

Development Finance Authority of  
Summit County  
Summit County, Ohio

*Audited Financial Statements*

For the Years Ended  
December 31, 2017 and 2016





# Dave Yost • Auditor of State

## Board Members

Development Finance Authority of Summit County  
47 N. Main Street, Suite 407  
Akron, Ohio 44308

We have reviewed the *Independent Auditor's Report* of the Development Finance Authority of Summit County, Summit County, prepared by Rea & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID UNDER AUDIT**

The Development Finance Authority of Summit County (DFA) paid for alcohol for business development meetings. During 2017, the total amount of alcohol charged and paid for with DFA credit cards totaled \$140.03.

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Further, **Auditor of State Bulletin 2003-005** states that the Auditor of State's Office will only question expenditures where the legislative determination of a proper public purpose is manifestly arbitrary and incorrect, and that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against DFA President Chris Burnham, in the amount of \$140, and in favor of DFA.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or

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Development Finance Authority of Summit County  
47 N. Main Street, Suite 407  
Akron, Ohio 44308  
Page -2-

property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost, or stolen.

The DFA should implement policies and procedures to verify that all purchases serve a proper public purpose and that no Village funds are used for the purchase of alcohol. Failure to do so could result in additional findings for recovery in the future.

Repayment was made by DFA President Chris Burnham via check number 3312 on June 18, 2018, in the amount of \$140.03.

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 Development Finance Authority of Summit County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost  
Auditor of State

August 9, 2018

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**Development Finance Authority of Summit County**  
**Summit County, Ohio**  
*Table of Contents*

	<i>Page</i>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Statements of Net Position.....	12
Statements of Revenues, Expenses and Changes in Net Position .....	15
Statements of Cash Flows .....	16
Notes to the Basic Financial Statements .....	18
Required Supplementary Information:	
Schedule of the Authority’s Proportionate Share of the Net Pension Liability - Ohio Public Employees Retirement System .....	59
Schedule of the Authority’s Contributions - Ohio Public Employees Retirement System ....	60
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	61

June 22, 2018

Development Finance Authority of Summit County  
Summit County, Ohio  
47 N. Main Street, Suite 407  
Akron, Ohio 44308

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Development Finance Authority of Summit County, Summit County, Ohio, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Development Finance Authority of Summit County, Summit County, Ohio, as of December 31, 2017, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



***Other Matters***

The financial statements of the Authority, as of and for the year ended December 31, 2016, were audited by other auditors whose report dated June 30, 2017, expressed an unmodified opinion on those financial statements.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis*, *Schedule of Authority's Proportionate Share of the Net Pension Liability*, and *Schedule of the Authority's Contributions* on pages 3–11, 59, and 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*Hea & Associates, Inc.*

New Philadelphia, Ohio

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017 and 2016

General

The Management of the Development Finance Authority of Summit County (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, 2017 and 2016.

The Authority is an independent political subdivision of the State of Ohio. The Authority was established in 1999 for the purpose of providing community and economic development financing activities in Summit County, Ohio. Since then, the Authority has expanded its service capacity through Cooperative Agreements with several neighboring counties as well as other Ohio counties. The Authority engages in this activity by managing activities through issuance of various revenue bonds. In addition, the Authority is co-manager of an industrial park on property owned by the Akron-Canton Airport, whereby ground rental income is derived as tenants locate at the park.

In 2011, the Authority applied for certification through the U.S. Treasury Community Development Financial Institutions Fund ("CDFI") to become eligible for an allocation of New Markets Tax Credits ("NMTC"). The Authority created a new Community Development Entity ("CDE"); the Development Fund of the Western Reserve ("DFWR") a private, not-for-profit 501(c)(3). DFWR serves an 18-county area of northeast Ohio and is the only CDE exclusively focused on providing NMTC in northeast Ohio. The Authority assists with the management of DFWR through a service agreement.

In December 2011, the CDFI notified the Authority that the DFWR had been certified and in March 2012, CDFI awarded a \$20 million NMTC allocation. During 2012 and 2013, the DFWR used all \$20 million of the credits to fund three projects in the cities of Kent, Ohio and Lorain, Ohio as well as the East End Redevelopment area of Akron, Ohio.

In 2014, DFWR submitted a new application to CDFI, seeking \$45 million NMTC allocation to assist with financing several projects throughout the DFWR service area. In June 2015, the CDFI notified the Authority that the DFWR had been awarded a \$45 million NMTC allocation. During 2015, the DFWR used \$10.5 million of the credits to fund two projects in Youngstown, Ohio and in Akron, Ohio.

In 2016, DFWR deployed \$27.75 million of the credits to fund five projects in Youngstown, Ohio, Euclid, Ohio, Oberlin, Ohio, Akron, Ohio and Conneaut, Ohio.

During 2017 DFWR deployed the final \$6.75 million of NMTC allocation to help capitalize the Akron Community Revitalization Fund, which leveraged an additional \$2 million in philanthropic grants raised by DFWR along with \$2 million in private loans and investments. DFWR manages the fund, without recourse or fiduciary obligation to the Authority. Also, during 2017, as part of an updated strategic plan, the Authority, with the assistance of Summit County and Northeast Ohio Public Energy Council (NOPEC), created and expanded the Akron-Summit County Energy Special Improvement District (ESID), to help property owners identify and finance energy efficiency projects within Summit County. The Authority also partnered with the Ohio Facilities Construction Commission and the Summit County Land Bank to provide

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017 and 2016

project management services for \$580,530 of electrical, mechanical, and roofing restoration to the Akron Civic Theatre.

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 conduit stand-alone and/or Jobs and Investment Fund ("Bond Fund") projects. The Bond Fund is rated BBB+ by Standard and Poor's. Conduit projects have included the Akron Civic Theater, Bridgestone Americas Tech Center, the Goodyear Tire and Rubber Headquarters and numerous other projects.

In 2017, tax exempt conduit financing was provided to assist with the Western Reserve Academy-Seymour Hall project.

Bond Fund projects are projects issued through the Authority's Jobs and Investment Fund. There are now five rated Port Authority Bond Funds in Ohio. During 2017, the Authority issued \$6.46 million to fund two projects, Hercules Motor Company redevelopment project and Yankee Trace-Centerville public improvements.

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

1. All conduit transactions require the lender to look only to the borrower's lease or debt service 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 Authority 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. As of December 31, 2017, the Authority had issued \$88.62 million to fund 28 projects with an outstanding principal balance of \$45.8 million.
3. Through unique collaborative funding arrangements with Summit County and the Ohio Development Services Agency, The Authority was able to increase its reserves in the Bond Fund by \$4 million in 2017.

During 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017 and 2016

pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems required additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB No. 68 pension accounts, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employee's past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses and the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law.

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as *against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017 and 2016

local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with the required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the net position.

In accordance with GASB Statement No. 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Condensed Statement of Net Position Information

The table below provides a summary of the Authority's financial position and operations for 2017 and 2016. Increases in restricted assets and other liabilities is primarily caused by projects issued in the current year offset by scheduled payment activity on outstanding issues.

Comparison of 2017 vs. 2016 Results:

	2017	2016	Change	
			Amount	%
<b>Assets:</b>				
Current assets	\$ 1,434,177	\$ 1,291,081	\$ 143,096	11.1%
Capital assets - net	1,225,000	1,250,000	(25,000)	-2.0%
Restricted assets	76,192,311	75,392,103	800,208	1.1%
Total assets	78,851,488	77,933,184	918,304	1.2%
<b>Deferred Outflows of Resources</b>				
Total assets and deferred outflows of resources	79,104,368	78,116,220	988,148	1.3%
<b>Liabilities and net position:</b>				
<b>Liabilities:</b>				
Current liabilities	3,670,884	3,653,402	(17,482)	-0.5%
Other liabilities	65,250,447	64,286,759	(963,688)	-1.5%
Total liabilities	68,921,331	67,940,161	(981,170)	-1.4%
<b>Deferred Inflows of Resources</b>				
Total liabilities and deferred inflows of resources	68,929,840	67,958,099	(971,741)	-1.4%
<b>Net position:</b>				
Investment in capital assets	1,225,000	1,250,000	(25,000)	-2.0%
Restricted	6,819,548	6,683,093	136,455	2.0%
Unrestricted	2,129,980	2,225,028	(95,048)	-4.3%
Total net position	\$ 10,174,528	\$ 10,158,121	\$ 16,407	0.2%

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017 and 2016

The table below provides a summary of the Authority's financial position and operations for 2016 and 2015.

Comparison of 2016 vs. 2015 Results:

	2016	2015	Change	
			Amount	%
<b>Assets:</b>				
Current assets	\$ 1,291,081	\$ 1,075,557	\$ 215,524	20.0%
Capital assets - net	1,250,000	1,275,000	(25,000)	-2.0%
Restricted assets	<u>75,392,103</u>	<u>70,050,616</u>	<u>5,341,487</u>	<u>7.6%</u>
Total assets	<u>77,933,184</u>	<u>72,401,173</u>	<u>5,532,011</u>	<u>7.6%</u>
Deferred Outflows of Resources	<u>183,036</u>	<u>60,566</u>	<u>122,470</u>	<u>202.2%</u>
Total assets and deferred outflows of resources	78,116,220	72,461,739	5,654,481	7.8%
<b>Liabilities and net position:</b>				
<b>Liabilities:</b>				
Current liabilities	3,653,402	3,191,681	(461,721)	-14.5%
Other liabilities	<u>64,286,759</u>	<u>59,138,122</u>	<u>(5,148,637)</u>	<u>-8.7%</u>
Total liabilities	<u>67,940,161</u>	<u>62,329,803</u>	<u>(5,610,358)</u>	<u>-9.0%</u>
Deferred Inflows of Resources	<u>17,938</u>	<u>6,088</u>	<u>(11,850)</u>	<u>-194.6%</u>
Total liabilities and deferred inflows of resources	<u>67,958,099</u>	<u>62,335,891</u>	<u>(5,622,208)</u>	<u>-9.0%</u>
<b>Net position:</b>				
Investment in capital assets	1,250,000	1,275,000	(25,000)	-2.0%
Restricted	6,683,093	6,594,470	88,623	1.3%
Unrestricted	<u>2,225,028</u>	<u>2,256,378</u>	<u>(31,350)</u>	<u>-1.4%</u>
Total net position	<u>\$ 10,158,121</u>	<u>\$ 10,125,848</u>	<u>\$ 32,273</u>	<u>0.3%</u>

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017 and 2016

Capital Assets: Additional information on the Authority's capital assets can be found in Note 7 to the Authority's financial statements. A summary of the activity in the Authority's capital assets during the years ended December 31, 2017 and December 31, 2016 is as follows:

	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
Capital assets not being depreciated:				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Capital assets being depreciated:				
Buildings	1,000,000	-	-	1,000,000
Less accumulated depreciation:				
Buildings	(250,000)	(25,000)	-	(275,000)
Total capital assets being depreciated, net	750,000	(25,000)	-	725,000
Capital assets, net	<u>\$ 1,250,000</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ 1,225,000</u>

	Balance at January 1, 2016	Additions	Deletions	Balance at December 31, 2016
Capital assets not being depreciated:				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Capital assets being depreciated:				
Buildings	1,000,000	-	-	1,000,000
Less accumulated depreciation:				
Buildings	(225,000)	(25,000)	-	(250,000)
Total capital assets being depreciated, net	775,000	(25,000)	-	750,000
Capital assets, net	<u>\$ 1,275,000</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ 1,250,000</u>

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017 and 2016

Statement of Revenues, Expenses, and Changes in Net Position Information

The Authority's net position increased by \$16,407 in 2017 and increased by \$32,273 in 2016. Key elements of these changes are summarized below. Operating revenues decreased in 2017 primarily due to decrease in New Market Tax Credit financing revenue through a decrease in projects in 2017. The change in non-operating activity is mainly through a note receivable write down in 2016 that did not occur in 2017.

