

SUMMIT COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS

December 31, 2002 and 2001







**Auditor of State  
Betty Montgomery**

Board of Directors  
Summit County Port Authority  
Akron, Ohio

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, 2002 through December 31, 2002. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 6, 2003

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SUMMIT COUNTY PORT AUTHORITY

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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, 2002 and 2001, 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, 2002 and 2001, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2003, 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

January 13, 2003

SUMMIT COUNTY PORT AUTHORITY  
BALANCE SHEETS  
December 31, 2002 and 2001

ASSETS	2002	2001
<b>CURRENT ASSETS</b>		
Cash	\$ 772,290	\$ 357,805
Administrative fees receivable	8,880	3,353
Note receivable - Akron Civic Theater	675,475	-
Prepaid insurance	1,935	1,619
<b>TOTAL CURRENT ASSETS</b>	<b>1,458,580</b>	<b>362,777</b>
<b>RESTRICTED AND OTHER ASSETS</b>		
Grant receivable	20,492	-
Restricted assets - Bond Fund Program Reserve	5,007,569	5,011,725
Lease receivable - Akron Civic Theater	14,646,070	14,646,070
<b>TOTAL RESTRICTED AND OTHER ASSETS</b>	<b>19,674,131</b>	<b>19,657,795</b>
 <b>TOTAL ASSETS</b>	 <b>\$ 21,132,711</b>	 <b>\$ 20,020,572</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 32,130	\$ 10,083
Accrued payroll and payroll taxes	8,747	7,886
Line of credit - Summit County	675,475	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>716,352</b>	<b>17,969</b>
<b>OTHER LIABILITIES, INCLUDING AMOUNTS RELATING TO RESTRICTED ASSETS</b>		
Payable to Summit County for CAK International Business Park Infrastructure improvements	1,613,073	1,613,073
Revenue Bonds - Akron Civic Theater	14,646,070	14,646,070
<b>TOTAL OTHER LIABILITIES</b>	<b>16,259,143</b>	<b>16,259,143</b>
 <b>TOTAL LIABILITIES</b>	 <b>16,975,495</b>	 <b>16,277,112</b>
<b>FUND EQUITY</b>		
Retained earnings - restricted	5,000,000	5,000,000
Retained deficit	(842,784)	(1,256,540)
<b>TOTAL FUND EQUITY</b>	<b>4,157,216</b>	<b>3,743,460</b>
 <b>TOTAL LIABILITIES AND FUND EQUITY</b>	 <b>\$ 21,132,711</b>	 <b>\$ 20,020,572</b>

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





SUMMIT COUNTY PORT AUTHORITY  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)  
 For the Years Ended December 31, 2002 and 2001

	2002	2001
<b>OPERATING REVENUES</b>		
Grants		
Summit County	\$ 275,000	\$ 70,000
State of Ohio -Ohio Arts & Sports Facilities Commission	983,468	-
Community Development Block Grant	-	114,857
	1,258,468	184,857
Other operating revenues		
ASC Manufacturing, Ltd. - ground sublease rent	-	18,714
ASC Manufacturing, Ltd. - administrative fees	6,392	9,826
CAK Int'l Business Park - ground sublease rent	23,892	20,081
Summa Health System - administrative fees	24,528	-
Loan processing fees	280,000	200,000
Contract services - Foreign Trade Zone services	13,520	10,125
Other income	17,000	27,204
	1,623,800	470,807
<b>OPERATING EXPENSES</b>		
Salaries and benefits	237,380	211,506
Miscellaneous operating expenses	103,343	77,108
Civic renovation costs	897,988	-
ASW Real Estate, Inc. - ground lease rent	-	23,393
Professional services	48,563	77,479
Capital expenditures - culvert project	-	263,847
	1,287,274	653,333
<b>TOTAL OPERATING INCOME (LOSS)</b>		
	336,526	(182,526)
<b>OTHER REVENUE</b>		
Grants - Bond Fund Program Reserve	-	5,000,000
Interest income	77,230	63,375
	413,756	4,880,849
<b>NET INCOME BEFORE TRANSFER OF FUNDS</b>		
Transfer of funds remaining in the capital projects fund to Summit County	-	(81,128)
	413,756	4,799,721
<b>NET INCOME AFTER TRANSFER OF FUNDS</b>		
<b>RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR</b>		
	3,743,460	(1,056,261)
<b>RETAINED EARNINGS, END OF YEAR</b>		
	\$ 4,157,216	\$ 3,743,460

