

SUMMIT COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS

December 31, 2000





STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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To the Board of Directors
Summit County Port Authority
One Cascade Plaza, 19th Floor
Akron, Ohio 44308

We have reviewed the Independent Auditor's Report of the Summit County Port Authority, Summit County, prepared by Bober, Markey, Fedorovich & Co. for the audit period January 1, 2000 through December 31, 2000. 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.

JIM PETRO
Auditor of State

October 15, 2001

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SUMMIT COUNTY PORT AUTHORITY

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**Bober, Markey, Fedorovich
& Company**

Certified Public Accountants / Business Advisors

INDEPENDENT AUDITORS' REPORT

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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, 2000, 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 audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Authority prepares its financial statements on the cash basis of accounting, as permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2000, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2001, 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.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.


BOBER, MARKEY, FEDOROVICH & COMPANY

July 27, 2001

SUMMIT COUNTY PORT AUTHORITY
STATEMENT OF CASH AND CASH EQUIVALENTS
December 31, 2000

Cash and cash equivalents - general	\$	326,694
Cash - capital projects		<u>416,129</u>
 TOTAL CASH FUND BALANCES	\$	<u>742,823</u>

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



SUMMIT COUNTY PORT AUTHORITY
 STATEMENT OF REVENUE COLLECTED AND EXPENDITURES PAID AND CHANGE IN CASH BALANCES
 For the Year Ended December 31, 2000

	General Fund	Capital Projects Fund	Total
REVENUE COLLECTED			
Grants			
Summit County	\$ 325,000	\$ -	\$ 325,000
Community Development Block Grant	22,647	268,816	291,463
Total grants	347,647	268,816	616,463
ASC Manufacturing, Ltd.			
Ground sublease rent	42,107	-	42,107
Sales tax savings on construction	26,239	-	26,239
Administrative fees	6,563	-	6,563
Common area maintenance charges	596	-	596
Total ASC Manufacturing, Ltd.	75,505	-	75,505
Rail lines fees	41,308	-	41,308
Project management fee	78,700	-	78,700
Contract services - foreign trade zone services	9,000	-	9,000
Other	5,471	-	5,471
	557,631	268,816	826,447
EXPENDITURES PAID			
Salaries and benefits	51,301	-	51,301
Miscellaneous operating expenses	39,179	-	39,179
ASW Real Estate, Inc - ground lease rent	37,428	-	37,428
Project management	78,700	-	78,700
Insurance	12,874	-	12,874
Professional fees	34,725	-	34,725
Recruitment fees	7,901	-	7,901
Bond fees	1,500	-	1,500
Capital expenditures	-	38,698	38,698
Other capital costs	17,953	-	17,953
	281,561	38,698	320,259
OPERATING INCOME	276,070	230,118	506,188
NONOPERATING REVENUE			
Debt proceeds (see Note 4)	-	1,753,627	1,753,627
CAK project (infrastructure development, see Note 4)	-	(1,567,616)	(1,567,616)
Interest income-general fund	3,834	-	3,834
Interest income-capital projects fund	-	7,296	7,296
Transfer of interest income from capital projects fund to the general fund	7,296	(7,296)	-
NET INCOME	287,200	416,129	703,329
CASH FUND BALANCES, BEGINNING OF YEAR	39,494	-	39,494
CASH FUND BALANCES, END OF YEAR	\$ 326,694	\$ 416,129	\$ 742,823

The accompanying notes are an integral part of these financial statements



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2000

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 management believes these financial statements present all activities for which the Authority is financially accountable.

Basis of Accounting

These financial statements are presented on the cash basis of accounting, as permitted by the Auditor of State. Under the cash basis of accounting, revenue is recognized when cash is received and expenditures are recognized when paid.

Cash

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.

Fund Accounting

The Authority maintains a General Fund, which is the general operating fund and a capital projects fund, which accounts for capital outlays of the Authority.

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.

Fixed Assets

Acquisitions of fixed assets are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

NOTE 2 – CASH POOL

The Summit County Auditor maintains a cash pool used by all of the County's funds, including those of the Summit County Port Authority. The Ohio Revised Code prescribes allowable deposits and investments. The Authority's carrying amount of cash on deposit with the County at December 31, 2000 was \$326,694 and \$418,129 in the general and capital funds, respectively. The amount in the capital projects fund includes \$186,011 to be used for future debt service. The Summit County Treasurer 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.



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2000

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2000 was as follows:

Fund Type	2000 Budget vs. Actual		Variance
	Budget	Actual	
General			
Revenues	\$ 578,588	\$ 568,761	\$ 9,827
Expenditures	\$ 570,588	\$ 281,561	\$ 289,027
Capital			
Revenues	\$ 421,817	\$ 268,816	\$ 153,001
Expenditures	\$ 421,817	\$ 38,698	\$ 383,119

In addition to the above revenues and expenditures, the Authority had access to debt proceeds from the County, which did not flow through the above Authority funds, but held by Summit County, the Authority's fiscal agent. These debt proceeds were used to pay for the development of the CAK International Business Park that is discussed in Note 4 below.

