

SUMMIT COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS

December 31, 2005 and 2004





**Auditor of State
Betty Montgomery**

Board of Directors
Summit County Port Authority
One Cascade Plaza
Suite 18
Akron, Ohio 44308-1125

We have reviewed the *Independent Auditors' Report* of the Summit County Port Authority, Summit County, prepared by Bober, Markey, Fedorovich & Company, for the audit period January 1, 2005 through December 31, 2005. 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 15, 2006

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SUMMIT COUNTY PORT AUTHORITY

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**Bober, Markey, Fedorovich
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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, 2005 and 2004, 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, 2005 and 2004, 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 16 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*.

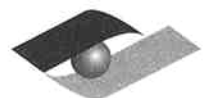
Management's Discussion and Analysis on pages 3-4 is not a required part of the basic financial statements but is supplementary information required by the GASB. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted 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 14, 2006, 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 14, 2006



Summit County Port Authority
Management's Discussion and Analysis
December 31, 2005

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, 2005.

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.

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.

In 2005, The Goodyear Tire & Rubber Co. project, a bond fund transaction, was financed in part by the Ohio Department of Development and the Cleveland-Cuyahoga County Port Authority.

Other Bond Fund transactions in 2005 include the Village of Seville renovation project; the Twinsburg Township Hall acquisition and renovation project; the Cascades of Brimfield infrastructure TIF project; and the One Stop Workforce Investment Board project.

Major events during the year affecting the Authority financial assets include the aforementioned projects and in late December, the Authority took ownership of the Lockheed Airdock to provide Brownfield remediation assistance through the Clean Ohio Revitalization Fund (CORF) and the EPA Brownfield Cleanup Revolving Loan (BCRLF). The Authority and Lockheed Martin Corp. will execute an operating lease in 2006 to enable Lockheed Martin to obtain funding from the Missile Defense Agency to build a prototype high altitude airship. The Authority will also provide financing through its Bond Fund to assist Lockheed Martin with purchases of machinery and equipment.

In 2005, the Authority entered into Cooperative Agreements with the Medina County Port Authority, the Western Reserve Port Authority, and Wayne County for the purposes of providing economic development Bond Fund financing.

Significantly, two events have dramatic effect on the Authority's balance sheet, which also represent significant variations between the original budget and actual results:

- (1) The Authority was released from an outstanding debt obligation from the County of Summit related to the investment made by the County at CAK International Business Park. The initial payment of \$98,248 was due December 1, 2005 of the \$1,613,073 obligation.
- (2) The aforementioned Lockheed Martin Airdock is now on the balance sheet of the Authority.



Summit County Port Authority
Management's Discussion and Analysis
December 31, 2005

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

Condensed Financial Information

Provided below is condensed balance sheet information for the Authority as of December 31, 2005 and 2004:

| | <u>2005</u> | <u>2004</u> |
|--|----------------------|----------------------|
| Assets: | | |
| Current assets | \$ 1,528,754 | \$ 1,238,499 |
| Property | 1,500,000 | 2,270,500 |
| Restricted and other assets | <u>44,141,554</u> | <u>23,853,382</u> |
| Total assets | <u>\$ 47,170,308</u> | <u>\$ 27,362,381</u> |
| Liabilities and Net Assets: | | |
| Current liabilities | \$ 171,335 | \$ 163,780 |
| Other liabilities | 40,965,937 | 23,037,626 |
| Net assets-unrestricted and invested in capital assets | 1,033,036 | (839,025) |
| Net assets-restricted | <u>5,000,000</u> | <u>5,000,000</u> |
| Total liabilities and net assets | <u>\$ 47,170,308</u> | <u>\$ 27,362,381</u> |

Assets & Liabilities: The major change in assets and liabilities is due to the issuance of \$20.425 million of Revenue Bonds during 2005.