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, 2002 and 2001

	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net operating income (loss)	\$ 336,526	\$ (182,526)
Changes in operating assets and liabilities:		
Administrative fees receivable	(5,527)	(3,353)
Prepaid insurance	(316)	(1,619)
Grant receivable	(20,492)	-
Accounts payable	22,047	10,083
Accrued payroll and payroll taxes	861	7,886
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 333,099	 (169,529)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Transfer remaining CDBG funds to Summit County	-	(81,128)
 NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	 -	 (81,128)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Draws on lines of credit	675,475	-
Grant awards to establish Bond Fund Program Reserve	-	5,000,000
 NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	 675,475	 5,000,000
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Issuance of notes receivable	(675,475)	-
Interest income received	77,230	63,375
 NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	 (598,245)	 63,375
 NET INCREASE IN CASH	 410,329	 4,812,718
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 5,369,530	 556,812
 CASH AND CASH EQUIVALENTS, END OF YEAR	 \$ 5,779,859	 \$ 5,369,530
 Cash and cash equivalents is comprised of:		
Cash	772,290	357,805
Restricted assets - bond Fund Program Reserve	5,007,569	5,011,725
	 \$ 5,779,859	 \$ 5,369,530

**SUPPLEMENTAL DATA OF NON CASH TRANSACTIONS:**

In March, 2002, the Authority issued \$27.6 million of Special Obligation Revenue Bonds related to the construction of Summa Health System facilities. The Authority and Summa Health System also entered into a lease agreement for the lease of the facilities, total lease receivables equal the bond obligation.

In September, 2001, the Authority issued \$14.6 million of Special Obligation Revenue Bonds related to the renovation of the Akron Civic Theater. The Authority and the Akron Civic Theater also entered into a lease agreement for the lease of the renovated theater, 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, 2002 and 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

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.

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 Authority will continue applying all applicable pronouncements issued by the GASB.

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.

Cash and Cash Equivalents

Summit County is the fiscal agent for the Authority. Accordingly, the Summit County Auditor maintains the Authority's funds in an Agency fund on the County's financial records.

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. 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.

Budgetary Process

The Ohio Revised Code Section 4582.13 requires that each fund be budgeted annually. 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.



SUMMIT COUNTY PORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2002 and 2001

Fixed Assets

Acquisitions of fixed assets are recorded as capital outlay disbursements when paid. In January 2001, the Authority transferred their ownership of certain railroad lines to Metro Regional Transit Authority. Approximate cost of the railroad lines transferred was \$1,034,000. The Authority still maintains freight and development rights to these railroad lines.

Restricted Assets – Bond Fund Program Reserve

The Authority's investment policies are governed by State of Ohio statutes, which authorize 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, 2002 and 2001. 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.

NOTE 2 – CHANGE IN BASIS OF ACCOUNTING

In 2001, the Authority adopted the accrual basis of accounting for its financial statements, which is in accordance with principles generally accepted in the United States of America. Under the accrual basis of accounting, the Authority recognizes revenue when earned and expenses are recognized when incurred.

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 \$722,290 and \$357,805 as of December 31, 2002 and 2001, 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, 2002 and 2001 are as follows:

2002 Budget vs. Actual			
Fund Type	Budget	Actual	Variance
Enterprise			
Revenues	\$ 507,587	\$1,710,030	\$1,202,443
Expenditures	\$ 421,680	\$1,266,782	\$ 845,102
2001 Budget vs. Actual			
Fund Type	Budget	Actual	Variance
Enterprise			
Revenues	\$ 854,122	\$ 534,182	\$ (319,940)
Expenditures	\$ 854,264	\$ 653,333	\$ (200,931)



SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

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 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. The Authority did not have any Bond issues under the Bond Fund Program as of December 31, 2001. Amounts held in the Authority's Bond Fund Program Reserve was \$5,007,569 and \$5,011,725 at December 31, 2002 and 2001, respectively, and are included in restricted assets in the accompanying balance sheets.

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 2002 and 2001, the Authority is required to contribute 13.21% and 13.55% for 2002 and 2001, respectively. The Authority's contributions to PERS were \$25,600 and \$22,213 for 2002 and 2001, 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



SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

maintenance of the facility are the responsibility of ASC. ASC pays the lease payments directly to the trustee, Fifth Third Bank. In addition an agreement to guarantee financing for the 1999 Bonds was entered into between Summit County and Fifth Third Bank, 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. Total amount of conduit debt outstanding was \$6,562,500 and \$3,237,500 as of December 31, 2002 and 2001, respectively.

Summa Health System

In March 2002, the Authority issued \$27.6 million of Summit County Port Authority Revenue Bonds. The bond proceeds will be 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). These bonds are special obligations of the Authority payable solely from the proceeds received by the Authority under its lease with Summa and do not represent or constitute a debt or a pledge of the credit of the Authority. In connection with this financing, the Authority received \$250,000 in loan processing fees, which is being recognized in 2002 revenues.

