

SUMMIT COUNTY PORT AUTHORITY
FINANCIAL STATEMENTS
December 31, 2003 and 2002





**Auditor of State
Betty Montgomery**

Board of Directors
Summit County Port Authority

We have reviewed the Independent Auditor's Report of the Summit County Port Authority, Summit County, prepared by Bober, Markey, Fedorovich & Company for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Summit County Port Authority is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

March 9, 2004

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SUMMIT COUNTY PORT AUTHORITY

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**Bober, Markey, Fedorovich
& Company**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Summit County Port Authority, Summit County, Ohio (the Authority) as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Summit County Port Authority as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2004, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BOBER, MARKEY, FEDOROVICH & COMPANY

January 13, 2004

SUMMIT COUNTY PORT AUTHORITY
BALANCE SHEETS
December 31, 2003 and 2002

ASSETS		2003	2002
CURRENT ASSETS			
Cash	\$	711,372	\$ 772,290
Cash - restricted		2,424,706	-
Administrative fees receivable		15,904	8,880
Prepaid insurance		3,994	1,935
TOTAL CURRENT ASSETS		3,155,976	783,105
PROPERTY			
Building -Summa Health Center		27,650,000	-
Project construction in progress (See Note 11)		149,201	27,650,000
		27,799,201	27,650,000
Less accumulated depreciation		(518,000)	-
TOTAL PROPERTY		27,281,201	27,650,000
RESTRICTED AND OTHER ASSETS			
Grant receivable		-	20,492
Note receivable - Akron Civic Theater		1,455,829	675,475
Restricted assets - Bond Fund Program Reserve		5,006,876	5,007,569
Lease receivable - Akron Civic Theater		14,646,070	14,646,070
TOTAL RESTRICTED AND OTHER ASSETS		21,108,775	20,349,606
TOTAL ASSETS	\$	51,545,952	\$ 48,782,711
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$	12,065	\$ 32,130
Accrued payroll and payroll taxes		11,184	8,747
TOTAL CURRENT LIABILITIES		23,249	40,877
OTHER LIABILITIES, INCLUDING AMOUNTS RELATING TO RESTRICTED ASSETS			
Note payable - Summit County		1,455,829	675,475
Payable to Summit County for CAK International Business Park			
Infrastructure improvements		1,613,073	1,613,073
Revenue bonds - Akron Civic Theater		14,646,070	14,646,070
Revenue bonds - Summa Health Center (See Note 11)		27,650,000	27,650,000
Revenue bonds - Green Sewer Project		2,573,906	-
TOTAL OTHER LIABILITIES		47,938,878	44,584,618
TOTAL LIABILITIES		47,962,127	44,625,495
FUND EQUITY			
Retained earnings - restricted		5,000,000	5,000,000
Retained deficit		(1,416,175)	(842,784)
TOTAL FUND EQUITY		3,583,825	4,157,216
TOTAL LIABILITIES AND FUND EQUITY	\$	51,545,952	\$ 48,782,711

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



SUMMIT COUNTY PORT AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)
 For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES		
Project administrative fees	\$ 51,923	\$ 30,920
CAK Business Park - ground sublease rent	24,361	23,892
Loan processing fees	84,000	280,000
Foreign Trade Zone contract services & administrative fees	38,150	13,520
Summit County operating grant	220,000	275,000
Other income	<u>20,000</u>	<u>17,000</u>
TOTAL OPERATING REVENUES	438,434	640,332
OPERATING EXPENSES		
Salaries and benefits	271,578	237,380
Miscellaneous operating expenses	101,939	103,343
CAK Business Park expenses	55,520	-
Civic renovation costs	102,012	897,988
Professional services	57,739	48,563
Depreciation	<u>518,000</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>1,106,788</u>	<u>1,287,274</u>
TOTAL OPERATING LOSS	<u>(668,354)</u>	<u>(646,942)</u>
OTHER NONOPERATING REVENUE		
Grant-State of Ohio-Ohio Arts & Sports Facilities Commission	16,532	983,468
Interest income	<u>78,431</u>	<u>77,230</u>
TOTAL OTHER NONOPERATING REVENUE	94,963	1,060,698
NET (LOSS) INCOME	<u>(573,391)</u>	<u>413,756</u>
RETAINED EARNINGS BEGINNING OF YEAR	<u>4,157,216</u>	<u>3,743,460</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 3,583,825</u>	<u>\$ 4,157,216</u>