The Authority's operations increased net assets by \$3,402,834 in 2005 and decreased net assets by \$577,150 in 2004. Key elements of these changes are summarized below:

| | <u>2005</u> | <u>2004</u> |
|---|---------------------|-------------------|
| Operating Revenues | | |
| Loan processing fees | \$ 261,199 | \$ 164,176 |
| Grant | 195,000 | 195,000 |
| Other operating revenues | 272,536 | 155,441 |
| Forgiveness of debt – Summit County | 98,248 | - |
| Donation of real property – City of Akron | <u>1,500,000</u> | <u>-</u> |
| Total operating revenues | <u>2,326,983</u> | <u>514,617</u> |
| Operating expenses | | |
| Salaries and benefits | 307,071 | 295,521 |
| Depreciation | - | 691,250 |
| Other operating expenses | <u>230,192</u> | <u>207,731</u> |
| Total operating expenses | <u>537,263</u> | <u>1,194,502</u> |
| Operating income (loss) | 1,789,720 | (679,885) |
| Nonoperating revenue | | |
| Gain from transfer of property | - | 1,209,250 |
| Other nonoperating revenue | <u>82,341</u> | <u>47,785</u> |
| Total nonoperating revenue | <u>82,341</u> | <u>1,257,035</u> |
| Net increase in net assets | <u>\$ 1,872,061</u> | <u>\$ 577,150</u> |

Operating revenues: Loan processing fees increased due to increased activity in economic development and financing projects during 2005. During 2005, Summit County forgave debt related to the infrastructure costs for the CAK Business Park. In December 2005, the City of Akron donated real property appraised at \$1.5 million to the Authority.

Operating expenses: The Authority did not have any depreciation in 2005, as the Summa Health Systems property transferred ownership in December 2004.

Nonoperating revenue and increase in net assets: The gain in 2004 was from the transfer of the Summa Health Systems property.



SUMMIT COUNTY PORT AUTHORITY
BALANCE SHEETS
December 31, 2005 and 2004

| | ASSETS | |
|--|---------------|---------------|
| | 2005 | 2004 |
| CURRENT ASSETS | | |
| Unrestricted Assets: | | |
| Cash | \$ 1,433,860 | \$ 869,744 |
| Miscellaneous receivables | 81,178 | 30,176 |
| Administrative fees receivable | 10,500 | 1,784 |
| Prepaid insurance | 3,216 | 3,558 |
| Total Unrestricted Assets | 1,528,754 | 905,262 |
| Restricted assets: | | |
| Cash - restricted | - | 333,237 |
| TOTAL CURRENT ASSETS | 1,528,754 | 1,238,499 |
| NONCURRENT ASSETS | | |
| Restricted Assets: | | |
| Restricted investments - Bond Fund Program Reserve | 5,054,655 | 5,036,483 |
| Building - Airdock | 1,500,000 | - |
| Project construction in progress (See Note 10) | - | 2,270,500 |
| Note receivable - Akron Civic Theater | 1,355,829 | 1,455,829 |
| Lease receivable - Akron Civic Theater | 14,556,070 | 14,611,070 |
| Bond fund transactions | | |
| Note receivable - Garfield Heights project | 2,750,000 | 2,750,000 |
| Note receivable - Goodyear project | 5,500,000 | - |
| Note receivable - Village of Seville project | 2,030,000 | - |
| Note receivable - Twinsburg project | 5,590,000 | - |
| Note receivable - Summit County Workforce Policy project | 4,830,000 | - |
| Note receivable - Portage County Brimfield project | 2,475,000 | - |
| TOTAL NONCURRENT ASSETS | 45,641,554 | 26,123,882 |
| TOTAL ASSETS | \$ 47,170,308 | \$ 27,362,381 |

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



SUMMIT COUNTY PORT AUTHORITY
BALANCE SHEETS
December 31, 2005 and 2004

LIABILITIES AND NET ASSETS

| | 2005 | 2004 |
|---|----------------------|----------------------|
| CURRENT LIABILITIES | | |
| Payable from Unrestricted Assets: | | |
| Deferred revenue and expenses | \$ - | \$ 125,000 |
| Deposit held | 25,000 | - |
| Accounts payable | 136,108 | 29,788 |
| Accrued payroll and payroll taxes | 10,227 | 8,992 |
| TOTAL CURRENT LIABILITIES | 171,335 | 163,780 |
| NONCURRENT LIABILITIES | | |
| Payable from Unrestricted Assets: | | |
| Deferred revenue | 364,213 | - |
| Payable from Restricted Assets: | | |
| Note payable - Summit County | 1,355,829 | 1,455,829 |
| Payable to Summit County for CAK International Business Park infrastructure improvements | 1,514,825 | 1,613,073 |
| Revenue bonds - Akron Civic Theater | 14,556,070 | 14,611,070 |
| Revenue bonds - Green Sewer Project | - | 2,607,654 |
| Bond fund transactions | | |
| Revenue bonds - Garfield Heights project | 2,750,000 | 2,750,000 |
| Revenue bonds - Goodyear project | 5,500,000 | - |
| Revenue bonds - Village of Seville project | 2,030,000 | - |
| Revenue bonds - Twinsburg project | 5,590,000 | - |
| Revenue bonds - Summit County Workforce Policy project | 4,830,000 | - |
| Revenue bonds - Portage County Brimfield project | 2,475,000 | - |
| Total Payable from Restricted Assets | 40,601,724 | 23,037,626 |
| TOTAL NONCURRENT LIABILITIES | 40,965,937 | 23,037,626 |
| TOTAL LIABILITIES | 41,137,272 | 23,201,406 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 1,500,000 | 2,270,500 |
| Restricted | 5,000,000 | 5,000,000 |
| Unrestricted | (466,964) | (3,109,525) |
| TOTAL NET ASSETS | 6,033,036 | 4,160,975 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 47,170,308 | \$ 27,362,381 |

