

Development Finance Authority of Summit County

**Basic Financial Statements
December 31, 2013 and 2012**

Development Finance Authority of Summit County

For the Year Ended December 31, 2013

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Independent Auditor's Report

To the Board of Directors of
Development Finance Authority of
Summit County

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Development Finance Authority of Summit County (the "Authority") as of and for the years ended December 31, 2013 and 2012, 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 audits. We conducted our audits 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 of 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 Authority'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.

To the Board of Directors of
Development Finance Authority of
Summit County

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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 3, 2014 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 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 the Authority's internal control over financial reporting and compliance.

Cuini & Paruch, Inc.

Cleveland, Ohio
June 3, 2014

Development Finance Authority of Summit County

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

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, 2013.

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. The Authority engages in this activity by managing financing activities through issuance of revenue bonds. In addition, the Authority provides Foreign-Trade Zone management and administrative services and the Authority is co-manager of an industrial park adjacent to the Akron-Canton Airport, whereby ground rental income is derived as tenants locate at the park.

In May 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"). Subsequent to this application, the Authority submitted an application request to CDFI to receive an allocation of NMTC. To be eligible, the Authority had to also "create" a new Community Development Entity ("CDE"); the Development Fund of the Western Reserve (DFWR) a private, not-for-profit 501(c)(3). The Authority serves as the controlling entity of the CDE which is a partnership with Summit Workforce Solutions. DFWR serves an 18 county area of northeast Ohio with the exception of Cuyahoga County.

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, the DFWR used \$10.9 million of the credits to fund two projects; the KSU Hotel and Conference Center in Kent, Ohio, and the Lorain County Health & Dentistry project in Lorain, Ohio.

During 2013, the DFWR fully deployed the remaining allocation into the LCH&D project and to the East End Hilton Garden Inn project located in the East End Redevelopment area of Akron. The East End Redevelopment encompasses the former headquarter property of Goodyear Tire and Rubber Co. Also, during 2013 the Authority, through DFWR, submitted a new application to CDFI, seeking \$70 million NMTC allocation to assist with financing several projects throughout the DFWR service area.

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 Jobs and Investment Fund is rated BBB+ by Standard and Poor's. Conduit projects have included the Snap-on Business Solutions headquarters, the Akron Civic Theater, the Summa Hudson Wellness Center, Bridgestone Americas Tech Center, and numerous other projects.

Development Finance Authority of Summit County

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

In 2013, conduit financing was provided to assist with financing a project for Pepperidge Farms in Huron County. In addition, the Authority issued bank qualified debt to enable financing for a new facility to house the Summit County Health District.

Bond Fund projects are projects issued through the Authority's Jobs and Investment Fund. There are only three rated Port Authority Bond Funds in Ohio. During 2013 the Authority financed \$6.645 million of a \$47 million mixed-use student housing and retail complex in Akron. Bond Fund payments are secured by tax-increment financing (TIF).

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.

Major events during the year affecting the Authority financial assets include:

1. In December 2012, the Authority entered into a lease purchase agreement with A&K Summit Holdings, LLC for the sale of the HPC (1034 Home Ave) Series 2006B project building in the amount of \$850,000. The initial years was a one-year lease term without deduction or set-off. Rent payments in the post-option term were designed to be credited and are based on an increased amount made in monthly installments for 96 months. In December 2013, A&K Summit Holdings, LLC began to receive credit against the purchase price.
2. Another major event during 2013 was the Board decision to partially release the Akron Civic Theater from a long term note obligation to the Authority. This note is unsecured and interest free. On January 1, 2013 the obligation was \$1,108,329. At year-end it was decided to reduce the amount by \$450,000.

Development Finance Authority of Summit County

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Condensed Statement of Net Position Information

The tables below provide a summary of the Authority's financial position and operations for 2013, 2012, and 2011, respectively.

Comparison of 2013 vs. 2012 Results:

	2013	2012	Change	
			Amount	%
Assets:				
Current assets	\$ 1,168,184	\$ 5,544,097	\$ (4,375,913)	(78.9%)
Capital assets – net	1,325,000	1,350,000	(25,000)	(1.9%)
Restricted assets	<u>70,349,016</u>	<u>66,679,945</u>	<u>3,669,071</u>	<u>5.5%</u>
Total assets	<u>72,842,200</u>	<u>73,574,042</u>	<u>(731,842)</u>	<u>(1.0%)</u>
Liabilities and net position:				
Liabilities:				
Current liabilities	3,434,448	7,168,928	(3,734,480)	(52.1%)
Other liabilities	<u>59,111,403</u>	<u>55,844,421</u>	<u>3,266,982</u>	<u>5.9%</u>
Total liabilities	<u>62,545,851</u>	<u>63,013,349</u>	<u>(467,498)</u>	<u>(0.7%)</u>
Net position:				
Net investment in capital assets	1,325,000	1,350,000	(25,000)	(1.9%)
Restricted	6,499,830	6,458,434	41,396	0.6%
Unrestricted	<u>2,471,519</u>	<u>2,752,259</u>	<u>(280,740)</u>	<u>(10.2%)</u>
Total net position	<u>\$ 10,296,349</u>	<u>\$ 10,560,693</u>	<u>\$ (264,344)</u>	<u>(2.5%)</u>

Comparison of 2012 vs. 2011 Results:

	2012	2011	Change	
			Amount	%
Assets:				
Current assets	\$ 5,544,097	\$ 5,932,394	\$ (388,297)	(6.5%)
Capital assets – net	1,350,000	2,375,000	(1,025,000)	(43.2%)
Restricted assets	<u>66,679,945</u>	<u>67,661,155</u>	<u>(981,210)</u>	<u>(1.5%)</u>
Total assets	<u>73,574,042</u>	<u>75,968,549</u>	<u>(2,394,507)</u>	<u>(3.2%)</u>
Liabilities and net position:				
Liabilities:				
Current liabilities	7,168,928	3,739,639	3,429,289	91.7%
Other liabilities	<u>55,844,421</u>	<u>61,893,509</u>	<u>(6,049,088)</u>	<u>(9.8%)</u>
Total liabilities	<u>63,013,349</u>	<u>65,633,148</u>	<u>(2,619,799)</u>	<u>(4.0%)</u>
Net position:				
Net investment in capital assets	1,350,000	2,375,000	(1,025,000)	(43.2%)
Restricted	6,458,434	6,413,197	45,237	0.7%
Unrestricted	<u>2,752,259</u>	<u>1,547,204</u>	<u>1,205,055</u>	<u>77.9%</u>
Total net position	<u>\$ 10,560,693</u>	<u>\$ 10,335,401</u>	<u>\$ 225,292</u>	<u>2.2%</u>

Development Finance Authority of Summit County

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

Capital Assets: Additional information on the Authority's capital assets can be found in the notes to the Authority's financial statements. A summary of the activity in the Authority's capital assets during the years ended December 31, 2013 and December 31, 2012 is as follows:

	Balance at January 1, 2013	Additions	Deletions	Reclassifications	Balance at December 31, 2013
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	(150,000)	(25,000)	-	-	(175,000)
Total capital assets being Depreciated, net	<u>850,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>825,000</u>
Capital assets, net	<u>\$ 1,350,000</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,325,000</u>

	Balance at January 1, 2012	Additions	Deletions	Reclassifications	Balance at December 31, 2012
Capital assets not being depreciated:					
Land	\$ 581,130	\$ -	\$ (81,130)	\$ -	\$ 500,000
Capital assets being depreciated:					
Buildings	1,918,870	-	(918,870)	-	1,000,000
Less accumulated depreciation:					
Buildings	(125,000)	(25,000)	-	-	(150,000)
Total capital assets being Depreciated, net	<u>1,793,870</u>	<u>(25,000)</u>	<u>(918,870)</u>	<u>-</u>	<u>850,000</u>
Capital assets, net	<u>\$ 2,375,000</u>	<u>\$ (25,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ -</u>	<u>\$ 1,350,000</u>

Development Finance Authority of Summit County

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

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

The Authority's net position decreased by \$264,344 in 2013 and increased by \$225,292 and \$153,146 in 2012 and 2011, respectively. Key elements of these changes are summarized below:

	2013	2012	Change	
			Amount	%
Operating revenues:				
Project management and administrative fees	\$ 279,931	\$ 287,652	\$ (7,721)	(2.7%)
CAK Business Park – lease administrative revenue	105,588	109,423	(3,835)	(3.5%)
Loan processing fees	269,750	154,600	115,150	74.5%
Foreign trade zone contract service and administrative fees	4,450	4,500	(50)	(1.1%)
Summit County economic development grant	75,000	75,000	-	-
Property lease and rentals	55,752	148,342	(92,590)	(62.4%)
New market tax credit financing revenue	258,538	138,329	120,209	86.9%
Twinsburg Township reimbursed expenses	-	20,741	(20,741)	(100.0%)
Total operating revenues	<u>1,049,009</u>	<u>938,587</u>	<u>110,422</u>	<u>11.8%</u>
Operating expenses:				
Salaries and benefits	454,838	417,544	37,294	8.9%
Professional services	131,107	82,808	48,299	58.3%
Forgiveness of note receivables	495,000	-	495,000	100.0%
Depreciation expense	25,000	25,000	-	-
Other operating expenses	<u>292,736</u>	<u>237,779</u>	<u>54,957</u>	<u>23.1%</u>
Total operating expenses	<u>1,398,681</u>	<u>763,131</u>	<u>635,550</u>	<u>83.3%</u>
Operating (loss) income	<u>(349,672)</u>	<u>175,456</u>	<u>(525,128)</u>	<u>(299.3%)</u>
Non-operating revenues (expenses):				
Interest income	13,761	47,784	(34,023)	(71.2%)
Non-operating grant revenue	72,500	75,000	(2,500)	(3.3%)
Loss on sale of capital assets	-	(42,976)	42,976	100.0%
Unrealized loss on investments	(1,968)	(29,972)	28,004	93.4%
Other	<u>1,035</u>	<u>-</u>	<u>1,035</u>	<u>100.0%</u>
Non-operating income	<u>85,328</u>	<u>49,836</u>	<u>35,492</u>	<u>71.2%</u>
Change in net position	(264,344)	225,292	(489,636)	(217.3%)
Net position – beginning of year	<u>10,560,693</u>	<u>10,335,401</u>	<u>225,292</u>	<u>2.2%</u>
Net position – end of year	\$ <u>10,296,349</u>	\$ <u>10,560,693</u>	\$ <u>(264,344)</u>	<u>(2.5%)</u>