	2017	2016	Change	
			Amount	%
Operating revenues:				
Project management and administrative fees	\$ 448,934	\$ 426,995	\$ 21,939	5.1%
CAK Business Park - lease administrative revenue	80,030	71,251	8,779	12.3%
Loan processing fees	173,250	188,450	(15,200)	-8.1%
Summit County economic development grant	75,000	75,000	-	0.0%
Property lease and rentals	6,916	103,755	(96,839)	-93.3%
New Market Tax Credit financing revenue	178,346	570,156	(391,810)	-68.7%
Total operating revenues	962,476	1,435,607	(473,131)	-33.0%
Operating expenses:				
Salaries and benefits	609,965	546,503	(63,462)	-11.6%
Professional services	156,419	121,444	(34,975)	-28.8%
Depreciation expense	25,000	25,000	-	0.0%
Bank fees	78,556	59,437	(19,119)	-32.2%
Other operating expenses	197,552	367,366	169,814	46.2%
Total operating expenses	1,067,492	1,119,750	52,258	4.7%
Operating (loss) income	(105,016)	315,857	(420,873)	-133.2%
Non-operating revenues (expenses):				
Interest Income	44,355	19,324	25,031	129.5%
Non-operating grant revenue	72,500	72,500	-	0.0%
Change in equity interest	(27,106)	(76,609)	49,503	-64.6%
Forgiveness of note receivable	-	(300,000)	300,000	100.0%
Other	31,674	1,201	30,473	2537.3%
Total non-operating revenue (expenses)	121,423	(283,584)	405,007	-142.8%
Change in net position	16,407	32,273	(15,866)	-49.2%
Net position - beginning of year	10,158,121	10,125,848	32,273	0.3%
Net position - end of year	\$ 10,174,528	\$ 10,158,121	\$ 16,407	0.2%



DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017 and 2016

The Authority's net position increased by \$32,273 in 2016 and increased by \$172,561 in 2015. Key elements of these changes are summarized below. The Authority closed more projects than usual during 2016, consistent with the increased economic development activity in our region. This increase in project activity directly contributed to an increase in operating expenses during 2016.

	2016	RESTATE 2015	Change	
			Amount	%
Operating revenues:				
Project management and administrative fees	\$ 426,995	\$ 392,889	\$ 34,106	8.7%
CAK Business Park - lease administrative revenue	71,251	97,883	(26,632)	-27.2%
Loan processing fees	188,450	240,625	(52,175)	-21.7%
Summit County economic development grant	75,000	75,000	-	0.0%
Property lease and rentals	103,755	17,500	86,255	100.0%
New Market Tax Credit financing revenue	570,156	240,972	329,184	136.6%
Total operating revenues	<u>1,435,607</u>	<u>1,064,869</u>	<u>370,738</u>	<u>34.8%</u>
Operating expenses:				
Salaries and benefits	546,503	469,549	(76,954)	-16.4%
Professional services	121,444	143,758	22,314	15.5%
Depreciation expense	25,000	25,000	-	0.0%
Bank fees	59,437	97,708	38,271	39.2%
Other operating expenses	367,366	192,968	(174,398)	-90.4%
Total operating expenses	<u>1,119,750</u>	<u>928,983</u>	<u>(190,767)</u>	<u>-20.5%</u>
Operating income	315,857	135,886	179,971	132.4%
Non-operating revenues (expenses):				
Interest Income	19,324	5,803	13,521	233.0%
Non-operating grant revenue	72,500	72,500	-	0.0%
Change in equity interest	(76,609)	(56,786)	(19,823)	34.9%
Forgiveness of note receivable	(300,000)	-	(300,000)	100.0%
Other	1,201	15,158	(13,957)	0.0%
Total non-operating (expenses) revenue	<u>(283,584)</u>	<u>36,675</u>	<u>(320,259)</u>	<u>-873.2%</u>
Change in net position	32,273	172,561	(140,288)	-81.3%
Net position - beginning of year	<u>10,125,848</u>	<u>9,953,287</u>	<u>172,561</u>	<u>1.7%</u>
Net position - end of year	<u>\$ 10,158,121</u>	<u>\$ 10,125,848</u>	<u>\$ 32,273</u>	<u>0.3%</u>

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2017 and 2016

Factors Expected to Impact the Authority's Future Financial Position or Results of Operations

In 2017, revenue from operations and deal flow was healthy and many indicators point to a continued active project pipeline in 2018. In January 2018, the Authority assisted in financing part of a total \$14.5 million project in the City of Mansfield involving Akron Children's Hospital Medical Center. In January, February, and May, the Authority closed three Jobs & Investment Fund transactions for \$5.675 million, \$5.5 million, and \$4.1 million, respectively. Financing activity remains robust with four conduit bond transactions and two Bond Fund projects in the pipeline.

Contacting the Authority's Finance Department

The financial statements are designed to provide the public, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for funds it receives and generates. If you have any questions about these financial statements or need additional financial information, please contact Christopher Burnham, President, and/or Laurie Ann Stoddard, Assistant Fiscal Officer to the Board.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
STATEMENTS OF NET POSITION  
December 31, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted assets		
Cash	\$ 1,288,285	\$ 1,240,873
Accounts receivable	107,118	19,629
Administrative fee receivable	26,646	12,785
Prepaid expenses	12,128	17,794
<b>TOTAL CURRENT ASSETS</b>	1,434,177	1,291,081
<b>NON-CURRENT ASSETS</b>		
Restricted assets		
Cash - Board restricted	898,435	845,585
Investment - Board restricted	294,764	324,351
Restricted cash - Bond fund program reserve	6,819,548	6,683,093
Restricted cash - State 166 loan program reserve	2,001,540	-
Equity in Akron BioInvestment Fund II, LLC	49,156	49,026
Equity in Headsense Medical, Ltd.	9,469	35,756
Equity in Startvest 2006, LP	59,788	60,737
Asset held for resale - Lockheed Martin	-	30,000
Note receivable - Akron Civic Theater	358,329	358,329
Lease receivable - Akron Civic Theater	13,365,000	13,765,000
Lease receivable - A&K Summit	446,282	560,226
Lease receivable - Bridgestone	6,090,000	6,465,000
<b>Total restricted assets, non-current</b>	30,392,311	29,177,103
Bond fund transactions		
Note receivable - Portage County Brimfield project	-	295,000
Note receivable - Superior Roll Forming project	1,955,000	2,110,000
Note receivable - Cavalier project	3,665,000	3,970,000
Note receivable - Plaza Schroer project	755,000	770,000
Note receivable - Digestive Disease project	-	4,575,000
Note receivable - Shearer's Foods project	2,740,000	2,995,000
Note receivable - City of Cleveland - Flats East project	4,470,000	4,540,000
Note receivable - University Edge project	5,915,000	6,380,000
Note receivable - IRG Rubber City project	6,125,000	6,240,000
Note receivable - Garfield Heights project	1,100,000	1,290,000
Note receivable - Village of Seville project	1,145,000	1,265,000
Note receivable - Summit County Workforce project I	2,680,000	2,925,000

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

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
 STATEMENTS OF NET POSITION  
 December 31, 2017 and 2016

	2017	2016
<b>NON-CURRENT ASSETS</b>		
Restricted assets		
Bond fund transactions		
Note receivable - Summit County Workforce project II	\$ 1,295,000	\$ 1,335,000
Note receivable - Summit County Workforce project III	65,000	65,000
Note receivable - Dublin Bridge Park project	4,790,000	4,790,000
Note receivable - Family and Community Services project	2,640,000	2,670,000
Note receivable - Hercules project	2,460,000	-
Note receivable - Yankee Trace project	4,000,000	-
Total bond fund transactions	45,800,000	46,215,000
Capital assets		
Land	500,000	500,000
Buildings	1,000,000	1,000,000
Total	1,500,000	1,500,000
Less: Accumulated depreciation	(275,000)	(250,000)
Net book value of capital assets	1,225,000	1,250,000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>77,417,311</b>	<b>76,642,103</b>
<b>TOTAL ASSETS</b>	<b>78,851,488</b>	<b>77,933,184</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension - OPERS	252,880	183,036
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 79,104,368</b>	<b>\$ 78,116,220</b>

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

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
STATEMENTS OF NET POSITION  
December 31, 2017 and 2016

	2017	2016
LIABILITIES		
CURRENT LIABILITIES		
Payable from unrestricted assets		
Deposits held	\$ 209,587	\$ 139,213
Accounts payable	77,532	72,875
Accrued expenses	10,461	13,292
Payable from restricted assets		
Note payable - Summit County, current portion	75,000	75,000
Revenue bonds - Akron Civic Theater, current portion	435,000	400,000
Revenue bonds - Bridgestone, current portion	385,000	375,000
Revenue bonds - Bond Fund projects, current portion	2,300,000	2,427,500
47 North Main Street tenant liability	178,304	150,522
TOTAL CURRENT LIABILITIES	3,670,884	3,653,402
NON-CURRENT LIABILITIES		
Unearned lease revenue	141,036	159,634
Payable from restricted assets		
Note payable - Summit County	330,829	405,829
Note payable - State of Ohio	2,000,000	-
Net pension liability	643,582	478,796
Revenue bonds - Akron Civic Theater	12,930,000	13,365,000
Revenue bonds - Bridgestone	5,705,000	6,090,000
Bond Fund transactions (see Note 5)	43,500,000	43,787,500
TOTAL NON-CURRENT LIABILITIES	65,250,447	64,286,759
TOTAL LIABILITIES	68,921,331	67,940,161
DEFERRED INFLOWS OF RESOURCES		
Pension - OPERS	8,509	17,938
NET POSITION		
Investment in capital assets	1,225,000	1,250,000
Restricted	8,821,088	6,683,093
Unrestricted	128,440	2,225,028
TOTAL NET POSITION	10,174,528	10,158,121
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 79,104,368	\$ 78,116,220