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, 2005 and 2004

| | 2005 | 2004 |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| Project administrative fees | \$ 55,764 | \$ 37,203 |
| CAK Business Park - lease administration revenue | 161,772 | 56,052 |
| Loan processing fees | 261,199 | 164,176 |
| Foreign Trade Zone contract services & administrative fees | 55,000 | 53,000 |
| Summit County operating grant | 195,000 | 195,000 |
| Forgiveness of debt - Summit County | 98,248 | - |
| Donation of real property - City of Akron | 1,500,000 | - |
| Other income | - | 9,186 |
| TOTAL OPERATING REVENUES | 2,326,983 | 514,617 |
| OPERATING EXPENSES | | |
| Salaries and benefits | 307,071 | 295,521 |
| Miscellaneous operating expenses | 167,436 | 90,235 |
| CAK Business Park expenses | - | 58,623 |
| Civic renovation costs | - | - |
| Professional services | 62,756 | 58,873 |
| Depreciation | - | 691,250 |
| TOTAL OPERATING EXPENSES | 537,263 | 1,194,502 |
| OPERATING INCOME (LOSS) | 1,789,720 | (679,885) |
| NONOPERATING REVENUE | | |
| Gain from transfer of property-Summa Health Systems | - | 1,209,250 |
| Interest income | 82,341 | 47,785 |
| TOTAL NONOPERATING REVENUE | 82,341 | 1,257,035 |
| CHANGE IN NET ASSETS | 1,872,061 | 577,150 |
| NET ASSETS, BEGINNING OF YEAR | 4,160,975 | 3,583,825 |
| NET ASSETS, END OF YEAR | \$ 6,033,036 | \$ 4,160,975 |

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, 2005 and 2004

| | 2005 | 2004 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from development | \$ 738,230 | \$ 428,561 |
| Cash received from grants | 195,000 | 195,000 |
| Cash payments for goods and services | (123,530) | (189,572) |
| Cash payments to and on behalf of employees | (305,836) | (297,713) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 503,864 | 136,276 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Lease payments received | 55,000 | 35,000 |
| Payments on line of credit/note payable | (100,000) | - |
| NET CASH (USED IN) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | (45,000) | 35,000 |
| CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Net payments from the redemption of revenue bonds | (55,000) | (1,252) |
| Expenditures for project construction in progress | (337,154) | (2,121,299) |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | (392,154) | (2,122,551) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payment received on note receivable | 100,000 | - |
| Interest income received | 82,341 | 47,785 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 182,341 | 47,785 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 249,051 | (1,903,490) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 6,239,464 | 8,142,954 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 6,488,515 | \$ 6,239,464 |
| Reconciliation of cash and cash equivalents to the Balance Sheet: | | |
| Cash - unrestricted | 1,433,860 | 869,744 |
| Cash - restricted | - | 333,237 |
| Restricted cash - Bond Fund Program Reserve | 5,054,655 | 5,036,483 |
| | \$ 6,488,515 | \$ 6,239,464 |

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, 2005 and 2004

| | 2005 | 2004 |
|--|-------------------|-------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Net operating income (loss) | \$ 1,789,720 | \$ (679,885) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | - | 691,250 |
| Noncash operating revenue-Summit County forgiveness of debt | (98,248) | - |
| Noncash operating revenue-City of Akron donation of property | (1,500,000) | - |
| Changes in operating assets and liabilities: | | |
| Administrative fees receivable | (8,716) | (16,056) |
| Miscellaneous receivables | (51,002) | - |
| Prepaid insurance | 342 | 436 |
| Deposit held | 25,000 | - |
| Deferred revenue and expenses | 239,213 | 125,000 |
| Accounts payable | 106,320 | 17,723 |
| Accrued payroll and payroll taxes | 1,235 | (2,192) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 503,864 | \$ 136,276 |

SUPPLEMENTAL DATA OF NONCASH TRANSACTIONS:

In December 2005, the Authority received a donation of real property appraised at \$1.5 million from the City of Akron.