Development Finance Authority of Summit County

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

	Change		Amount	%
	2012	2011		
Operating revenues:				
Project management and administrative fees	\$ 287,652	\$ 288,186	\$ (534)	(0.2%)
CAK Business Park – lease administrative revenue	109,423	96,808	12,615	13.0%
Loan processing fees	154,600	587,500	(432,900)	(73.7%)
Foreign trade zone contract service and administrative fees	4,500	4,875	(375)	(7.7%)
Summit County economic development grant	75,000	75,000	-	0.0%
Property lease and rentals	148,342	-	148,342	100.0%
Twinsburg Township reimbursed expenses	20,741	37,804	(17,063)	(45.1%)
Total operating revenues	<u>800,258</u>	<u>1,090,173</u>	<u>(289,915)</u>	<u>(26.6%)</u>
Operating expenses:				
Salaries and benefits	417,544	393,610	23,934	6.1%
Professional services	82,808	56,987	25,821	45.3%
Depreciation expense	25,000	97,500	(72,500)	(74.4%)
Other operating expenses	<u>237,779</u>	<u>335,320</u>	<u>(97,541)</u>	<u>(29.1%)</u>
Total operating expenses	<u>763,131</u>	<u>883,417</u>	<u>(120,286)</u>	<u>(13.6%)</u>
Operating income	<u>37,127</u>	<u>206,756</u>	<u>(169,629)</u>	<u>(82.0%)</u>
Non-operating revenues (expenses):				
Interest income	47,784	7,144	40,640	568.9%
Non-operating grant revenue	75,000	75,000	-	0.0%
Development Fund of Western Reserve	138,329	(24,679)	163,008	660.5%
Loss on sale of capital assets	(42,976)	-	(42,976)	(100.0%)
Unrealized loss on investments	<u>(29,972)</u>	<u>(111,075)</u>	<u>81,103</u>	<u>73.0%</u>
Non-operating income (loss)	<u>188,165</u>	<u>(53,610)</u>	<u>241,775</u>	<u>451.0%</u>
Change in net position	225,292	153,146	72,146	47.1%
Net position – beginning of year	<u>10,335,401</u>	<u>10,182,255</u>	<u>153,146</u>	<u>1.5%</u>
Net position – end of year	\$ <u>10,560,693</u>	\$ <u>10,335,401</u>	\$ <u>225,292</u>	<u>2.2%</u>

Development Finance Authority of Summit County

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2013

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

Relative to most years, the year 2013 was good financially for the Authority. Revenue from operations and deal flow was healthy and many indicators point to a continued active project pipeline in 2014. The Authority, as the controlling entity to the DFWR, was able to fully deploy its NMTC allocation in only 19 months. In 2013, DFWR generated revenue over \$258,000 to the Authority. Also significant was the lease and sale of the HPC property which had been a burden on the operating cash flows of the Authority.

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 Assistant Secretary to the Board Elizabeth Leonard.

Development Finance Authority of Summit County

Statements of Net Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets:		
Unrestricted assets:		
Cash	\$ 1,001,678	\$ 770,335
Accounts receivable	122,065	136,883
Administrative fee receivable	29,026	7,666
Prepaid expenses	<u>15,415</u>	<u>23,383</u>
Total unrestricted current assets	<u>1,168,184</u>	<u>938,267</u>
Restricted assets:		
Accounts receivable	-	34,793
47 North Main Street tenant receivable	-	7,594
Note receivable – Funds Held by Trustee	<u>-</u>	<u>4,563,443</u>
Total restricted current assets	<u>-</u>	<u>4,605,830</u>
Total current assets	<u>1,168,184</u>	<u>5,544,097</u>
Non-current assets:		
Restricted assets:		
Cash – Board restricted	771,307	729,008
Restricted cash – Bond Fund Program Reserve	6,499,830	6,458,434
Investment in Greater Akron Investment Partners	104,354	109,602
Investment in StartVest 2009, LP	115,656	104,572
Investment in Headsense Medical, LTD	42,196	-
Asset held for resale – Lockheed Martin	45,000	60,000
Note receivable – Akron Civic Theater	658,329	1,108,329
Lease receivable – Akron Civic Theater	14,780,000	15,060,000
Lease receivable – Lockheed Martin	15,000	30,000
Lease receivable – A&K Summit	847,344	850,000
Lease receivable – Bridgestone	<u>7,550,000</u>	<u>7,550,000</u>
	<u>31,429,016</u>	<u>32,059,945</u>
Bond fund transactions:		
Note receivable – Garfield Heights project	1,805,000	1,935,000
Note receivable – Goodyear project	670,000	1,410,000
Note receivable – Village of Seville project	1,505,000	1,585,000
Note receivable – Summit County Workforce Policy project	3,770,000	3,965,000
Note receivable – Portage County Brimfield project	1,715,000	1,825,000
Note receivable – Exal Corporation project	940,000	1,275,000
Note receivable – Superior Roll Forming project	2,515,000	2,635,000
Note receivable – Cavalier project	4,790,000	5,025,000
Note receivable – Plaza Schroer project	910,000	920,000
Note receivable – Digestive Disease project	5,310,000	5,515,000
Note receivable – Shearer’s Foods project	3,645,000	3,830,000
Note receivable – City of Cleveland – Flats East project	4,700,000	4,700,000
Note receivable – University Edge project	<u>6,645,000</u>	<u>-</u>
Total bond fund transactions	<u>38,920,000</u>	<u>34,620,000</u>

(continued)

See Accompanying Notes to the Basic Financial Statements

Development Finance Authority of Summit County

Statements of Net Position (continued)

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Non-current assets:		
Restricted assets:		
Capital assets:		
Land	500,000	500,000
Buildings	<u>1,000,000</u>	<u>1,000,000</u>
Total	1,500,000	1,500,000
Less: accumulated depreciation	<u>(175,000)</u>	<u>(150,000)</u>
Net book value of capital assets	<u>1,325,000</u>	<u>1,350,000</u>
Total non-current assets	<u>71,674,016</u>	<u>68,029,945</u>
Total assets	\$ <u>72,842,200</u>	\$ <u>73,574,042</u>
Liabilities:		
Current liabilities:		
Payable from unrestricted assets:		
Deposits held	\$ 96,834	\$ 90,600
Accounts payable	111,673	60,622
Accrued expenses	<u>27,681</u>	<u>23,286</u>
	<u>236,188</u>	<u>174,508</u>
Payable from restricted assets:		
Note payable – Summit County, current portion	75,000	75,000
Revenue bonds – Akron Civic Theater, current portion	305,000	280,000
Revenue bonds – Bridgestone, current portion	355,000	-
Revenue bonds – Bond Fund projects, current portion	2,405,000	6,825,000
47 North Main Street tenant liability	48,840	-
Delinquent taxes payable, current portion	<u>9,420</u>	<u>9,420</u>
	<u>3,198,260</u>	<u>7,189,420</u>
Total current liabilities	<u>3,434,448</u>	<u>7,363,928</u>
Noncurrent liabilities:		
Unearned lease revenue	290,428	324,026
Payable from restricted assets:		
Note payable – Summit County	630,829	705,829
Revenue bonds – Akron Civic Theater	14,475,000	14,780,000
Revenue bonds – Bridgestone	7,195,000	7,550,000
Delinquent taxes payable – long-term portion	5,146	14,566
Bond Fund transactions (see Note 3)	<u>36,515,000</u>	<u>32,275,000</u>
Total payable from restricted assets	<u>58,820,975</u>	<u>55,325,395</u>
Total noncurrent liabilities	<u>59,111,403</u>	<u>55,649,421</u>
Total liabilities	<u>62,545,851</u>	<u>63,013,349</u>
Net position:		
Net investment in capital assets	1,325,000	1,350,000
Restricted	6,499,830	6,458,434
Unrestricted	<u>2,471,519</u>	<u>2,752,259</u>
Total net asset	<u>10,296,349</u>	<u>10,560,693</u>
Total liabilities and net position	\$ <u>72,842,200</u>	\$ <u>73,574,042</u>