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

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>OPERATING REVENUES</b>		
Project management and administrative fees	\$ 448,934	\$ 426,995
CAK Business Park - lease administrative revenue	80,030	71,251
Loan processing fees	173,250	188,450
Summit County economic development grant	75,000	75,000
Property lease and rentals	6,916	103,755
New market tax credit financing revenue	178,346	570,156
TOTAL OPERATING REVENUES	962,476	1,435,607
<b>OPERATING EXPENSES</b>		
Salaries and benefits	609,965	546,503
Professional services	156,419	121,444
Depreciation expense	25,000	25,000
Bank fees	78,556	59,437
Other operating expenses	197,552	367,366
TOTAL OPERATING EXPENSES	1,067,492	1,119,750
OPERATING (LOSS) INCOME	(105,016)	315,857
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	44,355	19,324
Non-operating grant revenue	72,500	72,500
Change in equity interests	(27,106)	(76,609)
Forgiveness of note receivable	-	(300,000)
Other	31,674	1,201
TOTAL NON-OPERATING REVENUE (EXPENSES)	121,423	(283,584)
CHANGE IN NET POSITION	16,407	32,273
NET POSITION - BEGINNING OF YEAR	10,158,121	10,125,848
NET POSITION - END OF YEAR	\$ 10,174,528	\$ 10,158,121

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

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
STATEMENTS OF CASH FLOWS  
December 31, 2017 and 2016

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Cash received from development projects	\$ 837,902	\$ 1,358,084
Cash received from operating grants	75,000	75,000
Cash payments to and on behalf of employees	(527,283)	(517,523)
Cash payments for other operating expenses	(394,422)	(512,845)
Net cash (used in) provided by operating activities	(8,803)	402,716
<b>NON-CAPITAL FINANCING ACTIVITIES</b>		
Borrowings on notes payable - State of Ohio	2,000,000	-
Cash received from asset held for sale	30,000	-
Payments on line of credit/note payable	(75,000)	(75,000)
Repayments on lease receivable	113,944	113,944
Cash received from revenue bonds - Akron Civic	400,000	370,000
Cash received from revenue bonds - Bridgestone	375,000	370,000
Cash payments from revenue bonds - Akron Civic	(400,000)	(370,000)
Cash payments from revenue bonds - Bridgestone	(375,000)	(370,000)
Bond Fund:		
Cash received from borrowings on revenue bonds	6,460,000	14,565,000
Cash received from repayments on revenue bonds	6,875,000	2,424,167
Cash received from refunded revenue bonds	-	5,880,833
Cash payments from borrowings on revenue bonds	(6,460,000)	(14,565,000)
Cash payments from repayments on revenue bonds	(6,875,000)	(2,424,167)
Cash payments from refunded revenue bonds	-	(5,880,833)
Net cash provided by non-capital financing activities	2,068,944	38,944
<b>INVESTING ACTIVITIES</b>		
Cash payments for purchase of investments	(2,000,000)	(324,351)
Cash received from interest on investments	40,121	4,402
Cash payments for equity interests	-	(50,000)
Net cash used in investing activities	(1,959,879)	(369,949)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	100,262	71,711
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>2,086,458</b>	<b>2,014,747</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,186,720</b>	<b>\$ 2,086,458</b>

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

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
STATEMENTS OF CASH FLOWS  
December 31, 2017 and 2016

	2017	2016
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash - unrestricted	\$ 1,288,285	\$ 1,240,873
Cash - board restricted	898,435	845,585
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,186,720	\$ 2,086,458
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
OPERATING (LOSS) INCOME	\$ (105,016)	\$ 315,857
Adjustments to reconcile operating income to net cash (used in) provided by operating activities		
Depreciation	25,000	25,000
Changes in assets and liabilities		
Accounts receivable	(87,489)	2,721
Administrative fees receivables	(13,861)	3,523
Prepaid expenses	5,666	877
Deferred outflows of resources	(69,844)	(122,470)
Deposits held	70,374	22,331
Accounts payable	4,657	17,101
47 North Main Street tenant liability	27,782	17,424
Accrued payroll and payroll taxes	(2,831)	7,365
Accrued delinquent property taxes	-	-
Net pension liability	164,786	132,235
Deferred revenue	(18,598)	(31,098)
Deferred inflows of resources	(9,429)	11,850
Net cash (used in) provided by operating activities	\$ (8,803)	\$ 402,716

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



DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Development Finance Authority of Summit County (the "Authority") was formed, pursuant to Ohio Revised Code 4582.21 to 4582.59, by the 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 engages in community and economic development finance, 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.

Fund Accounting

The Authority maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

Basis of Presentation

The Authority's basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows.

The Authority uses a single enterprise fund to maintain its financial records during the year.

Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. For financial statement presentation purposes, the Authority utilizes the

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

The Authority's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the Authority's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Authority finances and meets the cash flows of its enterprise activity. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues generally result from operating grants and servicing fees. Operating expenses for the Authority include the cost of providing these services, including administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating revenues include pledged revenue to support repayment of bonds issued through the Jobs and Investment Bond Fund Program, assigned tax increment financing payments revenues related to other financing projects, energy grants, contribution revenues, loan financing revenues and interest earnings. Non-operating expenses include pass through tax increment financing payments related to other financing projects, interest payments on bonds, bond issuance costs, fiscal charges and developer expenses related to projects financed through the Jobs and Investment Bond Fund Program. Non-operating expenses also include changes in the fair value of the Authority's investments.

Conduit Debt

As part of its efforts to promote economic development within northeastern Ohio, over the past several years, the Authority has issued debt obligations and loaned the proceeds to industrial, commercial, governmental and nonprofit organizations, primarily located within Summit County and other northeast Ohio counties. The obligations are secured by the property financed and are payable solely from the payments received by the trustee from the borrowers or other sources designated in the related agreements.

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's operations. Accordingly, the Summit County Fiscal Officer 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 some of its cash with one local bank. This account is insured by the Federal Deposit Insurance Corporation up to the maximum allowed.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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 investments of excess deposits in repurchase agreements are considered to be cash equivalents.

Restricted Cash - Board Restricted

The Authority's cash is designated by the Board of Directors, and invested in short-term certificates of deposit. These investments are considered cash equivalents and could be deemed unrestricted per action of the Board of Directors through issuance of specific resolutions. These accounts include the Supplemental Bond Fund Account, 47 Operating Expense Account, Home Avenue Project Fund Account, Huntington Restricted Account (money market), 47 Capital Reserve Account and the County Grant Reserve Account.

Also included as restricted cash – board restricted are funds relating to the Project Activity Account, the Land Bank Account, and the Civic Theatre Phase II Account, which are pass-through monies to the Authority used to service ongoing projects currently under contract.

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. The balance is invested in a high yield checking account and is considered cash equivalents.

Fair Value of Financial Assets and Liabilities

Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect the estimates.

Capital Assets

All capital assets are capitalized at historical cost. The Authority maintains a capitalization threshold of \$5,000. Consistent with its capital asset policy, the Authority's capital assets are depreciated using the straight-line method over a range of 3 to 39 years depending on the specific asset class.

Asset Held for Resale

Assets held for resale represents various pieces of equipment received by the Authority and leased to Lockheed Martin Corporation. Under the terms of the amended lease agreement, Lockheed Martin Corporation agreed to pay \$60,000 for this equipment at the end of the lease term which expired in October 2014. During 2014, Lockheed Martin Corporation made the final required lease payment of \$15,000. In November 2015, the Lockheed Martin Corporation exercised the option to renew the lease for one year. Under the terms of the agreement, Lockheed Martin Corporation agreed to pay \$15,000 for this equipment, which expired in October 2016. In August 2016, Lockheed Martin notified the Authority of its intent to exercise the option to purchase the equipment for \$30,000. The sale was finalized in January 2017.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statements of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension, which are explained in Note 8.

Non-Operating Grant Revenue and Expenses

Non-operating grant revenue and expenses are those that are not generated by the Authority's primary mission and relate to the transfer of resources from one governmental entity to another. The Authority recognized non-operating grant revenue and expenses related to the Summit County grant in the amount of \$72,500 for the years ended December 31, 2017 and 2016. The Authority recognized non-operating grant revenue and expenses related to the Austen BioInnovation Institute in Akron ("ABIA") grant in the amount of \$102,000 for the years ended December 31, 2017 and 2016.

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

Certain amounts related to cash – board restricted included in the statements of net position for the year ended December 31, 2016 have been reclassified to money market – board restricted to conform to current year presentation. Reclassification of cash was \$324,351.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 22, 2018, the date the financial statements were available to be issued.

NOTE 2 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the year ended December 31, 2016, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the Authority's fiscal year 2016 note disclosures; however, there was no effect on beginning net position.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Authority.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Authority.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Authority.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Authority.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Authority.

For the year ended December 31, 2017, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Authority.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Authority.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Authority's 2017 financial statements; however, there was no effect on beginning net position.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing as asset or liability. As a basis for considering such assumptions, the Authority uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 — Observable inputs such as quoted prices in active markets;
- Level 2 — Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 — Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis as of are as follows:

	December 31, 2017	December 31, 2016
	<u>                    </u>	<u>                    </u>
Investment - Huntington	\$ 294,764	\$ 324,351
Investment - Bond Fund Reserve	6,819,548	6,683,093
Investment - State 166 Loan Reserve	2,001,540	-
Equity in Akron BioInvestment Fund II, LLC	49,156	49,026
Equity in Headsense Medical, LTD	9,469	35,756
Equity in Startvest 2006, LP	59,788	60,737

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

- Investment and reserves are comprised of money markets, certificate of deposits, and U.S. treasuries: Valued based at the closing price reported on the active market on which the individual securities are traded.
- Equity investments: Value based using the net asset value of the underlying partnerships as a practical expedient of fair value. The assets of each underlying entity are valued at fair value using a market approach. In reaching its determination of fair value, many factors are considered, including, but not limited to, the financial statements and tax returns of the entities prepared by independent accountants and the expected proceeds the Authority would receive through an ordinary sale of the investment using market participant data and assumptions.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The Authority's depository requirements are governed by state statutes and require that deposits be placed in eligible banks or savings and loans located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value at least equal to the amount of deposits not insured by the Federal Deposit Insurance Corporation ("FDIC"). Collateral that may be pledged is limited to obligations of the following entities: the U.S. government and its agencies, the State of Ohio, and any legally constituted taxing subdivision within the State of Ohio.

Custodial Credit Risk

The Authority's carrying amount of cash on deposit with the County, which is included in the carrying amount balances disclosed above, was \$2,186,721 and \$2,086,458 as of December 31, 2017 and 2016, 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 investment policies are governed by state statutes which authorize the Authority to invest in obligations of the U.S. government, its agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; money market mutual funds; and repurchase transactions and commercial paper. Repurchase transactions must be purchased from financial institutions as discussed in "Deposits" above or any eligible dealer who is a member of the National Association of Securities Dealers. Repurchase transactions are not to exceed a period of 30 days and must be secured by the specific government securities upon which the repurchase agreements are based.