During 2005, Summit County forgave \$1.6 million of debt owed to the County by the Authority, of which \$98,248 is recognized in 2005.

Throughout 2005, the Authority issued \$20.425 million of Revenue Bonds related to various economic development projects which are described in Note 5 to the financial statements.

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.

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



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
December 31, 2005 and 2004

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

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. All transactions are accounted for in a single enterprise fund. 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.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities for the operation of the Authority are included on the Balance Sheets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases/revenues and decreases/expenses in total net assets. The Statement of Cash Flows provides information about how the Authority finances and meets the cash flows of its enterprise activity.

Revenue

Revenues received in advance are deferred and recognized as earned over the period to which they relate.

Operating revenues consist primarily of project administrative and loan processing fees, operating grant, rents, and fees for foreign trade zone services. Operating expenses include the cost of providing these services, including administrative expenses. Nonoperating revenues and expenses are all revenues not meeting the definition of operating revenues and expenses. Nonoperating revenues consist of interest income. The Authority first applies restricted resources to satisfy restricted obligations.



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
December 31, 2005 and 2004

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 Investments

Summit County is the fiscal agent for the Authority operations. Accordingly, the Summit County Auditor maintains a portion of the Authority's cash 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. The Authority maintains a portion of its cash at two banks. The Federal Deposit Insurance Corporation insures up to \$100,000 for cash deposits. At December 31, 2005 and 2004, the Authority's uninsured cash balances were \$224,849 and \$118,800, respectively (The differences from the amounts presented on the balance sheets are due to outstanding checks.) 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, all bank deposits, including investments in short-term certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and overnight investment of excess deposits in repurchase agreements to be cash equivalents.

Restricted Cash – 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 investments are invested in short-term certificates of deposit and repurchase agreements at December 31, 2005. Restricted cash is invested in the State Treasury Asset Reserve (STAR Ohio) at December 31, 2004. These investments are considered cash equivalents.

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. On December 30, 2005, ownership of the Lockheed Martin Airdock was transferred to the Authority. This property is not depreciated in 2005 since the asset is not yet in use by the Authority. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|--------------------------------|------------|
| Furniture and office equipment | 5-10 years |
| Building | 40 years |

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.

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 2004 financial statements have been reclassified to conform to the 2005 presentation.



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
December 31, 2005 and 2004

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits/Cash Pool

The Ohio Revised Code prescribes allowable deposits and investments. At December 31, 2005, the carrying amount of the Authority's deposits was \$1,433,860. These deposits were held at banks and in a cash pool maintained by the Summit County Fiscal Officer. The Authority's carrying amount of cash on deposit with the County was \$974,064 and \$966,096 as of December 31, 2005 and 2004, 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.

Investments

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at December 31, 2005. Category 1 includes investments that are insured or registered, or securities held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which securities are held by a trust department in the Authority's name. At December 31, 2005, the Authority's investments of \$5,054,655, were held in certificates of deposit and repurchase agreements which are classified as Category 2 investments. At December 31, 2004, the Authority's investments of \$5,036,483, were held in STAR Ohio, as described in Note 2 above.

State statutes classify monies held by the Authority 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 Authority treasury, in commercial accounts payable or withdrawable on demand, including money market 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 for immediate use but which will be needed before the end of the current period of 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 deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds 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;



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
December 31, 2005 and 2004

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (1) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

NOTE 4 – 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 \$5,054,655 and \$5,036,483 at December 31, 2005 and 2004, respectively, and are included in restricted assets in the accompanying balance sheets.

In May 2005, the Authority issued \$5.5 million Authority Development Revenue Bonds, as part of the Goodyear Tire & Rubber project. The proceeds of the bonds will be used to finance the costs of acquisition, construction, equipping and installation of certain equipment including steam generated equipment, compressed air equipment, chillers and electrical transmission and lighting equipment for the Corporate Headquarters and Research & Development facilities in the City of Akron, Ohio.