See Accompanying Notes to the Basic Financial Statements

Development Finance Authority of Summit County

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Project management and administrative fees	\$ 279,931	\$ 287,652
CAK Business Park – lease administrative revenue	105,588	109,423
Loan processing fees	269,750	154,600
Foreign trade zone and contract service fees	4,450	4,500
Summit County economic development grant	75,000	75,000
Property lease and rentals	55,752	148,342
New market tax credit financing revenue	258,538	138,329
Twinsburg Township reimbursed expenses	-	20,741
Total operating revenues	<u>1,049,009</u>	<u>938,587</u>
Operating expenses:		
Salaries and benefits	454,838	417,544
Professional services	131,107	82,808
Depreciation expense	25,000	25,000
Twinsburg Township expenses	34,965	-
Bank fees	107,207	101,369
Forgiveness of note receivables	495,000	-
Other operating expenses	150,564	136,410
Total operating expenses	<u>1,398,681</u>	<u>763,131</u>
Operating (loss) income	<u>(349,672)</u>	<u>175,456</u>
Non-operating (expenses) revenues:		
Interest income	13,761	47,784
Non-operating grant revenue	72,500	75,000
Loss on sale of capital assets	-	(42,976)
Unrealized loss on investments	(1,968)	(29,972)
Other	1,035	-
Total non-operating income	<u>85,328</u>	<u>49,836</u>
Change in net position	(264,344)	225,292
Net position – beginning of year	<u>10,560,693</u>	<u>10,335,401</u>
Net position – end of year	\$ <u>10,296,349</u>	\$ <u>10,560,693</u>

See Accompanying Notes to the Basic Financial Statements

Development Finance Authority of Summit County

Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating activities:		
Receipts for development projects	\$ 1,016,623	\$ 784,460
Received from grants	75,000	75,000
Payments for goods and services	(360,428)	(339,809)
Payments to and on behalf of employees	<u>(454,839)</u>	<u>(417,544)</u>
Net cash provided by operating activities	<u>276,356</u>	<u>102,107</u>
Noncapital financing activities:		
Lease payments received	2,656	235,000
Payment of delinquent property taxes	(8,678)	-
Lease deposits returned	-	(350,141)
Grant money received	72,500	75,000
Note payments received	-	12,500
Payments on line of credit / note payable	<u>(75,000)</u>	<u>(50,000)</u>
Net cash used in noncapital financing activities	<u>(8,522)</u>	<u>(77,641)</u>
Capital and related financing activities:		
Net payments from the redemption of revenue bonds	-	(52,255)
Loss on sale of capital assets	-	42,976
Proceeds from the redemption of revenue bonds	<u>83,443</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>83,443</u>	<u>(9,279)</u>
Investing activities:		
Investment in StartVest 2009 LP	-	(75,000)
Investment in Headsense Medical, LTD	(50,000)	-
Interest on investments	<u>13,761</u>	<u>47,784</u>
Net cash used in investing activities	<u>(36,239)</u>	<u>(27,216)</u>
Net increase (decrease) in cash and cash equivalents	315,038	(12,029)
Cash and cash equivalents – beginning of year	<u>7,957,777</u>	<u>7,969,806</u>
Cash and cash equivalents – end of year	\$ <u>8,272,815</u>	\$ <u>7,957,777</u>
Reconciliation of cash and equivalents to the Statement of Net Position:		
Cash – unrestricted	\$ 1,001,678	\$ 770,335
Cash – board restricted	771,307	729,008
Restricted cash – Bond Fund Program Reserve	<u>6,499,830</u>	<u>6,458,434</u>
Cash and cash equivalents – end of year	\$ <u>8,272,815</u>	\$ <u>7,957,777</u>

(continued)

See Accompanying Notes to the Basic Financial Statements

Development Finance Authority of Summit County

Statements of Cash Flows (continued)

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash from operating activities:		
Operating (loss) income	\$ (349,672)	\$ 175,456
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	25,000	25,000
Write-off of uncollectible receivables	495,000	-
Changes in assets and liabilities:		
Accounts receivables	34,611	(113,946)
Administrative fees receivables	(21,068)	1,108
Prepaid expenses	7,968	(6,202)
Deposits held	6,235	17,346
Accounts payable	51,051	42,086
47 North Main Street Tenant Liability	56,434	(51,614)
Accrued payroll and payroll taxes	4,395	1,471
Deferred revenue	<u>(33,598)</u>	<u>11,402</u>
Net cash provided by operating activities	\$ <u>276,356</u>	\$ <u>102,107</u>

Supplemental Disclosure of Non-cash Investing and Financing Activities:

During 2013, the Authority issued approximately \$6.6 million of Revenue Bonds through the Bond Fund Program related to an economic development project which is described in Note 3 to the financial statements. The Authority did not issue revenue bonds through the Bond Fund Program during 2012. Payments made on the Bond Fund Program Revenue Bonds issued and outstanding totaled \$6.825 million and \$3.585 million, respectively, during 2013 and 2012.