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



SUMMIT COUNTY PORT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net operating loss	\$ (668,354)	\$ (646,942)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	518,000	-
Changes in operating assets and liabilities:		
Administrative fees receivable	(7,024)	(5,527)
Prepaid insurance	(2,059)	(316)
Grant receivable	20,492	(20,492)
Accounts payable	(20,065)	22,047
Accrued payroll and payroll taxes	2,437	861
NET CASH USED BY OPERATING ACTIVITIES	(156,573)	(650,369)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Draws on lines of credit/note payable	880,354	675,475
Payments on line of credit/note payable	(100,000)	-
Grant awards	16,532	983,468
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	796,886	1,658,943
CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net proceeds from the issuance of revenue bonds	2,573,906	-
Expenditures for project construction in progress	(149,201)	-
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	2,424,705	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Issuance of note receivable	(880,354)	(675,475)
Repayment received on note receivable	100,000	-
Interest income received	78,431	77,230
NET CASH USED BY INVESTING ACTIVITIES	(701,923)	(598,245)
NET INCREASE IN CASH	2,363,095	410,329
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,779,859	5,369,530
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,142,954	\$ 5,779,859
Cash and cash equivalents is comprised of:		
Cash	711,372	772,290
Cash - restricted	2,424,706	-
Restricted assets - Bond Fund Program Reserve	5,006,876	5,007,569
	\$ 8,142,954	\$ 5,779,859

SUPPLEMENTAL DATA OF NONCASH TRANSACTIONS:

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

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



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

NOTE 1 – DESCRIPTION OF SUMMIT COUNTY PORT AUTHORITY

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Budgetary Process

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

Cash and Cash Equivalents

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



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

The Authority maintains a portion of its cash at a local bank. The Federal Deposit Insurance Corporation insures up to \$100,000 for cash deposits. At December 31, 2003, the Authority's uninsured cash balance was \$116,366. There were no uninsured balances at December 31, 2002. The Authority believes no significant concentration of credit risk exists with respect to these cash deposits.

For the purposes of the statement of cash flows, cash and equivalents are defined as demand deposits held by Summit County and cash invested in the State Treasury Asset Reserve of Ohio

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

Capital Assets

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

Furniture and office equipment	5-10 years
Building	40 years

Restricted Assets – Bond Fund Program Reserve

The Authority's investment policies are governed by State of Ohio statutes, which authorize the Authority to invest in certain obligations including State of Ohio obligations. All of the Authority's restricted assets are invested in the State Treasury Asset Reserve (STAR Ohio) at December 31, 2003 and 2002. These STAR Ohio investments are considered cash equivalents.

Compensated Absences

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

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassifications

The 2002 financial statements have been reclassified to conform to the 2003 presentation.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

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



SUMMIT COUNTY PORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2003 and 2002

NOTE 4 – CASH POOL

The Summit County Fiscal Officer maintains a cash pool used by all of the County's funds, including those of the Authority. The Ohio Revised Code prescribes allowable deposits and investments. The Authority's carrying amount of cash on deposit with the County was \$2,898,653 and \$722,290 as of December 31, 2003 and 2002, respectively. The Summit County Fiscal Officer is responsible for maintaining adequate depository collateral for all funds in the Summit County's pooled and deposit accounts and ensuring that all monies are invested in accordance with the Ohio Revised Code.