Summa and the Authority entered into a financing lease agreement pertaining to these new facilities. 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 Summa.

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 Summa. Total amount of conduit debt outstanding was \$27.6 million as of December 31, 2002.

**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, 2002 and 2001.



SUMMIT COUNTY PORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2002 and 2001

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

2002	\$ -
2003	-
2004	-
2005	98,248
2006	115,408
Thereafter	<u>1,399,417</u>
	<u>\$ 1,613,073</u>

**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 special obligations of the Authority payable solely from the proceeds received by the Authority under its lease with the Akron Civic Theater and do not represent or constitute a debt or a pledge of the credit of the Authority. In connection with this financing, the Authority received \$200,000 in loan processing fees, which is being recognized in 2001 revenues.

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.

Because the Authority has assumed no responsibility for the repayment of any of the bonds described above beyond the resources provided by the underlying lease, no activity pertaining to the project has been recognized in the accompanying statements of revenue, expenses and changes in retained earnings and cash flows except for the financing fees received in 2001. 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 10 below.

**NOTE 10 – LINES OF CREDIT AND NOTE RECEIVABLE**

During 2002, the Authority entered into two, unsecured line of credit agreements, one with the City of Akron and one with Summit County. The purpose of these lines of credit is for renovation costs for the Akron Civic Theater.

Line of credit with Summit County

The line of credit is for up to \$1,675,000 and is non-interest bearing. The line of credit expires in October 2003, at which time all amounts outstanding under the line are due. The balance outstanding was \$675,475 at December 31, 2002.



SUMMIT COUNTY PORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2002 and 2001

Line of credit with City of Akron

The Authority is the administrator of this line of credit created by the City of Akron. The Akron Civic Theater is responsible for making the required principal payments on the line of credit to the Authority. The Authority is responsible for forwarding these payments to the City of Akron. The line of credit is for up to \$1,675,000 and is non-interest bearing. The agreement calls for monthly principal payments commencing November 2003 for a three-year period ending October 2006. Each monthly principal payment will be equal to the outstanding principal balance divided by the number of months remaining until the maturity date. The balance outstanding was \$1,390,548 at December 31, 2002, which is not reflected in these financial statements since it is the obligation of the Akron Civic Theater.

Note Receivable

In connection with entering the line of credit with Summit County, the Authority entered into a note receivable agreement with the Akron Civic Theater. The note receivable is structured such that the Akron Civic Theater pays the Authority for all amounts due under the line of credit, and the Authority then repays Summit County. The note receivable is unsecured and non-interest bearing. The note is required to be repaid on or before October 31, 2003.

NOTE 11 – LEASES

Leases with ASW Real Estate, Inc. and ASC Manufacturing, Ltd.

The Authority leased certain real property under an operating lease from ASW Real Estate, Inc. Rental expense under this lease was \$23,393 for 2001. The Authority then subleases this real property under a noncancellable operating lease to ASC Manufacturing, Ltd. Total rental income from this lease was \$18,714 for 2001. In February, 2001, the Authority entered into an agreement, whereby the above lease payments and receipts are no longer passed through the Authority. Beginning in March 2001, the Authority was no longer responsible for the future minimum lease payments, nor will it collect the rental income under the related sublease.

Operating leases

The Authority leases office space and certain equipment under operating leases. Rental expense were \$35,974 and \$16,998 under these leases for 2002 and 2001, respectively. Future minimum lease payments under non-cancelable operating leases that have initial or remaining terms in excess of one year are as follows:

2003	\$ 32,427
2004	33,408
2005	31,730
2006	33,140
2007	27,810
Thereafter	<u>102,460</u>
	<u>\$ 260,975</u>

NOTE 12 – 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.

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.





SUMMIT COUNTY PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

**NOTE 13 – RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE**

The Authority uses certain Summit County employees without reimbursement. In addition, the Authority receives a grant a Summit County of \$275,000 and \$70,000 for 2002 and 2001, respectively.

**NOTE 14 – NEW ACCOUNTING STANDARDS**

The GASB has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This statement establishes reporting standards for external financial reporting by governmental units. Statement No. 34 is effective for the year ending December 31, 2004. The Authority has not completed an analysis of the impact of this new statement on its financial statements.





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**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, 2002, and have issued our report dated January 13, 2002. 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated January 13, 2002.

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

January 13, 2002







**Auditor of State  
Betty Montgomery**

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**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  
MARCH 18, 2003**