During 2013, the Authority issued \$75 million of non-recourse Revenue Bonds (conduit debt). In 2012, the Authority issued \$52.715 million of non-recourse Revenue Bonds (conduit debt). These issuances related to various economic development projects which are described in Note 4 to the financial statements. Payments made on the conduit debt issued and outstanding totaled approximately \$17.8 million and \$51.5 million, respectively, during 2013 and 2012.

The Authority had unrealized losses of \$1,968 and \$29,972 on its investments as of December 31, 2013 and 2012, respectively.

See Accompanying Notes to the Basic Financial Statements

Development Finance Authority of Summit County

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies

Reporting Entity – The Development Finance Authority of Summit County (the “Authority”) was formed 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.

Basis of Accounting – The accompanying financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental entities as prescribed by the Governmental Accounting Standards Board (“GASB”). All transactions are accounted for in a single enterprise fund. The statements were prepared using the economic resources measurement focus and the accrual basis of accounting. The Authority’s enterprise fund financial statements are prepared using the accrual basis of accounting.

Revenues received in advance are deferred and recognized as earned over the period to which they relate. Operating revenues consist primarily of project administrative and loan processing fees, operating grant, rents, and fees for foreign trade zone services. Operating expenses include the cost of providing these services, including administrative expenses. Non-operating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Non-operating revenues consist of interest income and unrealized gain on investment. Non-operating expenses consist of unrealized loss on investment. The Authority first applies restricted resources when an expense is incurred and when both restricted and unrestricted net position are available.

Basis of Presentation – The enterprise fund is accounted for on a flow of economic resources measurement focus. The Authority’s basic financial statements consist of the statements of net position, statements of revenue, expenses and changes in net position and statements of cash flows.

Measurement Focus – The measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, and accountability.

Comparative Data/Reclassifications – Certain reclassifications have been made to the 2012 financial statements in order to conform to the 2013 presentation.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (continued)

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 Auditor maintains a portion of the Authority's cash in an Agency fund on the County's financial records. The Authority's Secretary of the Board is the fiscal agent for the Authority's development projects. The Authority maintains some of its cash with one local bank. This account is insured by the Federal Deposit Insurance Corporation.

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.

Also included as restricted cash are funds relating to the Project Activity Account which are pass-through monies to the Authority, but 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.

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 40 year useful lives.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (continued)

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 expires in October 2014. During 2013, Lockheed Martin Corporation made the required lease payment of \$15,000. Therefore, the \$45,000 balance reported on the Authority's Statement of Net Position as of December 31, 2013 represents the \$30,000 purchase price and one remaining \$15,000 lease payment.

Compensated Absences – It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is accrued and reported as a liability when earned by the Authority's employees.

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

Subsequent Events – In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 3, 2014, the date the financial statements were available to be issued.

New Accounting Standards – For 2013, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The requirements of the new statement are effective for periods beginning after December 15, 2012 and have been implemented by the Authority. The implementation of this statement has no material impact on the Authority's financial statements or disclosures.

Note 2: 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.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 2: Deposits and Investments (continued)

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits might not be recovered. The Authority has no deposit policy for custodial risk beyond the requirements of state statute. At December 31, 2013 and 2012, the carrying amounts and bank balances of the Authority’s deposits were \$8,272,815 and \$7,957,777, respectively. Of the bank balance, \$8,022,815 and \$7,707,777 was exposed to custodial risk at December 31, 2013 and 2012, respectively, and \$250,000 was covered by the FDIC at December 31, 2013 and 2012. Although the securities were held by the pledging institution’s trust department and all statutory requirements for the investment of the money had been followed, noncompliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC. The Authority’s carrying amount of cash on deposit with the County, which is included in the carrying amount balances disclosed above, was \$1,524,555 and \$1,202,654 as of December 31, 2013 and 2012, 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.

All of the Authority’s investments were classified as cash and cash equivalents at December 31, 2013 and 2012.

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.

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.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 2: Deposits and Investments (continued)

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.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Authority’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the Authority.

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 investment annually through 2010 as part of a three-year commitment. The Authority recognized unrealized losses of \$5,248 and \$22,221 during 2013 and 2012 on this investment. The Authority’s equity interest in GAIP was \$104,354 and \$109,602 at December 31, 2013 and 2012, respectively.

In 2012 and 2011, Summit County directed the Authority to make an investment of \$75,000 and \$25,000 respectively, into StartVest 09, LP (“StartVest”), which results in a 3.3898% share as of December 31, 2013. The Authority recognized an unrealized gain during 2013 of \$11,084 and an unrealized loss during 2012 of \$7,751 on this investment. The Authority’s equity interest in StartVest was \$115,656 and \$104,572 at December 31, 2013 and 2012, respectively.

In 2013, Summit County directed the Authority to make an investment of \$50,000 into Headsense Medical, LTD (“Headsense”), which results in a 0.774% share as of December 31, 2013. The Authority recognized an unrealized loss during 2013 of \$7,804 on this investment. The Authority’s equity interest in Headsense was \$42,196 at December 31, 2013.

Note 3: 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.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 3: Jobs and Investment Bond Fund Program (continued)

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 \$6,499,830 and \$6,458,434 at December 31, 2013 and 2012, 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 (collectively the “Companies”) for \$2.4 million to be paid in three equal installments from January 2010 through July 2011. The Authority is 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.

The following Revenue Bonds were issued during 2013 through the Bond Fund Program:

In March 2013, the Authority issued \$6,645,000 of Taxable Development Revenue Bonds as part of the City of Akron – University Edge Project. The proceeds of the bonds will be used to provide funds to pay a portion of the costs of constructing, installing, improving, and equipping two buildings for retail use and commercial housing, as well as public improvements, in the City of Akron.