In May 2005, the Authority issued a \$2.03 million Authority Development Revenue Bond, as part of the Village of Seville Project. The proceeds of the bond will be used to pay for renovations of an existing building to be used as the Town Hall for the Village of Seville and will also be used to upgrade and equip the Water Filtration Plant located in Seville, Ohio.

In September 2005, the Authority issued a \$5.59 million Authority Development Revenue Bond, as part of the Township of Twinsburg Project. The proceeds of the bond will be to pay for the acquisition and renovation of an existing building to be used for administrative, service, and zoning purposes for the Township, as well as the command center for the Summit County Sheriff and the satellite fire station for the Township of Twinsburg, Ohio.

In December 2005, the Authority issued \$4.83 million Authority Development Revenue Bonds, as part of the Summit County Workforce Policy Board Project. The proceeds of the bonds will be used to finance the costs of renovations to an existing building for the Summit County Workforce Policy Board located in Akron, Ohio.



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 NOTES TO FINANCIAL STATEMENT
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In December 2005, the Authority issued a \$2.475 million Authority Development Revenue Bond, as part of the Portage County – Brimfield Project. The proceeds of the bond will be used to pay for public improvements related to the Development located in Brimfield Township, Ohio.

In September 2004, the Authority issued \$2.75 million Authority Development Revenue Bonds, as part of an \$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 5 – CAPITAL ASSETS

Summary by category of changes in capital assets:

| | <u>December 31, 2004</u> | <u>Additions</u> | <u>Disposals</u> | <u>December 31, 2005</u> |
|-----------|--------------------------|------------------|------------------|--------------------------|
| Buildings | \$ 2,270,000 | \$ 1,500,000 | (\$ 2,270,000) | \$ 1,500,000 |

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) 222-6701. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The Authority is required to contribute 13.55% of covered payroll for 2005 and 13.21% for years 2004 and 2003. The Authority's contributions to PERS were \$32,302, \$32,219 and \$28,929 for 2005, 2004 and 2003, respectively.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.



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NOTE 7 – CONDUIT DEBT

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 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 \$5.35 million and \$5.5 million as of December 31, 2005 and 2004, 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 \$7.475 million and \$7.5 million as of December 31, 2005 and 2004, respectively.

Jewish Community Board

In April 2005, the Authority issued \$5.5 million of Summit County Port Authority Variable Rate Tax-Exempt Industrial Development Revenue Bonds. The bond proceeds will be used to finance the renovation and expansion of the Jewish Center's campus in Akron, Ohio to be owned by the Jewish Community Board. These bonds are special obligations of the Authority payable solely from the proceeds received by the Authority under its agreement with the Jewish Community Board and do not represent or constitute a debt or a pledge of the credit of the Authority. The Jewish Community Board and the Authority entered into a financing loan agreement pertaining to this project. The loan 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



SUMMIT COUNTY PORT AUTHORITY
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debt and the loan payments are paid directly to the respective trustee by the Jewish Community Board. The bond is secured by assets of the project. Total amount of conduit debt outstanding for this project was \$5.5 million as of December 31, 2005.

Lawrence School

In August 2005, the Authority issued \$10.475 million of Summit County Port Authority Adjustable Rate Demand Revenue Bonds (Series 2005). The bond proceeds will be used to finance the cost of acquisition of a 47 acre parcel located in Sagamore Hills, Ohio, and the construction, equipping and improvement of a private school building on that site, to be owned by Lawrence School. These bonds are special obligations of the Authority payable solely from the proceeds received by the Authority under its agreement with Lawrence School and do not represent or constitute a debt or a pledge of the credit of the Authority. Lawrence School and the Authority entered into a financing lease agreement pertaining to this project. 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 Lawrence School. The bond is secured by assets of the project. Total amount of conduit debt outstanding for this project was \$10.475 million as of December 31, 2005.

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. The Authority's debt obligation is \$1,613,073 at December 31, 2004.

In November 2005, Summit County waived all reimbursement payments from the Authority for this debt. Therefore, the Authority's debt obligation is being recognized into revenue over the amortization period of the obligation. For 2005, the forgiveness of debt is \$98,248, leaving a balance of \$1,514,825 at December 31, 2005, which will be recognized into revenues as forgiveness of debt, as the obligation becomes due.

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.



SUMMIT COUNTY PORT AUTHORITY
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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 were 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 notes payable and receivable explained in Note 11 below.