These securities must be obligations of, or guaranteed by, the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument, contract or obligation whose value or return is based upon, or linked to, another asset or index, or both, separate from the financial instrument, contract or obligation itself (commonly known as a "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policies limit its investment portfolio to maturities of five years or less, which is in accordance with Ohio law.



DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The Authority places no limit on the amount it may invest in any one issuer.

Credit Risk

The Authority's investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on individual securities do not exceed income generated from the remaining portfolio.

Equity Investments

In January 2008, the Authority purchased 0.75 of one membership unit in the Greater Akron Investment Partners, LLC ("GAIP") for \$75,000. The net profits and losses of GAIP are allocated among the Members in proportion to the number of units owned by each member in accordance with the operating agreement. The Authority contributed an additional \$75,000 into the equity interest annually through 2010 as part of a three-year commitment. The Authority recognized unrealized losses of \$2,349 during 2016 on this equity interest. This equity interest was dissolved December 31, 2015, but had been reported as an estimate as the information was not available due the winding down and unavailable foreign income reporting.

When GAIP dissolved, ownership interests were transferred on a pro-rata basis to Startvest (2006) LP ("Startvest 06"). The Authority received 45 membership units in Startvest 06 which results in an 11.25% share as of December 31, 2017 and 2016. The net profits and losses of Startvest 06 are allocated among the Members in proportion to the number of units owned by each member in accordance with the operating agreement. The Authority recognized unrealized losses of \$949 and \$39,136 at December 31, 2017 and 2016, respectively on this equity interest. The Authority's equity interest in Startvest 06 was \$59,788 and \$60,737 as of December 31, 2017 and 2016, respectively.

In 2015, 2012 and 2011, Summit County directed the Authority to make an equity contribution of \$25,333, \$75,000 and \$25,000 respectively, into Startvest 09, LP ("Startvest 09"), which results in a 2.65% share as of December 31, 2017 and 2016. The unrealized loss values being utilized for 2017 are based on the Startvest 09 prior year information as the current year financial statements and K-1 are not yet available due to unavailable foreign income reporting. The Authority recognized unrealized losses of \$0 and \$7,863 at December 31, 2017 and 2016, respectively on this equity interest. The Authority's equity interest in Startvest 09 was \$0 as of December 31, 2017 and 2016.

In 2013 and 2014, Summit County directed the Authority to make an equity contribution of \$50,000 into Headsense Medical, LTD ("Headsense"), which results in a 0.295390% share as of December 31, 2017 and 2016. The most recently available estimates are based on the 2016 K-1 and are being utilized for 2017 unrealized loss values as the financial statements and finalized K-1 information are not yet available due to unavailable foreign income reporting. The Authority recognized unrealized losses of \$26,287 and

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

\$26,287 during 2017 and 2016, respectively on this equity interest. The Authority's equity interest in Headsense was \$9,469 and \$35,756 at December 31, 2017 and 2016, respectively.

In 2015, Summit County directed the Authority to make an equity contribution of \$50,000 into Akron Bioinvestments Fund II, LLC. This equity interest was credited by the investor as of January 1, 2016 and results in a 1.74% share as of December 31, 2017 and 2016, respectively. The Authority recognized unrealized gains of \$130 and unrealized losses of \$974 during 2017 and 2016, respectively on this equity interest. The Authority's equity interest in Akron Bio-Innovation was \$49,156 and \$49,026 at December 31, 2017 and 2016, respectively.

Fair Value

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of available-for-sale investment securities by major security type and class of security as of December 31, 2017 are as follows:

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Investment - Huntington	\$ 294,764	\$ -	\$ 294,764	\$ -
Investment - Bond Fund Reserve	6,819,548	-	6,819,548	-
Investment - State 166 Loan Reserve	2,001,540	-	2,001,540	-
Equity in Akron BioInvestment Fund II, LLC	49,156	-	-	49,156
Equity in Headsense Medical, LTD	9,469	-	-	9,469
Equity in Startvest 2006, LP	59,788	-	-	59,788
	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Investment - Huntington	\$ 324,351	\$ -	\$ 324,351	\$ -
Investment - Bond Fund Reserve	6,683,093	-	6,683,093	-
Equity in Akron BioInvestment Fund II, LLC	49,026	-	-	49,026
Equity in Headsense Medical, LTD	35,756	-	-	35,756
Equity in Startvest 2006, LP	60,737	-	-	60,737

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Certain secured financing arrangements require the Company to post cash collateral or maintain minimum cash balances in reserves. These amounts are reported in the balance sheets within money market - board restricted and restricted cash. At December 31, 2017, such restricted amounts were \$294,764, \$6,819,548 and \$2,001,540. At December 31, 2016, such restricted amounts were \$324,351 and \$6,683,093.

<u>Bond Reserve Investment</u>	<u>Maturity Date</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
First American Government Obligated Funds	N/A	88,236	2,216,773
US Bank National Association Commercial Paper Sweep	N/A	247,980	4,466,320
Natixis Funding Corp	7/15/2027	6,483,333	-
		<u>6,819,548</u>	<u>6,683,093</u>
State 166 Reserve			
First American Government Obligated Funds	N/A	2,001,540	-

NOTE 5 – JOBS AND INVESTMENT 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 investments 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 100% of the interest earned on the fund remitted back to ODOD through December 2011. Beginning in 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 were \$6,819,548 and \$6,683,093 at December 31, 2017 and 2016, respectively, and are included in restricted assets in the accompanying statement of net position.

In January 2010, the Authority obtained a commitment from the Ohio Manufacturers' Association ("OMA"), the Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

(collectively the "Companies") for \$2.4 million to be paid in three equal installments from January 2010 through July 2011. The Authority was required to deposit these funds into the Bond Fund Program Reserve account, and to the fullest extent reasonable under the Bond Fund Program, these funds should be used by OMA members which are also the Authority's customers.

In April 2017, the Authority obtained an investment of \$2 million from Summit County for the Bond Fund Program, which was deposited to the Bond Fund Program Reserve account, with 100% of the interest earnings remitted to the County's General Fund. In August 2017, the Ohio Development Services Agency (ODSA) provided a 166 Direct Loan of \$2 million to the Authority to further increase the Bond Fund Reserves and the Authority's lending capacity. Interest earnings on the additional \$2 million of reserves are 100% remitted to ODSA and the loan has a single repayment at the end of the 40 year term.

The following Revenue Bonds were issued during 2017 through the Bond Fund Program:

In December 2017, the Authority issued \$4,000,000 in Tax Exempt Bonds to assist in financing various public improvements as part of the Yankee Trace Randall Residence located in Centerville, Ohio.

In December 2017, the Authority issued \$2,460,000 in Taxable Revenue Bonds, secured by Tax Increment Financing (TIF), for land acquisition costs as part of the Hercules Motors Company redevelopment project in Canton, Ohio.

In July 2016, the Authority issued \$4,790,000 in Tax Exempt Bonds to assist in funding the construction of a public parking garage as part of the Bridge Park Development located in Dublin, Ohio.

In August 2016, the Authority issued \$1,290,000 in Tax Exempt Bonds to refund and refinance an original issue 2004 bond of \$2,750,000 for the project in Garfield Heights. The interest rate on the 2004 bond was 5.25% and the new interest rate is 2.38% creating significant savings for Garfield Heights. The proceeds of the original issue were used for the development of public infrastructure.

In August 2016, the Authority issued Tax Exempt Bonds in the amount of \$1,315,000 to refund and refinance a 2005 original issue bond of \$2,030,000 for the Village of Seville. The interest rate on the 2005 bond was 5.09% and the new interest rate is 2.60% creating significant savings for the Village of Seville. The original issue proceeds were used for the construction of a new Village Hall.

In August 2016, the Authority issued \$3,065,000 in Tax Exempt Bonds to refund and refinance an original issue 2005 bond of \$4,725,000 for Summit County Workforce. The interest rate on the 2005 bond was 4.87% and the new interest rate is 2.65% creating significant savings for Summit County Workforce. The proceeds of the original issue were used for the construction of the Summit County Workforce Job Center in Akron.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

In August 2016, \$1,365,000 in new tax-exempt bonds and \$70,000 in taxable bonds were issued by the Authority for Summit County Workforce (now Conexus) to make accessibility upgrades and improvements to their building and install a new roof.

In November 2016, the Authority issued \$2,670,000 in Tax Exempt Bonds to finance a building expansion to house both Portage Family and Community Services and Axess Pointe Community Health Center in Kent, Ohio.

Changes in the Authority's Bond Fund program for the year ended December 31, 2017 were as follows:

	Balance January 1, 2017	Increase	Decrease	Balance December 31, 2017	Due Within One Year
Portage County Brimfield project	295,000	-	(295,000)	-	-
Superior Roll Forming project	2,110,000	-	(155,000)	1,955,000	165,000
Cavalier project	3,970,000	-	(305,000)	3,665,000	335,000
Plaza Schroer project	770,000	-	(15,000)	755,000	15,000
Digest Disease project	4,575,000	-	(4,575,000)	-	-
Shearer's Food project	2,995,000	-	(255,000)	2,740,000	275,000
City of Cleveland - Flats East project	4,540,000	-	(70,000)	4,470,000	80,000
University Edge project	6,380,000	-	(465,000)	5,915,000	495,000
IRG Rubber City project	6,240,000	-	(115,000)	6,125,000	235,000
Garfield Heights project	1,290,000	-	(190,000)	1,100,000	185,000
Village of Seville project	1,265,000	-	(120,000)	1,145,000	125,000
Summit County Workforce-1 project	2,925,000	-	(245,000)	2,680,000	260,000
Summit County Workforce-2 project	1,335,000	-	(40,000)	1,295,000	40,000
Summit County Workforce-3 project	65,000	-	-	65,000	-
Dublin Bridge Park project	4,790,000	-	-	4,790,000	-
Family & Community Services project	2,670,000	-	(30,000)	2,640,000	90,000
Hercules Motor Company project	-	2,460,000	-	2,460,000	-
Yankee Trace project	-	4,000,000	-	4,000,000	-
<b>Total</b>	<b>\$ 46,215,000</b>	<b>\$ 6,460,000</b>	<b>\$ (6,875,000)</b>	<b>\$45,800,000</b>	<b>\$ 2,300,000</b>

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Changes in the Authority's Bond Fund program for the year ended December 31, 2016 were as follows:

	Balance January 1, 2016	Increase	Decrease	Balance December 31, 2016	Due Within One Year
Garfield Heights project	\$ 1,525,000	\$ -	\$ (1,525,000)	\$ -	-
Village of Seville project	1,335,000	-	(1,335,000)	-	-
Summit County Workforce Policy project	3,350,000	-	(3,350,000)	-	-
Portage County Brimfield project	700,000	-	(405,000)	295,000	135,000
Exal Corporation project	200,000	-	(200,000)	-	-
Superior Roll Forming project	2,255,000	-	(145,000)	2,110,000	155,000
Cavalier project	4,260,000	-	(290,000)	3,970,000	305,000
Plaza Schroer project	785,000	-	(15,000)	770,000	15,000
Digest Disease project	4,840,000	-	(265,000)	4,575,000	280,000
Shearer's Food project	3,230,000	-	(235,000)	2,995,000	255,000
City of Cleveland - Flats East project	4,610,000	-	(70,000)	4,540,000	70,000
University Edge project	6,625,000	-	(245,000)	6,380,000	465,000
IRG Rubber City project	6,240,000	-	-	6,240,000	115,000
Garfield Heights project	-	1,290,000	-	1,290,000	190,000
Village of Seville project	-	1,315,000	(50,000)	1,265,000	120,000
Summit County Workforce-1 project	-	3,065,000	(140,000)	2,925,000	245,000
Summit County Workforce-2 project	-	1,365,000	(30,000)	1,335,000	40,000
Summit County Workforce-3 project	-	70,000	(5,000)	65,000	-
Dublin Bridge Park project	-	4,790,000	-	4,790,000	-
Family & Community Services project	-	2,670,000	-	2,670,000	37,500
<b>Total</b>	<b>\$ 39,955,000</b>	<b>\$ 14,565,000</b>	<b>\$ (8,305,000)</b>	<b>\$46,215,000</b>	<b>\$ 2,427,500</b>

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

Year	Principal	Interest	Total
2018	\$ 2,300,000	\$ 2,241,590	\$ 4,541,590
2019	2,610,000	2,138,849	4,748,849
2020	2,945,000	2,010,668	4,955,668
2021	3,140,000	1,864,108	5,004,108
2022	3,305,000	1,709,899	5,014,899
2023 - 2027	14,815,000	6,087,930	20,902,930
2028 - 2032	6,220,000	3,617,134	9,837,134
2033 - 2037	6,905,000	1,910,100	8,815,100
2038 - 2041	3,560,000	384,581	3,944,581
<b>Total</b>	<b>\$45,800,000</b>	<b>\$21,964,857</b>	<b>\$67,764,857</b>

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

NOTE 6 – CONDUIT DEBT

In accordance with Government Accounting Standards, the following 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 following debt and the loan payments are paid directly to the respective trustee by borrower. Total amount of conduit debt outstanding was \$307,289,598 and \$311,296,941 as of December 31, 2017 and 2016, respectively.

Fairlawn GIG Project

In May 2016, the Authority issued \$10.175 million of Lease Revenue Bonds to finance the costs of acquisition, construction, installation, and equipping of a municipal broadband utility to provide wireless and fiber optic high speed internet services to Fairlawn, Ohio as well as to the Akron, Fairlawn, Bath Joint Economic Development District (JEDD).

Arhaus Project

In January 2015, the Authority issued \$37.4 million of Taxable Development Revenue Bonds. The bonds were used to finance the costs of the project which included construction of a new facility consisting of 743,000 square foot Arhaus Corporate Headquarters and Distribution Center in the Village of Boston Heights. The bond issuance amount was enhanced on August 17, 2015 by Board Resolution 2015-24 to total \$37.4 million. In 2017, the bonds were refinanced and the Authority has no further involvement with the financing of this project.

Village of Reminderville Project

In June 2015, the Authority issued \$8.2 million of Development Lease Revenue Bonds. The bonds were used to finance the costs of the project which included construction of a new facility consisting of a 42,000 square foot Recreation Center in Reminderville, Ohio.

The Ramco Project

In April 2015, the Authority issued \$13.6 million of Taxable Development Revenue Bonds. The bonds were used to finance the costs of the project which includes construction of a new facility consisting of 165,000 square foot RAMCO facility in Hudson, Summit County, Ohio.

Star of the West Milling Company of Ohio Project

In July 2014, the Authority issued up to \$10 million of Taxable Development Revenue Bonds. The bonds were used to finance the costs of the project which included construction of a new facility consisting of a 30,000 square foot mill, a 15,000 square foot combination warehouse and office building and related storage silos, in Willard, Ohio. The Authority has leased the project facilities to Star of the West Milling Company of Ohio (the "Lessee") pursuant to the lease dated as of August 1, 2014 and ending on August 1, 2024. During the lease term, the Lessee is required to make rental payments sufficient to pay the principal and interest accruing, and any premium due on the bonds through the maturity date.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Summa Health System Obligated Group Project

In October 2014, the Authority issued up to \$13.675 million of Refunding Revenue Bonds for the purpose of refunding the Series 2006 Bonds. The bond proceeds were used to finance the construction and equipping of a wellness facility to be leased by Summa Health Systems ("Summa"). Summa 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 Summa.

Concord Testa Hotel Associates, LLC Project

In November 2014, the Authority issued up to \$14.4 million of Taxable Development Revenue Bonds. The bonds were used to finance the costs of the project which included constructing, improving, and equipping a 146 room multi-story hotel located at 41 Furnace Street in Akron, Ohio. The Authority has leased the project facilities to Concord Testa Hotel Associates, LLC (the "Lessee") pursuant to the lease dated as of November 13, 2014 and ending on December 1, 2019. During the lease term, the Lessee is required to make rental payments sufficient to pay the principal and interest accruing, and any premium due on the bonds through the maturity date.

Summit County Combined General Health District Project

In August 2013, the Authority issued \$5 million of Facilities Revenue Bonds. The bonds were used to finance the costs of the project. The Authority has entered into a loan agreement with the Summit County Combined General Health District (the "Health District"), and under the loan agreement, the Health District has agreed to pay loan payments sufficient in time and amount to pay the principal and interest accruing, and any premium due on the bonds through August 1, 2033, the maturity date.

Canal Park Project

In November 2012, the Authority issued \$3.6 million of Development Revenue Bonds. The bonds were used to finance the costs of the project. The principal and interest payments relating to the Bonds are secured by and payable from (i) Appropriation Payments to be made by the City of Akron under the Cooperative Agreement, (ii) certain Revenues received by the Authority and (iii) moneys on deposit under the Indenture. The City is not party to the Indenture but is a third-party beneficiary under the Indenture. Akron Baseball, LLC, the Construction Agent, constructed the Project on behalf of the Authority in accordance with the Cooperative Agreement dated as of November 2012.

Goodyear County Bond Project

In March 2012, the Authority issued \$15.815 million of Development Revenue Bonds. The bonds were used to finance the costs of the project. The principal and interest payments relating to the Bonds will be secured by and be payable solely from County Revenue Payments received by the Trustee. The County Revenue Payments consist of payments made from the Nontax Revenues of Summit County Ohio paid directly to the Trustee.



DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

KB Compost Project

In February 2012, the Authority issued \$28 million of Exempt Facilities Revenue Bonds. The bonds were used to finance the costs of the project. These bonds are special obligations of the Authority payable solely from the revenue received by the trustee under its agreement with the KB Compost Services, Inc. KB Compost Services, Inc. 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. The bond is secured by assets of the project.

Goodyear Parking Deck Project

In October 2011, the Authority issued up to \$44.3 million of Taxable Construction Development Revenue Bonds. On June 25, 2014, the final bond was issued in the amount of \$44,165,851. The bonds were used to finance the costs of the project. The principal and interest payments relating to the Bonds are secured by and payable from (i) revenues and (ii) the payment of bond service charges on the bond are secured by the Issuer's assignment of its rights under the lease and the sublessor's assignment of its rights under the sublease. Each payment of lease balance made pursuant to the lease shall be deemed to be a payment of the outstanding principal amount of the bond.

The University of Akron Student Housing Project

In May 2011, the Authority issued \$33.8 million of Lease Revenue Bonds. The bonds were used to finance (i) the acquisition, construction, equipping and installation of a student housing facility containing approximately 531 beds for the benefit of students of The University of Akron (the "University"), together with site preparation, sidewalks, landscaping, miscellaneous capital expenditures, and related facilities and improvements; (ii) capitalized interest on the Series 2011 Bonds for a specified period; and (iii) payment of other costs and expenses incident to the issuance of the Series 2011 Bonds. The real property on which the Project is located is leased to the Authority pursuant to a Ground Lease Agreement between the Authority and the University. The Authority will sublease the land and lease the project to the University pursuant to the Facilities Lease Agreement between the University and the Authority. Pursuant to the terms of the University Lease Agreement, the University will make lease payments to the Authority in such amounts as will be sufficient to pay when due the principal of, premium, if any, and interest on the Series 2011 Bonds. The bonds were refunded June 2016 with an outstanding principal of the reissued bond of \$18.555 million as of December 31, 2016. A January 1, 2021 redemption of \$17.275 million at a price equal to 100 percent of stated principal is anticipated.

Western Reserve Academy Project

In May 2011, the Authority issued \$19.6 million of Multi-Mode Variable Rate Refunding Revenue Bonds. The principal amount was issued for the purpose of making a loan to assist the Western Reserve Academy in refunding of the Multi-Mode Variable Rate Revenue Bonds, Series 2002 originally issued by the County of Summit, Ohio for the purpose of the acquisition, construction, renovation, installation, furnishing or equipping of real and/or personal property comprising facilities owned by the Borrower in conjunction with the Borrower's private secondary education facility located in the City of Hudson, Summit County,

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Ohio. The bond is secured by assets of the project. The bonds were refunded in July 2017 with a reissuance of \$19.822 million in Series 2017A Revenue Bonds.

The Goodyear Tire and Rubber Company Headquarters Project

In April 2011, the Authority issued up to \$120 million of Taxable Development Revenue Bonds. On June 25, 2014, the final bond was issued in the amount of \$105,564,405. The bonds were used to finance the costs of the construction of a new, approximately 639,000 square foot headquarters facility that will house both the Global and North America Headquarters of Goodyear. The principal and interest payments relating to the Bonds will be secured by and be payable from rent payments due under the sublease payable by Goodyear as well as first mortgage on the project and all other assets funded from bond proceeds. The financing is structured as a capital lease between the Authority and Purchaser to provide sales tax savings on the construction materials associated with the construction of the Project.

Austen BioInnovation Institute in Akron ("ABIA") Project

In March 2011, the Authority issued \$7.4 million of Tax-Exempt Private Activity Bonds. The bonds were used to provide financing for the renovation, construction and improvement of a building located at 47 North Main Street in the City of Akron, Ohio. These bonds are special obligations of the Authority payable solely from pledged revenues, being generally (a) Loan Payments made by or on behalf of ABIA under the Loan Agreement, (b) all of the moneys received or to be received by the Port Authority or the Trustee in respect of the loan under the Loan Agreement, (c) Contribution Payments that the county is required to make under the Cooperative Agreement if loan payments made by ABIA are insufficient to cover Bond Service Charges or there is a deficiency in the funds required to be on deposit in the Bond Reserve Fund, (d) amounts in the Special Funds, including the Bond Reserve Fund, and (e) income from investments in the foregoing. The bond is secured by assets of the project with a mortgage agreement in place.