No Revenue Bonds were issued during 2012 through the Bond Fund Program.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 3: Jobs and Investment Bond Fund Program (continued)

Changes in the Authority's Bond Fund program for the year ended December 31, 2013 were as follows:

	Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013	Due Within One Year
Garfield Heights project	\$ 1,935,000	\$ -	\$ (130,000)	\$ 1,805,000	\$ 135,000
Goodyear project	1,410,000	-	(740,000)	670,000	670,000
Village of Seville project	1,585,000	-	(80,000)	1,505,000	80,000
Twinsburg Township project	4,480,000	-	(4,480,000)	-	-
Summit County Workforce Policy project	3,965,000	-	(195,000)	3,770,000	205,000
Portage County Brimfield project	1,825,000	-	(110,000)	1,715,000	115,000
Exal Corporation project	1,275,000	-	(335,000)	940,000	355,000
Superior Roll Forming project	2,635,000	-	(120,000)	2,515,000	125,000
Cavalier project	5,025,000	-	(235,000)	4,790,000	255,000
Plaza Schroer project	920,000	-	(10,000)	910,000	10,000
Digestive Disease project	5,515,000	-	(205,000)	5,310,000	225,000
Shearer's Foods project	3,830,000	-	(185,000)	3,645,000	200,000
City of Cleveland – Flats East project	4,700,000	-	-	4,700,000	30,000
University Edge project	-	6,645,000	-	6,645,000	-
Total	\$ 39,100,000	\$ 6,645,000	\$ (6,825,000)	\$ 38,920,000	\$ 2,405,000

Changes in the Authority's Bond Fund program for the year ended December 31, 2012 were as follows:

	Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012	Due Within One Year
Garfield Heights project	\$ 2,320,000	\$ -	\$ (385,000)	\$ 1,935,000	\$ 130,000
Goodyear project	2,100,000	-	(690,000)	1,410,000	740,000
Village of Seville project	1,660,000	-	(75,000)	1,585,000	80,000
Twinsburg Township project	4,690,000	-	(210,000)	4,480,000	4,480,000
Summit County Workforce Policy project	4,150,000	-	(185,000)	3,965,000	195,000
Portage County Brimfield project	2,250,000	-	(425,000)	1,825,000	110,000
Lockheed/Martin Airdock project	590,000	-	(590,000)	-	-
Exal Corporation project	1,590,000	-	(315,000)	1,275,000	335,000
Superior Roll Forming project	2,745,000	-	(110,000)	2,635,000	120,000
Cavalier project	5,250,000	-	(225,000)	5,025,000	235,000
Plaza Schroer project	930,000	-	(10,000)	920,000	10,000
Digestive Disease project	5,710,000	-	(195,000)	5,515,000	205,000
Shearer's Foods project	4,000,000	-	(170,000)	3,830,000	185,000
City of Cleveland – Flats East project	4,700,000	-	-	4,700,000	-
Total	\$ 42,685,000	\$ -	\$ (3,585,000)	\$ 39,100,000	\$ 6,825,000

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 3: Jobs and Investment Bond Fund Program (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	2,405,000	2,333,867	4,738,867
2015	1,925,000	2,195,650	4,120,650
2016	2,065,000	2,066,717	4,131,717
2017	2,180,000	1,934,326	4,114,326
2018	2,340,000	1,794,983	4,134,983
2019 – 2023	14,085,000	6,566,095	20,651,095
2024 – 2028	10,130,000	2,311,434	12,441,434
2029 – 2033	1,215,000	910,338	2,125,338
2034 – 2038	1,745,000	332,513	2,077,513
2039 – 2040	830,000	9,100	839,100
Total	\$ <u>38,920,000</u>	\$ <u>20,455,023</u>	\$ <u>59,375,023</u>

Note 4: 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.

University Edge Project – In April 2013, the Authority issued up to \$30 million of Taxable Development Revenue Bonds. The bonds will be used to finance the costs of the project. The Authority has leased the project facilities to University Square Investors II, LLC (the "Lessee") pursuant to the lease dated as of April 4, 2013 and ending on April 4, 2033. 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. The total amount of conduit debt outstanding for this project is \$30 million as of December 31, 2013.

Pepperidge Farm Project – In May 2013, the Authority issued up to \$40 million of Taxable Development Revenue Bonds. The bonds will be used to finance the costs of the project. The Authority has leased the project facilities to Pepperidge Farm, Incorporated (the "Lessee") pursuant to the lease dated as of June 1, 2013 and ending on June 1, 2016. During the lease term, the Lessee is required to make rental payments sufficient to pay the principal and interest accruing, and any other amounts due on the bonds through the maturity date. The total amount of conduit debt outstanding for this project is \$40 million as of December 31, 2013.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 4: Conduit Debt (continued)

Summit County Combined General Health District Project – In August 2013, the Authority issued \$5 million of Facilities Revenue Bonds. The bonds will be 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. The total amount of conduit debt outstanding for this project is \$5 million as of December 31, 2013.

Canal Park Project – In November 2012, the Authority issued \$3.6 million of Development Revenue Bonds. The bonds will be used to finance the costs of the project. The principal and interest payments relating to the Bonds will be secured by and be payable from (i) Appropriation Payments to be made by the City 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 third-party beneficiary under the Indenture. Akron Baseball, LLC, the Construction Agent, will construct the Project on behalf of the Authority in accordance with the Cooperative Agreement dated as of November 2012. The total amount of conduit debt outstanding for this project is \$3.525 million and \$3.6 million as of December 31, 2013 and 2012, respectively.

Goodyear County Bond Project – In March 2012, the Authority issued \$15.815 million of Development Revenue Bonds. The bonds will be 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. The total amount of conduit debt outstanding for this project is \$15.8 million as of December 31, 2013 and 2012.