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 are as follows:

2003 Budget vs. Actual			
Fund Type	Budget	Actual	Variance
Enterprise			
Revenues	\$ 528,578	\$ 533,397	\$ 4,819
Expenditures	\$ 522,880	\$ 588,788	(\$ 65,908)
2002 Budget vs. Actual			
Fund Type	Budget	Actual	Variance
Enterprise			
Revenues	\$ 507,587	\$ 1,701,030	\$ 1,193,443
Expenditures	\$ 421,680	\$ 1,287,274	(\$ 865,594)

NOTE 6 – BOND FUND PROGRAM

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

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

Under the Program, debt service requirements on each bond issue are to be secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financed facilities. In addition, all borrowers are required to provide a letter of credit as additional security for the related bonds. Amounts in the Bond Fund Program Reserve may be used for debt service in the event the borrower is unable to make the required payments under the lease. Amounts held in the Authority's Bond Fund Program Reserve was \$5,006,876 and \$5,007,569 at December 31, 2003 and 2002, respectively, and are included in restricted assets in the accompanying balance sheets.



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

NOTE 7 – BENEFIT PLAN

All employees of the Authority are required to be members of the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. PERS issues a stand-alone financial report that may be obtained by making a written request to PERS, 277 East Town Street, Columbus, Ohio 43215 or by calling (614) 466-2085. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% of covered payroll for 2003, 2002 and 2001, the Authority is required to contribute 13.21%, 13.21%, and 13.55% for 2003, 2002 and 2001, respectively. The Authority's contributions to PERS were \$28,929, \$25,600 and \$22,213 for 2003, 2002 and 2001, respectively.

NOTE 8 – CONDUIT DEBT

ASC Manufacturing, Ltd.

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

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

In accordance with Governmental Accounting Standards, these revenue bonds issued by the Authority are considered conduit debt and do not create a liability and therefore are not presented on the Authority's financial statements. The Authority has no responsibility for the payment of the debt and the lease payments are paid directly to the respective trustees by ASC. During 2003, ASC Manufacturing, Ltd. repaid the 1999 revenue bond issue, in connection with the repayment of these bonds, the Authority received a \$20,000 prepayment fee. The total amount of conduit debt outstanding for ASC Manufacturing projects was \$3,340,000 and \$6,562,500 as of December 31, 2003 and 2002, respectively.

Meadow Lane, LLC

In August 2003, the Authority issued \$5.5 million of Summit County Port Authority Revenue Bonds. The bond proceeds will be used to finance the construction and equipping a manufacturing and distribution facility to be leased by Meadow Lane, LLC (Meadow Lane). These bonds are special obligations of the Authority payable solely from the proceeds received by the Authority under its lease with Meadow Lane and do not represent or constitute a debt or a pledge of the credit of the Authority. Meadow Lane and the Authority entered into a financing lease agreement pertaining to this facility. The lease is non-cancelable until the underlying revenue bonds are paid in full. All expenses related to the revenue bonds are being paid out of the bond proceeds. The operation and maintenance of the buildings is the responsibility of Meadow Lane.



SUMMIT COUNTY PORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2003 and 2002

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

Total conduit debt outstanding is \$8,840,000 and \$6,562,500 at December 31, 2003 and 2002, respectively.

NOTE 9 – PAYABLE TO SUMMIT COUNTY FOR CAK INTERNATIONAL BUSINESS PARK

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

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

2004	\$ -
2005	98,248
2006	115,408
2007	131,756
2008	148,637
Thereafter	<u>1,119,024</u>
	<u>\$ 1,613,073</u>

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.

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

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



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

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

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

2004	\$ 35,000
2005	55,000
2006	75,000
2007	100,000
2008	120,000
Thereafter	<u>14,261,070</u>
	<u>\$14,646,070</u>

NOTE 11 – SUMMA HEALTH SYSTEM PROJECT & PRIOR PERIOD ADJUSTMENT

In March 2002, the Authority issued \$27.6 million of Summit County Port Authority Revenue Bonds. The bond proceeds were used to finance the construction of two separate health facility buildings connected by a central atrium which will house a new Cardiopulmonary Center for Excellence and a new Women's and Men's Health Center of Excellence to be leased by Summa Health System Hospitals (Summa). The interest on these bonds are payable solely from the proceeds received by the Authority under its lease with Summa. Principal repayment of the bonds is due at the end of the lease term, May 2013. Summa may purchase the building at original cost (i.e. the bond obligation of \$27.65 million), refinance the lease or vacate the building. The operation and maintenance of the buildings is the responsibility of Summa. The building was completed and opened in the spring of 2003. In connection with this financing, the Authority received \$250,000 in loan processing fees, which is being recognized in 2002 revenues.