Kent State University Project

In September 2010, the Authority issued \$13.745 million of Taxable Development Revenue Bonds. The bonds were used to provide financing for the acquisition, construction, equipping, furnishing, and improvement of real and personal property comprising port authority facilities to be used as an auxiliary and educational facility for the benefit of Kent State University, including without limitation, construction of an approximately 44,000 square foot building and improvements thereto on an approximately 12 acre site that is a portion of the real property located in the City of Twinsburg, Summit County, Ohio. These bonds are special obligations of the Authority payable solely from revenue received by the trustee under its agreement with Kent State University. 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. The bond is secured by assets of the project.

Bridgestone Americas Tire Operations, LLC Project

In March of 2010, the Authority issued up to \$70 million of Taxable Development Revenue Bonds. The bonds were used to finance the costs of the construction and improvement of the Tech Center, the Parking Facility, and the Pedestrian Connector. These bonds were special obligations of the Authority payable

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

solely from revenue received by the trustee under its agreement with Bridgestone Americas Tire Operations, LLC ("BATO"). 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.

The Tech Center was leased by the Authority to SMBC Leasing and Finance, Inc. ("SMBC") and subleased by SMBC to BATO. Under that sublease, BATO agreed to make rental payments to SMBC in an amount sufficient to pay debt service when due on the bonds. Rental payments were pledged to the trustee for the bonds as the revenue source to secure the payment of debt service on the bonds. The bonds were revenue obligations of the Authority, payable solely from the Tech Center Revenues. Neither the Authority nor the County was obligated to pay debt service on the bonds from any source other than the Tech Center Bond Revenues. The bond was secured by assets of the project. On March 30 2015, Bridgestone paid approximately \$50.2 million to exercise its optional redemption of the outstanding bonds and accrued interest and purchase the Bridgestone Akron Technical Center.

Akron YMCA Project

In November 2009, the Authority issued \$12.1 million of Variable Rate Civic Facility Improvement and Revenue Bonds. The bonds were used to pay back existing bonds outstanding in the amount of \$6.1 million and the remaining bonds will be used to finance costs of acquiring, constructing, furnishing, improving, and equipping facilities for the YMCA. These bonds are special obligations of the Authority payable solely from revenue received by the trustee under its agreement with the YMCA. 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. The bond is secured by assets of the project.

Snap-on Business Solutions Project

In October 2008, the Authority issued \$16 million of Taxable Development Revenue Bonds. The bond proceeds were used to finance the costs of the Snap-on Business Solutions, Inc. project. These bonds are special obligations of the Authority payable solely from revenue received by the trustee under its agreement with Snap-on, Inc. 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. The bond is secured by assets of the project.

American Original Building Products, LLC Project

In January 2007, the Authority issued \$5.4 million of Summit County Port Authority Variable Rate Industrial Development Revenue Bonds. The bond proceeds were used to finance the acquisition and installation of machinery and equipment at Ferriot, Inc.'s Akron, Ohio facility. These bonds are special obligations of the Authority payable solely from revenue received by the trustee under its agreement with Ferriot, Inc. 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. The bond is secured by assets of the project. The Authority has received notification that the bonds were paid off.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Barberton YMCA Project

In June 2007, the Authority issued \$4.1 million of Summit County Port Authority Facility Revenue Bonds. The bond proceeds were used to facilitate the financing of "port authority facilities" and enhancing economic development of such facilities. These bonds are special obligations of the Authority payable solely from the revenue received by the trustee under its agreement with The Young Men's Christian Association. The Young Men's Christian Association and the Authority entered into a loan agreement pertaining to this facility. 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. The bond is secured by an irrevocable letter of credit.

Callis Towers, LLC Project

In October 2007, the Authority issued \$12 million of Summit County Port Authority Multifamily Housing Revenue Bonds. The bond proceeds were used to make a mortgage loan insured by the Federal Housing Administration ("FHA") to Callis Towers, LLC, to finance a portion of the acquisition, renovation, rehabilitation, and equipping of a 277-unit, 15 story residential building located on 2.5 acres in Akron, Ohio. These bonds are special obligations of the Authority payable solely from the revenue received by the trustee under its agreement with Callis Towers, LLC. Callis Towers, LLC 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. The bond is secured by assets of the project.

Collinson Apartments Project

In December 2006, the Authority issued \$4 million of Summit County Port Authority Multifamily Housing Revenue Bonds. The bond proceeds were used to finance the costs of acquiring, renovating, and equipping a rental facility in the City of Akron. These bonds are special obligations of the Authority payable solely from the revenue received by the trustee under its agreement with New Hillwood I Associate, LLC. New Hillwood I Associate, LLC 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. The bond is secured by assets of the project.

KB Compost Services, Inc. Project

In March 2006, the Authority issued \$5 million of Summit County Port Authority Variable Rate Exempt Facility Revenue Bonds. The bond proceeds were used to finance the costs of acquiring and installing certain machinery and equipment at the Akron Compost Facility owned by the City of Akron. These bonds are special obligations of the Authority payable solely from the revenue received by the trustee under its agreement with the KB Compost Services, Inc. KB Compost Services, Inc. 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. The bond is secured by assets of the project.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Lawrence School Project

In August 2005, the Authority issued \$10.475 million of Summit County Port Authority Adjustable Rate Demand Revenue Bonds (Series 2005). The bond proceeds were 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 revenue received by the trustee under its agreement with Lawrence School. 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. The bond is secured by assets of the project. The revenue bonds were refunded in 2015 with the reissuance of \$7.7 million of Refunding Revenue Bonds.

Meadow Lane, LLC Project

In August 2003, the Authority issued \$5.5 million of Summit County Port Authority Revenue Bonds. The bond proceeds were used to finance the construction and equipping of 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 trustee under its lease with Meadow Lane. 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. The bond is secured by an irrevocable letter of credit. The Revenue Bonds were redeemed on November 23, 2016.

Western Reserve Academy, Seymour Hall Project

In July 2017, the Authority issued \$19.82 million in refunding Revenue Bonds, Series 2017A and \$7.93 million in new Tax-Exempt Revenue Bonds, Series 2017B to assist in the renovation and modernization of historic Seymour Hall. The financing will be used as needed to support donor pledge payments. First National Bank of Pennsylvania served as the private placement bond purchaser.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
Capital assets not being depreciated:				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Capital assets being depreciated:				
Buildings	1,000,000	-	-	1,000,000
Less accumulated depreciation:				
Buildings	(250,000)	(25,000)	-	(275,000)
Total capital assets being depreciated, net	750,000	(25,000)	-	725,000
Capital assets, net	<u>\$ 1,250,000</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ 1,225,000</u>

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance at January 1, 2016	Additions	Deletions	Balance at December 31, 2016
Capital assets not being depreciated:				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Capital assets being depreciated:				
Buildings	1,000,000	-	-	1,000,000
Less accumulated depreciation:				
Buildings	(225,000)	(25,000)	-	(250,000)
Total capital assets being depreciated, net	775,000	(25,000)	-	750,000
Capital assets, net	<u>\$ 1,275,000</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ 1,250,000</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statements of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code (ORC) limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plans' board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued expense.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Authority employees participate in the OPERS system. OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index (CPI), capped at 3 percent.



DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Funding Policy - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<b>State and Local</b>	
	<b>2017</b>	<b>2016</b>
<b>Statutory Maximum Contribution Rates</b>		
Employer	14.00 %	14.00 %
Employee	10.00 %	10.00 %
<b>Actual Contribution Rates</b>		
Employer:		
Pension	13.00 %	12.00 %
Post-Employment Health Care Benefits	1.00 %	2.00 %
Total Employer	<u>14.00 %</u>	<u>14.00 %</u>
Employee	<u>10.00 %</u>	<u>10.00 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$48,146 and \$42,300 for 2017 and 2016, respectively. Of these amounts, \$827 and \$838 is reported as an accrued expense for 2017 and 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>2017</u>		<u>2016</u>
	OPERS		OPERS
Proportion of the Net Pension Liability:			
Current Measurement Period	0.00283412%		0.00276421%
Prior Measurement Period	0.00276421%		0.00287338%
Change in Proportion	<u>0.00006991%</u>		<u>-0.00010917%</u>
Proportionate Share of the Net			
Pension Liability	\$ 643,582	\$	478,796
Pension Expense	\$ 133,659	\$	63,915

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017 OPERS	2016 OPERS
<b>Deferred Outflows of Resources</b>		
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 95,844	\$ 140,736
Differences between Expected and Actual Experience	873	0
Changes of Assumptions	102,080	0
Changes in Proportionate Share	5,937	0
Authority Contributions Subsequent to the Measurement Date	48,146	42,300
Total Deferred Outflows of Resources	<u>\$ 252,880</u>	<u>\$ 183,036</u>
<b>Deferred Inflows of Resources</b>		
Differences between Expected and Actual Experience	\$ 3,830	\$ 9,251
Changes of Assumptions	0	8,687
Changes in Proportionate Share	4,679	0
Total Deferred Inflows of Resources	<u>\$ 8,509</u>	<u>\$ 17,938</u>

\$48,146 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2018	79,260
2019	85,460
2020	34,316
2021	(2,811)
2022	0
Thereafter	0
	<u>\$ 196,225</u>

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017 and 2016

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016 and 2015, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

<b>Actuarial Information</b>	<b>2016 Measurement Period</b>	<b>2015 Measurement Period</b>
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Investment Rate of Return	7.50 percent	8.00 percent
Wage Inflation	3.25 percent	3.75 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)	4.25 percent to 10.05 percent (includes wage inflation at 3.75 percent)
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

For the 2016 measurement period, mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

For the 2015 measurement period, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used. The most recent experience study completed relevant to the 2015 measurement period was for the five-year period ended December 31, 2010.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2015, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 0.40 percent for 2015.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017 and 2016

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's Proportionate Share of the Net Pension Liability for 2017	\$ 983,215	\$ 643,582	\$ 360,557
	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's Proportionate Share of the Net Pension Liability for 2016	\$ 762,839	\$ 478,796	\$ 239,215

NOTE 9 – POST-RETIREMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the traditional and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

Substantially all of the Authority's contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015 were \$3,704, \$7,050, and \$7,007 respectively. For 2017, 98 percent has been contributed with the balance being reported as an accrued expense. The full amount has been contributed for 2016 and 2015.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

NOTE 10 – 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.

In 2012, the Authority issued \$15,295,000 of Port Facilities Revenue Refunding Bonds, for the purpose of (1) refunding the Development Finance Authority's outstanding Revenue Bonds issued in 2001 to provide the funds to pay the costs of a project to be leased to The Community Hall Foundation, Inc., dba Akron Civic Theatre, and (2) paying issuance costs of the Series 2012 Bonds. The bonds refunded in the 2001 issue mature on December 1, 2033. The balance outstanding on the revenue bonds were \$13,365,000 and \$13,765,000 at December 31, 2017 and 2016, respectively.