Edgewood Village Project – In March 2012, the Authority issued \$5.3 million of Multifamily Housing Revenue Bonds. The bonds will be used to finance the costs of the project. The principal and interest payments relating to the Bonds will be secured by and be payable from (a) the Loan Payments, (b) the Cash Collateral, (c) funds on deposit in the Negative Arbitrage Reserve Account, (d) any other funds or collateral received or to be received by the Issuer or the Escrow Agent for the account of the Issuer in respect of repayment of the Loan and (e) all income and profit from the investment of the foregoing moneys. The total amount of conduit debt for this project of \$5.3 million was paid off as of December 31, 2012.

KB Compost Project – In February 2012, the Authority issued \$28 million of Exempt Facilities Revenue Bonds. The bonds will be 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. The total amount of conduit debt outstanding for this project is \$17.8 million and \$28 million as of December 31, 2013 and 2012, respectively.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 4: Conduit Debt (continued)

Goodyear Parking Deck Project – In October 2011, the Authority issued up to \$41.3 million of Taxable Construction Development Revenue Bonds. The bonds will be used to finance the costs of the project. The principal and interest payments relating to the Bonds will be secured by and be 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 total amount of conduit debt outstanding for this project is \$41.3 million as of December 31, 2013 and 2012.

Goodyear Innovation Center Project – In July 2011, the Authority issued up to \$46.8 million of Taxable Development Revenue Bonds. The bonds will be used to finance the costs of renovating the Goodyear Innovation Center. The principal and interest payments relating to the Bonds will be secured by and be 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 total amount of conduit debt outstanding for this project is \$46.8 million as of December 31, 2013 and 2012.

The University of Akron Student Housing Project – In May 2011, the Authority issued \$33.8 million of Lease Revenue Bonds. The bonds will be 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. Total amount of conduit debt outstanding for this project is \$33.2 million and \$33.8 million as of December 31, 2013 and 2012, respectively.

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, Ohio. The bond is secured by assets of the project. Total amount of conduit debt outstanding for this project is \$18 million and \$18.7 million as of December 31, 2013 and 2012, respectively.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 4: Conduit Debt (continued)

The Goodyear Tire and Rubber Company Headquarters Project – In April 2011, the Authority issued up to \$120 million of Taxable Development Revenue Bonds. The bonds will be 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 being structured as a capital lease between the Port Authority and Purchaser to provide sales tax savings on the construction materials associated with the construction of the Project. Total amount of conduit debt outstanding for this project is \$120 million as of December 31, 2013 and 2012.

Austen BioInnovation Institute in Akron (“ABIA”) Project – In March 2011, the Authority issued \$8.5 million of Taxable Development Revenue Bonds. The bonds will be 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. Total amount of conduit debt outstanding for this project is \$7.8 million and \$8.1 million as of December 31, 2013 and 2012, respectively.

Kent State University Project – In September 2010, the Authority issued \$13.745 million of Taxable Development Revenue Bonds. The bonds will be 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. Total amount of conduit debt outstanding for this project is \$13.3 million and \$13.365 million as of December 31, 2013 and 2012, respectively.

Bridgestone Americas Tire Operations, LLC Project – In March of 2010, the Authority issued up to \$70 million of Taxable Development Revenue Bonds. The bonds will be used to finance the costs of the construction and improvement of the Tech Center, the Parking Facility, and the Pedestrian Connector. These bonds are special obligations of the Authority payable 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 bond is secured by assets of the project. Total amount of conduit debt outstanding for this project is \$70 million as of December 31, 2013 and 2012.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 4: Conduit Debt (continued)

The Tech Center is being leased by the Authority to SMBC Leasing and Finance, Inc. (“SMBC”) and subleased by SMBC to BATO. Under that sublease, BATO has agreed to make rental payments to SMBC in an amount sufficient to pay debt service when due on the bonds. Those rental payments have been pledged to the trustee for the bonds as the revenue source to secure the payment of debt service on the bonds. The bonds are revenue obligations of the Authority, payable solely from the Tech Center Revenues. Neither the Authority nor the county is obligated to pay debt service on the bonds from any source other than the Tech Center Bond Revenues.

Akron YMCA Project – In November 2009, the Authority issued \$12.1 million of Multi-Mode Variable Rate Civic Facility Improvement and Revenue Bonds. The bonds will be 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. Total amount of conduit debt outstanding for this project is \$8.6 million and \$9.965 million as of December 31, 2013 and 2012, respectively.

Snap-on Business Solutions Project – In October 2008, the Authority issued \$16 million of Taxable Development Revenue Bonds. The bond proceeds will be 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. Total amount of conduit debt outstanding for this project is \$9.3 million and \$10.82 million as of December 31, 2013 and 2012, respectively.

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 will be 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. Total amount of conduit debt outstanding for this project is \$2.16 million and \$2.7 million as of December 31, 2013 and 2012, respectively.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 4: Conduit Debt (continued)

Akron Community Service Center and Urban League, Inc. Project – In February 2007, the Authority issued \$3.6 million of Summit County Port Authority Adjustable Rate Tax Exempt Revenue Bonds. The bond proceeds will be used to finance the acquisition, construction, improvements, installation, and equipping of a new community service center and urban league facility to provide educational, recreational, and other services to residents of Summit County, Ohio. These bonds are special obligations of the Authority payable solely from the revenue received by the trustee under its agreement with the Akron Community Service Center and Urban League, Inc, (lithe “Borrower”). The Borrower 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. Total amount of conduit debt outstanding for this project was \$2.9 million and \$3.1 million as of December 31, 2013 and 2012, respectively.

Barberton YMCA Project – In June 2007, the Authority issued \$4.1 million of Summit County Port Authority Facility Revenue Bonds. The bond proceeds will be 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. Total amount of conduit debt outstanding for this project was \$1.65 million and \$2.075 million as of December 31, 2013 and 2012, respectively.