NOTE 4 – DEBT

ASC Manufacturing, Ltd. Project

On July 1, 1999, the Authority issued \$3,500,000 of Summit County Port Authority Variable Rate Revenue Bonds, Series 1999. The proceeds of the revenue bonds were used to fund the construction of a manufacturing facility. The issuance of the revenue bonds did not encumber the assets of the Authority. In addition, the Authority entered into a financing lease agreement pertaining to this manufacturing facility. The Authority owns the building and leases the building to ASC Manufacturing, Ltd. The lease is non-cancelable until the underlying revenue bonds are paid in full. The lease payments cover principal and interest payments on the revenue bonds. All expenses related to the revenue bonds and the maintenance of the facility are the responsibility of ASC Manufacturing. ASC Manufacturing pays the lease payments directly to the trustee, Bank One, NA. In addition, an Agreement to Guarantee Financing was entered into between Summit County and Bank One, NA, the bond trustee.

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, as the bonds are guaranteed by Summit County and the lease payments are paid directly to the trustee, Bank One. Total amount of conduit debt outstanding was \$3,412,000 as of December 31, 2000.

CAK International Business Park

During 1999, the County of Summit (the County) advanced funds to 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 the County for these funds over a 18 year amortization, with annual payments of principal and interest, commencing on December 2002 through December 2019. Interest from August 1999 to June, 2002 is being forgiven by the County. Interest is variable ranging from 4.65% to 6.6%. Escalating principal payment ranging from \$25,000 to \$250,000 throughout the term of the debt. Total amount of this debt obligation was \$1,753,627 at December 31, 2000.

The proceeds of this debt obligation were used to pay for the infrastructure costs totaling \$1,567,616 for the CAK International Business Park. These funds were paid by the County directly to the contractors and did not flow through the Authority.



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2000

Approximate annual principal payments required under long-term debt for the next five years and thereafter are:

2001	\$ -
2002	21,704
2003	48,965
2004	69,874
2005	68,248
Thereafter	<u>1,514,836</u>
	<u>\$ 1,753,627</u>

NOTE 5 - LEASES

Authority as Lessee

The Authority leases certain real property under an operating lease from ASW Properties, Ltd. The lease term expires December 31, 2035. Rental expense under this lease was \$37,428 for 2000. Minimum future lease payments under this lease are \$56,148 per year through 2035.

Authority as Lessor

The Authority subleases a portion of the real property leased from ASW Properties, Ltd., under an operating lease expiring the earlier of December 31, 2035 or the repayment by the tenant of the conduit debt obligation. Total rental income from this lease was \$42,107 for 2000. Minimum future rentals to be received on this operating sublease are \$56,148 per year throughout the lease term.

Subsequent to year-end, the Authority entered into an agreement, whereby these lease payments and receipts are no longer passed through the Authority. Beginning in March 2001, the Authority is not responsible for the future minimum lease payments, nor will it collect the rental income under the related sublease.

NOTE 6 - 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.

The Authority had one claim during 2000, which was covered by their insurance coverage.

NOTE 7 - RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE

The Authority uses certain County employees and office space without reimbursement. In addition, the Authority receives a significant portion of its revenue from a County grant.



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2000

NOTE 8 – NEW ACCOUNTING STANDARDS

The GASB has issued Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. These statements establish accounting standards for non-exchange transactions such as grants and other assistance provided to the Authority by other governmental units and revise accounting and reporting standards for external financial reporting by governmental units. Statement No. 33 is effective for the Authority's year ending December 31, 2001 and Statement No. 34 is effective for the year ending December 31, 2002. The Authority has not completed an analysis of the impact of these two statements on its reported financial condition and results of operations.

NOTE 9-SUBSEQUENT EVENTS

Rail Corridor Transfer

In January 2001, the Authority transferred their ownership of certain railroad lines to Metro Regional Transit Authority. The Authority still maintains freight and development rights to these railroad lines.

Bond Reserve Fund

In January 2001, the Authority established a Bond Reserve Fund, which will be used to promote economic development projects in Summit County. The Authority obtained \$5 million in grants comprised of \$3 million grant from Summit County and a \$2 million conditional grant from the Ohio Department of Development. The conditional grant awarded by the Ohio Department of Development (ODOOD) is for a 20 year term, with 50% of the interest earned on the fund remitted back to ODOOD.

Akron Civic Theatre Project

In April 2001, the Authority entered into an agreement with Summit County, the City of Akron, Inventure Place, and the Civic Theatre Foundation, whereby, the Authority agrees to renovate the Akron Civic Theatre in which proceeds for the project will be obtained from the issuance of approximately \$12 million in bonds. The Authority will receive certain bed tax revenues to be used for the debt service on the bonds.



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**Bober, Markey, Fedorovich
& Company**

Certified Public Accountants / Business Advisors

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

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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, 2000, and have issued our report dated July 27, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 July 27, 2001.

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

July 27, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
NOVEMBER 8, 2001**