1,613,073 at December 31, 2004 and 2003.

Approximate annual principal payments, required to be made by the Authority, under this debt for the next five years and thereafter are:

2005	\$ 98,248
2006	115,408
2007	131,756
2008	148,637
2009	142,524
Thereafter	976,500
	<u>\$ 1,613,073</u>



SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE 9 – AKRON CIVIC THEATER PROJECT

In September 2001, the Authority issued \$14.6 million of Summit County Port Authority Revenue Bonds, comprised of \$13.6 million of Current Interest Bonds and \$1 million of Capital Appreciation Bonds. The proceeds from the revenues bonds were primarily used to fund the renovation of the Akron Civic Theater facility. These bonds are payable solely from the proceeds received by the Authority under its lease with the Akron Civic Theater.

The Akron Civic Theater and the Authority entered into a financing lease agreement pertaining to the Civic theater facility. The lease is non-cancelable until the underlying revenue bonds are paid in full. Lease payments will be derived from the County Bed Tax revenues, through agreement among Summit County, National Inventors Hall of Fame and the Authority. In addition, the City of Akron guarantees the bonds.

All expenses related to the revenue bonds are being paid out of the bond proceeds. The operation and maintenance of the theater is the responsibility of the Akron Civic Theater.

In 2002, there was a shortfall in fundraising revenue committed to the project by the Civic Theater which led to the lines of credit explained in Note 13 below.

Approximate annual principal payments, required to be made by the Authority, under this debt for the next five years and thereafter are:

2005	\$ 55,000
2006	75,000
2007	100,000
2008	120,000
2009	150,000
Thereafter	<u>14,111,070</u>
	<u>\$14,611,070</u>

NOTE 10 – SUMMA HEALTH SYSTEM PROJECT

In March 2002, the Authority issued \$27.6 million of Summit County Port Authority Revenue Bonds. The bond proceeds were used to finance the construction of two separate health facility buildings connected by a central atrium which will house a new Cardiopulmonary Center for Excellence and a new Women's and Men's Health Center of Excellence to be leased by Summa Health System Hospitals (Summa). The interest on these bonds are payable solely from the proceeds received by the Authority under its lease with Summa. Principal repayment of the bonds is due at the end of the lease term, May 2013. Summa may purchase the building at original cost (i.e. the bond obligation of \$27.65 million), refinance the lease or vacate the building. The operation and maintenance of the buildings is the responsibility of Summa. The building was completed and opened in the spring of 2003.

Effective December 2004, Summa refinanced the building with another lender and in doing so paid off the Summit County Port Authority Revenue Bond. Therefore, the Authority no longer owns the Summa Centers of Excellence buildings.



SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE 11 – CITY OF GREEN SEWER PROJECT

During 2003, the Authority entered into a cooperative agreement with the City of Green and DeHoff Development Company, whereby the Authority provides the initial financing, through the issuance of revenue bonds, for sewer improvements on property located in Green, Ohio. After the sewer improvements are completed, the Authority will transfer the sewer improvements to the City of Green in the form of a sale. The sales price will be an amount sufficient to retire the revenue bonds and pay all Authority fees. The Authority received 2% of the bond proceeds, (\$50,000) for their assistance with the project. In October 2003, the City of Green and DeHoff Development Company transferred \$2,570,000 to the Authority to secure the revenue bonds. The Authority incurred \$2,121,299 and \$149,201 during 2004 and 2003, respectively on the sewer improvements, which is shown in the projects construction in progress line on the balance sheets. The remaining bond proceeds are shown within the restricted cash on the balance sheets.

NOTE 12 – NOTES PAYABLE AND NOTE RECEIVABLE

The Authority has the following unsecured notes payable, one with the City of Akron and one with Summit County. The purpose of these notes was for renovation costs for the Akron Civic Theater.

Note payable with Summit County

The balance outstanding on the unsecured note payable was \$1,455,829 at December 31, 2004 and 2003.

Approximate annual principal payments, required to be made by the Authority, under this debt for the next five years and thereafter are:

2005	\$ 100,000
2006	100,000
2007	100,000
2008	<u>1,155,829</u>
	<u>\$ 1,455,829</u>

Note Receivable with Akron Civic Theater

In connection with entering the note payable with Summit County, the Authority entered into a note receivable agreement with the Akron Civic Theater. The note receivable is unsecured and non-interest bearing. The note receivable is structured such that the Akron Civic Theater pays the Authority for all amounts due under the note payable/line of credit, and the Authority then repays Summit County. Therefore, the minimum lease receipts mirror the principal payment schedule shown above.

Administrator of Note Payable with City of Akron

The Authority is the administrator of this unsecured, non-interest bearing note payable created by the City of Akron. The Akron Civic Theater is responsible for making the required principal payments on the note to the Authority. The Authority is responsible for forwarding these payments to the City of Akron. The balances on the note were \$1,455,829 and \$1,555,829 at December 31, 2004 and 2003, respectively. These outstanding balances are not reflected in these financial statements since it is the obligation of the Akron Civic Theater.



SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE 13 – LEASES

Operating leases

The Authority leases office space and certain equipment under operating leases. Rental expense was \$40,317 and \$39,383 under these leases for 2004 and 2003, respectively.

Future minimum lease payments under non-cancelable operating leases that have initial or remaining terms in excess of one year are as follows:

2005	\$ 39,228
2006	41,340
2007	36,000
2008	35,400
2009	35,780
Thereafter	<u>69,080</u>
	<u>\$ 256,828</u>

NOTE 14 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to or destruction of assets; errors or omissions; injuries to employees; or acts of God. Commercial insurance has been obtained to cover damage or destruction of the Authority's property and for public liability, personal injury, and third-party property damage claims. No substantial changes in insurance coverage have occurred in any major risk category in 2004, there were no insurance settlements in 2004 and 2003.

Employee health care benefits are provided under a group insurance arrangement and the Authority is insured through the State of Ohio for workers' compensation benefits.

NOTE 15 – RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE

The Authority uses certain Summit County employees without reimbursement. In addition, the Authority received a grant for operating expenses from Summit County of \$195,000 and \$220,000 for 2004 and 2003, respectively.

NOTE 16 - COMMITMENTS

Summit County and the County Workforce Investment Board

In September 2004, the Authority executed a "Memorandum of Understanding" with Summit County and the County's Workforce Investment Board (WIB), whereby the Authority will create and operate a facility to house the "One Stop Job Center" project (the "project") within a portion of the former DIY store located on Tallmadge Avenue in Akron, OH. The agreement allows for the Authority to have a 90 day period to conduct due diligence with the option to extend this period for three additional 30 day periods. The project is still in this due diligence stage as of December 31, 2004 and no terms have yet been finalized.



SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

Goodyear Tire and Rubber Company

In December 2004, the Authority executed a "term sheet" with Goodyear Tire and Rubber Company, the City of Akron, the Cleveland-Cuyahoga Port Authority and the Ohio Department of Development. The project is a proposed capital lease transaction to purchase, construct, and install certain utilities, including steam generating equipment, compressed air equipment, chillers, and electrical transmission and light equipment at Goodyear's corporate headquarters and research development facilities in Akron, OH. The project costs are estimated to be \$18.5 million, and preliminary closings are estimated to be February 2005. The Authority will own and lease the project to Goodyear under a capital lease agreement. The Authority received \$125,000 from Goodyear to commence the drafting of pertinent documents as of December 31, 2004, \$65,000 of which is owed to the State of Ohio Department of Development for their involvement in the project.

R.C.A. Rubber Co.

In October 2004, the Authority entered into an agreement with R.C.A. Rubber (RCA) Company to issue approximately \$6.0 million of Summit County Port Authority Revenue Bonds. The bond proceeds will be used to acquire, construct, equip and improve real and personal property comprising an industrial facility located within the boundaries of the Authority. The Authority's obligation to issue the Bonds is conditioned on the agreement with the City of Akron to enter into a guarantee agreement at the request of RCA. At the time the first issuance occurs, RCA will enter into a secured lease agreement with the Authority sufficient enough to make required payments to cover the bond service charges. These bonds have not been issued as of December 31, 2004.

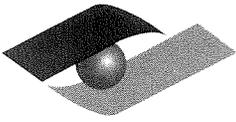
NOTE 17- NEW ACCOUNTING STANDARDS

Effective January 1, 2004, the Authority implemented the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Disclosures*. These statements revise accounting and reporting standards for general purpose external financial reports by governmental units. These statements change the Authority's presentation of net assets and require the inclusion of management's discussion and analysis. The implementation of these statements had no impact on the Authority's net assets.

NOTE 18 - SUBSEQUENT EVENT

In January 2005, the Authority obtained a \$3 million, unsecured line of credit in order to support issuance of development bonds via the Authority's Bond Fund Program. No amounts were outstanding on this line of credit as of the date of this report.





**Bober, Markey, Fedorovich  
& Company**

Certified Public Accountants / Business Advisors  
A Professional Corporation

411 Wolf Ledges Parkway  
Suite 400  
Akron, Ohio 44311-1040  
330.762.9785  
FAX 330.762.3108  
www.bobermarkey.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Summit County Port Authority  
Akron, Ohio

We have audited the accompanying financial statements of the Summit County Port Authority, Summit County, Ohio, (the "Authority") as of and for the year ended December 31, 2004, and have issued our report dated January 18, 2005. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the finance committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

*Bober, Markey, Fedorovich & Company*

BOBER, MARKEY, FEDOROVICH & COMPANY

January 18, 2005





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**SUMMIT COUNTY PORT AUTHORITY**

**SUMMIT 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  
MAY 24, 2005**