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.

Approximate future annual receipts and payments for the refunding bonds are:

Year	Principal	Interest	Total
2018	\$ 435,000	\$ 490,881	\$ 925,881
2019	470,000	480,006	950,006
2020	505,000	470,019	975,019
2021	540,000	458,025	998,025
2022	585,000	443,850	1,028,850
2023 - 2027	3,750,000	1,884,912	5,634,912
2028 - 2032	5,735,000	947,882	6,682,882
2033	1,345,000	53,800	1,398,800
Total	<u>\$ 13,365,000</u>	<u>\$ 5,229,375</u>	<u>\$ 18,594,375</u>



DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017 and 2016

NOTE 11 – NOTES PAYABLE AND NOTES RECEIVABLE

The Authority has an unsecured notes payable with Summit County. The purpose of the note was for renovation costs for the Akron Civic Theater. The balance outstanding on the unsecured note payable was \$405,829 and \$480,829 at December 31, 2017 and 2016, respectively.

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

<u>Year</u>	<u>Amount</u>
2018	\$ 75,000
2019	75,000
2020	75,000
2021	75,000
2022	75,000
2023	30,829
Total	<u>\$ 405,829</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 based on the schedule noted below, and the Authority then repays Summit County. The agreement states that if certain terms of the agreement are met and there is no default on the loan, that the outstanding balance of \$358,829 at the end of the term will be discharged by the Authority.

During 2016, the Board of Directors of the Authority approved the forgiveness of \$300,000 of principal, interest and other fees owed by the Akron Civic Theater and amended the loan agreement effective January 1, 2017.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Approximate amended annual payments to be received by the Authority under this agreement for the next five years and thereafter are:

Year	Amount
2018	\$ 10,000
2019	10,000
2020	10,000
2021	10,000
2022	10,000
2023 - 2033	308,329
Total	<u>\$ 358,329</u>

NOTE 12 – AIRDOCK REMEDIATION

In January 2007, the Authority entered into an agreement with the Director of Development of the State of Ohio for a Brownfield Revolving Fund Loan for the Airdock Project. The Authority also entered into an agreement with the Clean Ohio Council for Clean Ohio Revitalization Fund ("CORF") grant for the Airdock Project. The purpose of the loan and grant was to conduct interior remediation activities including cleaning dust and debris from the building interior structure, at the Airdock site located in Akron, Ohio which is owned by the Authority and leased to Lockheed Martin Corporation. The amount of the loan and grant was \$2 million and \$3 million, respectively. This loan is a debt obligation and is payable solely from the revenues received by the Authority under its agreement with Lockheed Martin Corporation.

NOTE 13 – LEASES

In March of 2011, the Authority agreed to lease approximately 36,000 square feet of the 47 North Main Street building (excluding non-rentable common area) to ABIA, beginning in December 2011 until November 2033 as part of the conduit debt issued for the ABIA Project. At any time during the lease, the tenant has the option to purchase the building. The annual base rent during the term of the lease is \$1 per year. The tenant has also agreed to pay its proportional share of the common area maintenance, utilities, and related expenses. The Authority received \$370,666 and \$394,884 from ABIA under this Agreement for the years ended December 31, 2017 and 2016, respectively.

In March of 2011, the Authority agreed to lease approximately 25,000 square feet of the 47 North Main Street building (excluding non-rentable common area) to Summit County – DJFS, beginning in March 2011 for a period of five years. This lease was not renewed. The annual base rent during the term of the lease was \$86,793 per year. The tenant had also agreed to pay its proportional share of the common area

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

maintenance, utilities, and related expenses. The Authority received \$47,718 from DJFS under this agreement for the years ended December 31, 2016.

Effective November 1, 2012, the Authority and Lockheed Martin Corporation entered into an amended equipment lease agreement which states that Lockheed Martin Corporation has agreed to purchase existing project equipment and the Authority has agreed to acquire and lease to Lockheed Martin Corporation additional project equipment. In consideration of Lockheed Martin Corporation entering into this amendment, the Authority agrees that Lockheed Martin Corporation may draw on, and the Authority shall approve disbursement from, any funds held in the Project Fund and available to purchase project equipment under the equipment lease agreement to pay: (1) the existing project equipment purchase price which was appraised at \$87,000, and (2) upon exercise by Lockheed Martin Corporation of the option to purchase the additional project equipment, the additional project equipment purchase price of \$30,000. A \$30,000 lease receivable and the related unearned lease revenue were originally recorded in the Statement of Net Position. During 2014, the Authority recognized \$15,000 of rental income from equipment leased under this agreement. A new lease agreement was signed in November 2015 with Lockheed Martin Corporation. Under the terms of this new agreement, Lockheed Martin Corporation agreed to pay \$15,000 to lease this equipment through October 2016. This lease was not renewed as Lockheed Martin notified The Authority of their intent to exercise the option to purchase the equipment for \$30,000. The sale was finalized in January 2017.

In December of 2012, the Authority agreed to lease the 1034 Home Avenue building to A&K Summit Holdings, LLC, beginning in December 2012 for a period of one year. The annual base rent during the initial lease term is \$12,000 per year. Rental payments during the post-option exercise lease term shall be in monthly installments as follows: (a) \$2,656 for month's one through nine and (b) \$9,495 for months ten through ninety-six. The Authority recognized \$113,944 of rental income from property leased under this agreement in both 2017 and 2016. As of December 31, 2017 and 2016, the balance on the lease receivable was \$446,282 and \$560,226, respectively. The future fixed rental payments the Authority is scheduled to receive under the Lease Agreement total \$113,944 in 2018.

In December 2017, the Authority entered into a lease agreement with the Bowery Development Group, LLC (lessee), which is undertaking to redevelop a part of Downtown Akron. The project is a mixed-use purpose project located on .7 acres neighboring the historic Akron Civic Theatre on South Main Street. The new development is anticipated to include a fresh food market, office, retail, entertainment, boutique/incubator office and residential units with an anticipated September 1, 2018 construction start date. The Authority now holds fee simple title to the project site. The Authority and the lessee have entered into a lease under which the Authority is leasing the project to the lessee for \$1.00 per year. The Authority and the lessee will enter into an amendment and restatement of the lease agreement to provide for the construction of the project and payment of project costs. The lease will remain a triple net lease. The amended and restated lease agreement provides that the lessee will be required to construct the project as leasehold improvements and pay all of the project costs. The lessee will control the design and operation of the project and will oversee the construction of the project and administration of all contracts. The delivery date

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

and any cost overruns associated with the project are solely the responsibility of the lessee. The lessee is responsible for securing all sources of financing required to pay project costs. The sources and terms of the project financing shall be the sole responsibility of the lessee. The Authority has agreed to cooperate with the lessee, on a non-recourse basis, to obtain financing sources for the project.

NOTE 14 – BRIDGESTONE PROJECT

On December 1, 2010, the Authority issued \$7,450,000 of Federally Taxable Recovery Zone Economic Development Revenue Bonds and \$100,000 of Federally Taxable Revenue Bonds as part of the Bridgestone Project. The proceeds of the bonds will be used to provide funds to pay a portion of the costs of constructing the new technical center which is being constructed as the international technical center and research and development headquarters for Bridgestone Americas Tire Operations, LLC ("BATO"). BATO will operate the technical center project, which will provide research and development and technical support for BATO's operations. The technical center project comprises the technical center buildings, a multi-level parking facility for approximately 475 vehicles, and an elevated pedestrian walkway connecting the tech center and the parking facility. The parking facility and a portion of the pedestrian walkway are the projects being financed with the 2010 bond proceeds.

Pursuant to the terms of the Cooperative Agreements, Summit County will make its County Revenue Payments to the Trustee from the County Nontax Revenues in amounts sufficient to pay Bond Service Charges on the Nontax Revenue Bonds when due.

The balance outstanding on the revenue bonds was \$6,090,000 and \$6,465,000 at December 31, 2017 and 2016, respectively. Approximate future annual principal and interest payments for this obligation are:

Year	Principal	Interest	Total
2018	\$ 385,000	\$ 381,441	\$ 766,441
2019	395,000	361,883	756,883
2020	410,000	341,422	751,422
2021	420,000	319,774	739,774
2022	435,000	295,078	730,078
2023 - 2027	2,390,000	1,069,660	3,459,660
2028 - 2030	1,655,000	237,199	1,892,199
Total	<u>\$ 6,090,000</u>	<u>\$ 3,006,456</u>	<u>\$ 9,096,456</u>

NOTE 15 – 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 natural disasters. Commercial insurance has been

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

obtained to cover damage or destruction to the Authority's property and for public liability, personal injury, and third-party property damage claims. Settled claims have not exceeded the Authority's commercial insurance coverage for any the past three years. No substantial changes in insurance coverage have occurred in any major risk category in 2016; settlements have not exceeded coverage in the past three years.

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 16 – RELATED PARTY TRANSACTIONS

The Authority uses certain Summit County employees without reimbursement. In November 2017, the Authority entered into a six-month Project Management Agreement with the County to retain general project management services for approximately 24 hours per week.

In addition, the Authority received a \$177,000 grant from Summit County. \$75,000 of the grant funds were to be used for economic development and job creation in both 2017 and 2016. Of this amount, the County specified that the grant funds be used for specific initiatives as directed by the County. \$102,000 of the grant funds were to be applied to debt service payments on certain State of Ohio R&D Loan payment due during both 2017 and 2016 in relation to 47 N Main St. Akron, Ohio and ABIA. See Note 1, Non-Operating Grant Revenue and Expenses.

NOTE 17 – LETTER OF CREDIT

The Authority has a \$5 million, unsecured letter of credit with a bank in order to support issuance of development bonds via the Authority's Bond Fund Program. The \$5 million, unsecured letter of credit was renewed through October 31, 2020 with no significant changes in the terms. No amounts were outstanding on this letter of credit as of December 31, 2017 and 2016.

NOTE 18 – COMMITMENTS

Kelso - Brimfield TIF Project

In May 2010, the Authority authorized up to \$1 million in subordinate tax-exempt revenue bonds to reimburse Kelso Development LLC for costs incurred related to the acquisition of land and construction of improvements in connections with the Brimfield Plaza Development. Costs will be reimbursed after the original TIF bonds are paid off and only to the extent there are excess proceeds. New development at the site includes a medical office building and retail.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

Summit County - 47 North Main Street Project

The County sold the project site to the Authority at a price equivalent to the appraised value of the property, plus approximately \$190,000, which is the amount of improvement indebtedness owed by the county on the property. The purchase was based on the Fiscal Officer's appraisal of \$2,490,000. In March 2011, the Authority issued \$8.5 million of Tax-Exempt Development Revenue Bonds. The bonds were used to provide financing for the renovation, construction, and improvement of a building located at 47 North Main Street in the City of Akron, Ohio. These bonds are special obligations of the Authority payable solely from pledged revenues, being generally (a) loan payments made by or on behalf of ABIA under the Loan Agreement, (b) all of the moneys received or to be received by the Authority or the Trustee in respect of the loan under the Loan Agreement, (c) contribution payments that the county is required to make under the Cooperative Agreement if loan payments made by ABIA are insufficient to cover bond service charges or there is a deficiency in the funds required to be on deposit in the Bond Reserve Fund, (d) amounts in the Special Funds, including the Bond Reserve Fund, and (e) income from investments in the foregoing. The bond is secured by assets of the project.