Approximate annual debt service requirements for this obligation are:

| | <u>Principal</u> | <u>Interest</u> |
|-----------|---------------------|---------------------|
| 2006 | \$ 75,000 | \$ 679,187 |
| 2007 | 100,000 | 676,563 |
| 2008 | 120,000 | 672,912 |
| 2009 | 150,000 | 668,293 |
| 2010 | 175,000 | 662,292 |
| 2011-2015 | 1,345,000 | 3,172,160 |
| 2016-2020 | 891,270 | 4,221,855 |
| 2021-2025 | 2,664,800 | 3,104,400 |
| 2026-2030 | 4,985,000 | 1,811,175 |
| 2031-2035 | <u>4,050,000</u> | <u>413,000</u> |
| | <u>\$14,556,070</u> | <u>\$16,081,837</u> |

NOTE 10 – 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 \$337,154 and \$2,121,299 during 2005 and 2004, respectively on the sewer improvements, which is shown in the projects construction in progress line on the balance sheet at December 31, 2004, no amount is shown at December 31, 2005, as this project was finalized and ownership transferred to Summit County. The unused bond proceeds at December 31, 2004, are shown within the restricted cash on the balance sheet.

NOTE 11 – 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.



SUMMIT COUNTY PORT AUTHORITY
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Note payable with Summit County

The balance outstanding on the unsecured note payable was \$1,355,829 and \$1,455,829 at December 31, 2005 and 2004.

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

| | |
|------|---------------------|
| 2006 | \$ 100,000 |
| 2007 | 100,000 |
| 2008 | <u>1,155,829</u> |
| | <u>\$ 1,355,829</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 \$1,355,829 and \$1,455,829 at December 31, 2005 and 2004, respectively. These outstanding balances are not reflected in these financial statements since it is the obligation of the Akron Civic Theater.

NOTE 12 – LEASES

Operating leases

The Authority leases office space and certain equipment under operating leases. Rental expense was \$39,400 and \$40,317 under these leases for 2005 and 2004, respectively.

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

| | |
|------------|-------------------|
| 2006 | \$ 41,340 |
| 2007 | 36,000 |
| 2008 | 35,400 |
| 2009 | 35,780 |
| 2010 | 37,680 |
| Thereafter | <u>31,400</u> |
| | <u>\$ 217,600</u> |

NOTE 13 – 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,



SUMMIT COUNTY PORT AUTHORITY
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personal injury, and third-party property damage claims. No substantial changes in insurance coverage have occurred in any major risk category in 2005, there were no insurance settlements in 2005 and 2004.

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 14 – 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 for \$195,000 for each year ended December 31, 2005 and 2004.

NOTE 15 – COMMITMENTS

Durbin Industrial Valve

In August 2005, the Authority executed a "term sheet" with Durbin Industrial Valve. The Durbin Industrial Valve Project is a proposal to finance the construction of a new 20,000 square foot manufacturing facility. The facility will be used to manufacture industrial valves for the Tire and Rubber industry. The amount of the bond issue is \$910K and expected to close in February 2006.

Hiney Acquico LLC

In December 2005, the Authority executed a "term sheet" with Hiney Acquico LLC and the City of Akron. The Hiney Printing Project is a proposal to acquire and improve an existing building to be used by Hiney Acquico LLC. The project costs are estimated to be \$1.565 million and preliminary closings are expected to be January 2006.

EXAL Corporation

In September 2005, the Authority executed a "term sheet" with EXAL Corporation (EXAL) and the Ohio Department of Development. The EXAL Corporation Project is a proposal to construct a manufacturing facility in Youngstown, Ohio to be used by EXAL. The Authority expects to issue \$3 million in revenue bonds and the transaction is expected to close in February 2006.

NOTE 16 – LETTER OF CREDIT

During 2005, the Authority obtained a \$5 million, unsecured letter of credit in order to support issuance of development bonds via the Authority's Bond Fund Program. No amounts were outstanding on this letter of credit as of December 31, 2005.

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



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENT
December 31, 2005 and 2004

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.

For 2005, the Authority has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentration of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Authority; however, additional note disclosures can be found in Note 3.





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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, 2005, and have issued our report dated January 14, 2006. We conducted our audit in accordance with auditing standards generally accepted 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.

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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

In our testing of Deposits and Investments we noted that the Authority does not have a written investment policy on file with the Auditor of State.

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.

Robert Markey, Fedorovich & Company

BOBER, MARKEY, FEDOROVICH & COMPANY

January 14, 2006





**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
JUNE 20, 2006**