In the 2002 financial statements, the Summa Health System Project was erroneously reported as conduit debt, therefore, a prior period adjustment has been made to the 2002 balance sheet to properly reflect this transaction. The effect was an increase property and an increase to revenue bonds by \$27.65 million on the 2002 balance sheet. There was no effect on the statement of revenues, expenses and changes in retained earnings.

NOTE 12 – CITY OF GREEN SEWER PROJECT

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



SUMMIT COUNTY PORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2003 and 2002

NOTE 13 – LINES OF CREDIT/NOTES PAYABLE AND NOTE RECEIVABLE

During 2002, the Authority entered into two, unsecured line of credit agreements, one with the City of Akron and one with Summit County. The purpose of these lines of credit is for renovation costs for the Akron Civic Theater. During 2003, these lines of credit were converted into promissory notes.

Note payable with Summit County

The original line of credit was for up to \$1,675,000 and was non-interest bearing. The line of credit expired and converted to a note payable in October 2003. The note is unsecured. The balances outstanding on the note/line of credit were \$1,455,829 and \$675,475 at December 31, 2003 and 2002, respectively.

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

2004	\$ -
2005	100,000
2006	100,000
2007	100,000
2008	<u>1,155,829</u>
	<u>\$ 1,455,829</u>

Note Receivable with Akron Civic Theater

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

Line of credit with City of Akron

The Authority is the administrator of this unsecured line of credit created by the City of Akron. The Akron Civic Theater is responsible for making the required principal payments on the line of credit to the Authority. The Authority is responsible for forwarding these payments to the City of Akron. The line of credit is for up to \$1,675,000 and is non-interest bearing. This line of credit was converted into a note payable in October 2003. The note is unsecured. The balances on the note/line of credit were \$1,555,829 and \$1,390,548 at December 31, 2003 and 2002, respectively. These outstanding balances are not reflected in these financial statements since it is the obligation of the Akron Civic Theater.

NOTE 14 – LEASES

Operating leases

The Authority leases office space and certain equipment under operating leases. Rental expense were \$39,383 and \$35,974 under these leases for 2003 and 2002, respectively.



SUMMIT COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

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

2004	\$ 40,954
2005	39,228
2006	41,340
2007	36,000
2008	35,400
Thereafter	<u>104,860</u>
	<u>\$ 297,782</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 acts of God. Commercial insurance has been obtained to cover damage or destruction of the Authority's property and for public liability, personal injury, and third-party property damage claims. No substantial changes in insurance coverage have occurred in any major risk category in 2003, there were no insurance settlements in 2003, 2002 or 2001.

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.

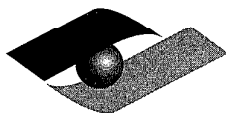
NOTE 16 – RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE

The Authority uses certain Summit County employees without reimbursement. In addition, the Authority received a grant for operating expenses from Summit County of \$220,000 and \$275,000 for 2003 and 2002, respectively.

NOTE 17 – SUBSEQUENT EVENT – AIRDOCK REBURBISHMENT

In January 2004, the Authority, the City of Akron and Lockheed Martin applied for \$11 million of bond financing to the State of Ohio for a project involving the financing for the refurbishment of the Akron airdock and purchase of airship manufacturing equipment.





**Bober, Markey, Fedorovich
& Company**

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

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

We have audited the accompanying financial statements of the Summit County Port Authority, Summit County, Ohio, (the Authority) as of and for the year ended December 31, 2003, and have issued our report dated January 13, 2004. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated January 13, 2004.

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

Bober, Markey, Fedorovich & Company

BOBER, MARKEY, FEDOROVICH & COMPANY

January 13, 2004





**Auditor of State
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SUMMIT COUNTY PORT AUTHORITY

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 25, 2004**