The Authority issued a 22 year note in the amount of \$2,490,000 upon purchase of the project site which is secured by a mortgage in the project site. The estimated annual principal payment for years 1 through 20 is \$86,793. The estimated annual principal payment for years 21 and 22 is \$377,070.

In April 2016, the County Executive proposed and the Authority, by Board resolution, approved a deferment of payments on the note for the period of March 15, 2017 to March 15, 2021, with the deferred payments being added to the final payment due under the terms of the Loan and note.

The Authority leases floors one, two, three, and a portion of the basement of the project site to Austen BioInnovation Institute in Akron ("ABIA"). The Authority leased floors four, five, six, and the balance of the basement to the County for its Department of Job and Family Services ("DJFS") through March 2016. The Authority uses approximately 2,040 square feet of floor four of the project site as its offices. As of December 31, 2017, the Authority has recorded a liability in the amount of \$27,782 and \$17,424 for the years ended December 31, 2017 and 2016, respectively for estimated payments received which were greater than the total operating expenses allocated for the years then ended.

Macedonia TIF Project

In August 2007, the Authority authorized \$2.5 million in subordinate tax-exempt revenue bonds to reimburse the developer for costs incurred related to the construction of public improvements in connection with an Independent Living/Assisted Living Facility and an Active Adult Community in Macedonia Ohio. Costs will be reimbursed after the original TIF bonds are paid off and only to the extent there are excess proceeds. New development at the site includes installing a road, sidewalks and handicap ramps, street lighting, water lines, storm and sanitary sewer lines, fire hydrants, and landscaping. Construction was completed during 2010 and the City accepted the improvements in May, 2010. Outstanding balance on the bonds at December 31, 2017 is \$2,275,000.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

8 and 80 Holdings TIF Project

The Project is located in the Village of Boston Heights and consists of certain public improvements constructed by 8 & 80 Holdings, LLC (the Developer) and dedicated to the Village in support of the acquisition, construction, and installation of an approximately 150,000 sq. ft. Costco general merchandise store; including 700 parking spaces and a fuel station, and the development of seven additional retail outlet parcels. The costs of the project are being advanced by the Developer under a separate construction loan. The Village of Boston Heights has agreed to pay a portion of the Service Payments to the Developer for the costs of the project. The Village and the Developer requested that the Authority issue a series of revenue bonds to secure the Village's obligation to pay the Service Payments to the Developer when due.

NOTE 19 – CONTINGENCIES

The Authority, in the normal course of its activities, could be exposed to various claims and pending litigation. In the opinion of Authority management, the disposition of these other matters is not expected to have a material adverse effect on the financial position of the Authority.

NOTE 20 – RELATED ORGANIZATION

Development Fund of the Western Reserve, Inc.

The Development Fund of the Western Reserve, Inc., an Ohio non-profit corporation (the "Corporation"), was formed on May 26, 2011 to serve or provide investment capital for Low-Income Communities ("LICs"), as defined in Section 45D(e) of the Internal Revenue Code and the Treasury Regulations thereunder, or low-income persons ("Low-Income Persons"). The Corporation's original members were the Authority (Development Finance Authority of Summit County) and ConxusNEO (formerly known as Summit Workforce Solutions). In October 2017, ConxusNEO (formerly known as Summit Workforce Solutions) withdrew from the Corporation leaving the Authority as the sole member. The Corporation is certified as a qualified community development entity (CDE) under the New Markets Tax Credit ("NMTC") Program. One hundred percent (100%) of the Corporation's activities are targeted to Low- Income Persons of LICs. The Corporation's service area is comprised of an eighteen-county area in Northeast Ohio.

Pursuant to the Management Services Agreement ("Management Agreement") between the Corporation and the Authority, the Authority agreed to provide management, financial, operational compliance and administrative services as necessary to assist the Corporation in fulfilling its on-going, day-to-day responsibilities. In exchange for these services, the Corporation pays the Authority a fee in an amount equal to: (a) fifty percent (50%) of (i) closing fees and (ii) any ongoing administrative fees received by the Corporation from time to time under the NMTC Program for investments, loans and/or transactions consummated thereunder; and (b) all out-of-pocket expenses incurred by the Authority and its service personnel consisting of travel, outside consultants, conference calls, postage, courier costs and other miscellaneous expenses. For the years ended December 31, 2017 and 2016, the Corporation paid support

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

services expenses of \$570,156 and \$240,972, respectively, to the Authority. In addition to the fees described above, in 2017 the Corporation paid a one-time fee of \$25,000 for services associated with the preparation and submittal of the Corporation's NMTC 2017 application.

On December 12, 2017, the Management Agreement was amended (the "Amended Management Agreement"). Commencing in 2018, pursuant to the Amended Management Agreement, the Corporation will pay the Authority a fee in an amount equal to (a) \$200,000, payable in quarterly installments, to compensate the Authority for the use of its staff and resources; (b) in the event the Corporation closes on future projects, fifty percent (50%) of all (i) closing fees and (ii) any ongoing administrative fees received by the Corporation after January 1, 2018, not to exceed \$200,000 per year; and (c) all out-of-pocket expenses incurred by the Authority and its service personnel consisting of travel, outside consultants, conference calls, postage, courier costs and other miscellaneous expenses. In addition to the fees described above, in 2018, the Corporation will also pay the Authority a one-time fee of \$35,000 for services associated with the preparation and submittal of the Corporation's 2018 NMTC application. Financial information can be obtained from the Development Fund of the Western Reserve, Inc. Treasurer at 47 North Main Street, No. 407, Akron, Ohio 44308.

**NOTE 21 – AKRON SUMMIT COUNTY ESID EXPANSION PROJECT**

In August 2017, the Authority entered into a two-year, renewable Cooperative Agreement with the County of Summit and the Northeast Ohio Public Energy Council (NOPEC) for the expansion of the City of Akron's Energy Special Improvement District throughout the rest of Summit County. This joint effort will enable private and public property owners to finance energy-related improvements in a number of ways; through special assessments, the NOPEC Revolving Loan Fund, the Authority's Jobs & Investment Bond Fund, or various private lenders. The Cooperative parties are jointly assisting ESID project applicants of both private and public projects with the ESID petition process and are providing ESID legal counsel as requested. The ESID Board of Directors includes a representative from each new municipality or township that approves its addition to the ESID. The Authority is the designated ESID Program Administrator which includes disbursement of the ESID project loans and receipt of the special assessment payments from the Summit County Fiscal Officer in the tax year following completion of each ESID project.

**NOTE 22 – SUBSEQUENT EVENTS**

The Authority anticipates the following projects to close in 2018, which have been authorized by the Board:

1. Coordinating efforts with the Akron Energy Special Improvement District (ESID) to issue \$5.675 million in taxable Property Assessed Clean Energy (PACE) Bonds financing, secured by special assessments, to finance substantial energy efficiency improvements to One Cascade Plaza in downtown Akron, Ohio.



DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

2. Entering into a cooperative agreement with the Medina County Port Authority to issue approximately \$5.5 million in taxable bonds to assist with the financing of the Spray Products Corporation rehabilitation and expansion project in Medina, Ohio.
3. In a cooperative effort with the Akron-Summit County ESID, issuing up to \$4.5 million in taxable PACE bonds to assist in financing the Crystal Clinic, LLC Energy Efficiency Project located in Bath Township, Ohio.
4. Entering into conduit lease financing to assist with the Akron Children's Hospital Mansfield project in Mansfield, Ohio.
5. Assisting the City of Akron with financing the construction of Fire Station #4 with up to \$11.5 million in tax exempt lease revenue bonds secured by annual municipal appropriations.
6. Issuing up to \$12 million in unrated Tax Increment Financing (TIF) bonds to assist the Stark Port Authority in financing a portion of the Hall of Fame Village project.
7. As part of a cooperative agreement with Portage County Port Authority, issuing approximately \$4.91 million in tax exempt TIF bonds to assist with financing public infrastructure improvements relating to the Maplecrest Golf Club Redevelopment project in Brimfield Township, Ohio.
8. Issuing up to \$25 million in taxable lease revenue bonds to assist in financing the acquisition, construction, and improvements to the Village of St. Edward's project in Green, Ohio.

Additional Noted Event:

1. Applying for and receiving approximately \$3.6 million in new Energy Loan Loss Reserves (LLR) from the Ohio Development Services Agency (ODSA) for the Bond Fund related to closing two Energy LLR eligible PACE projects.

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 LAST FOUR YEARS (1)

	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)				
Authority's Proportion of the Net Pension Liability	0.0028341%	0.0027642%	0.0028734%	0.0028734%
Authority's Proportionate Share of the Net Pension Liability	\$ 643,582	\$ 478,796	\$ 346,561	\$ 338,734
Authority's Covered-Employee Payroll	\$ 352,500	\$ 350,625	\$ 352,277	\$ 331,592
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	182.58%	136.56%	98.38%	102.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the Authority's measurement date, which is the prior fiscal year.

Notes:

Ohio Public Employees' Retirement System (OPERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00% to 7.50%
- Wage inflation rate from 3.75% to 3.25%
- Price inflation from 3.00% to 2.50%

DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 LAST TEN YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Ohio Public Employees' Retirement System (OPERS)										
Contractually Required Contribution	\$ 48,146	\$ 42,300	\$ 42,075	\$ 42,273	\$ 43,107	n/a	n/a	n/a	n/a	n/a
Contributions in Relation to the Contractually Required Contribution	<u>(48,146)</u>	<u>(42,300)</u>	<u>(42,075)</u>	<u>(42,273)</u>	<u>(43,107)</u>	n/a	n/a	n/a	n/a	n/a
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a	n/a	n/a	n/a
Authority's covered-employee payroll	\$ 370,357	\$ 352,500	\$ 350,625	\$ 352,277	\$ 331,592	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%	n/a	n/a	n/a	n/a	n/a

(1) Information prior to 2013 is not available.

June 22, 2018

Development Finance Authority of Summit County  
Summit County, Ohio  
47 N. Main Street, Suite 407  
Akron, Ohio 44308

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the 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, the financial statements of the Development Finance Authority of Summit County, Summit County, Ohio (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 22, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Development Finance Authority of Summit County  
Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
Page 2 of 2

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kea & Associates, Inc.*

New Philadelphia, Ohio

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# Dave Yost • Auditor of State

**DEVELOPMENT FINANCE AUTHORITY OF SUMMIT COUNTY**

**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  
AUGUST, 23 2018**