Callis Towers, LLC Project – In October 2007, the Authority issued \$12 million of Summit County Port Authority Multifamily Housing Revenue Bonds. The bond proceeds will be 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. Total amount of conduit debt outstanding for this project was \$7.3 million and \$7.8 million as of December 31, 2013 and 2012.

Collinson Apartments Project – In December 2006, the Authority issued \$4 million of Summit County Port Authority Multifamily Housing Revenue Bonds. The bond proceeds will be 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. Total amount of conduit debt outstanding for this project was \$3.8 million and \$3.85 million as of December 31, 2013 and 2012, respectively.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 4: Conduit Debt (continued)

Summa Wellness Institute Project – In October 2006, the Authority issued \$15.405 million of Summit County Port Authority Revenue Bonds. The bond proceeds will be used to finance the construction and equipping of a wellness facility to be leased by Summa Health Systems (“Summa”). These bonds are special obligations of the Authority payable solely from the revenue received by the trustee under its lease with 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. The bond is secured by an irrevocable letter of credit. Total amount of conduit debt outstanding for this project was \$14.1 million and \$14.45 million as of December 31, 2013 and 2012, respectively.

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 will be 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. Total amount of conduit debt outstanding for this project is \$1.25 million and \$1.75 million as of December 31, 2013 and 2012, respectively.

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 will be used to finance the cost of acquisition of a 47 acre parcel located in Sagamore Hills, Ohio, and the construction, equipping, and improvement of a private school building on that site, to be owned by Lawrence School. These bonds are special obligations of the Authority payable solely from the 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. Total amount of conduit debt outstanding for this project is \$8.5 million and \$8.9 million as of December 31, 2013 and 2012, respectively.

Eastland Woods, LLC Project – In August 2004, the Authority issued \$7.5 million of Summit County Port Authority Revenue Bonds. The bond proceeds will be used to finance the acquisition, construction, rehabilitation, and equipping of an approximately 100-unit residential rental project to be owned by Eastland Woods, LLC. (“Eastland Woods”). These bonds are special obligations of the Authority payable solely from the revenue received by the trustee under its agreement with Eastland Woods. Eastland Woods and the Authority entered into a financing lease agreement pertaining to this facility. The lease is non-cancelable until the underlying revenue bonds are paid in full. All expenses related to the revenue bonds are being paid out of the bond proceeds. The bond is secured by assets of the project. Total amount of conduit debt outstanding for this project was \$1.7 million and \$1.8 million as of December 31, 2013 and 2012, respectively.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 4: Conduit Debt (continued)

Meadow Lane, LLC Project – 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 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. Total amount of conduit debt outstanding for this project was \$3.5 million and \$3.73 million as of December 31, 2013 and 2012, respectively.

Approximate future annual principal debt service requirements for these conduit debt obligations for the next five years and thereafter are:

<u>Year</u>	<u>Amount</u>
2014	\$ 8,970,807
2015	9,174,283
2016	9,066,503
2017	9,175,159
2018	8,426,889
2019 – 2023	37,801,942
2024 – 2028	35,953,000
2029 – 2033	29,063,000
2034 – 2038	16,010,000
2039 – 2043	13,385,000
2044 – 2048	<u>2,350,000</u>
Total	\$ <u>179,376,583</u>

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 5: Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance at January 1, 2013	Additions	Deletions	Balance at December 31, 2013
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	(150,000)	(25,000)	-	(175,000)
Total capital assets being				
Depreciated, net	850,000	(25,000)	-	825,000
Capital assets, net	<u>\$ 1,350,000</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ 1,325,000</u>

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
Capital assets not being depreciated:				
Land	\$ 581,130	\$ -	\$ (81,130)	\$ 500,000
Capital assets being depreciated:				
Buildings	1,918,870	-	(918,870)	1,000,000
Less accumulated depreciation:				
Buildings	(125,000)	(25,000)	-	(150,000)
Total capital assets being				
Depreciated, net	1,793,870	(25,000)	(918,870)	850,000
Capital assets, net	<u>\$ 2,375,000</u>	<u>\$ (25,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ 1,350,000</u>

Note 6: Retirement and Post-Employment Benefit Plans

Pension Benefits – The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 6: Retirement and Post-Employment Benefit Plans (continued)

The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member employer contributions. For 2013 and 2012, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2013, the members of all three plans were required to contribute 10% of their annual covered salary to fund pension obligations. The Authority contributed 14% of covered payroll.

The Authority's required contributions for pension obligations to the Traditional and Combined Plans (excluding the amount relating to post-retirement benefits) for the years ended December 31, 2013, 2012, and 2011 were \$46,423, \$43,796, and \$42,066, respectively, equal to the required contributions for each year. The full amount has been contributed for all three years.

Post-Employment Benefits – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – 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 plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Member of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 6: Retirement and Post-Employment Benefit Plans (continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the Authority contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post-employment health care benefits. The portion of employer contributions allocated to health care Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's contributions for health care for the years ended December 31, 2013, 2012, and 2011 were \$3,315, \$12,513, and \$12,018, respectively, equal to the required contributions for each year. The full amount has been contributed for all three years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

Note 7: 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.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 7: Akron Civic Theater Project (continued)

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 refunding the 2001 issue mature on December 1, 2033. The balance outstanding on the revenue bonds was \$14,780,000 and \$15,060,000 at December 31, 2013 and 2012, 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 8.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 305,000	\$ 523,381	\$ 828,381
2015	340,000	519,181	859,181
2016	370,000	513,081	883,081
2017	400,000	506,281	906,281
2018	435,000	490,881	925,881
2019 – 2023	2,725,000	2,279,663	5,004,663
2024 – 2028	4,130,000	1,723,963	5,853,963
2029 – 2039	<u>6,075,000</u>	<u>734,869</u>	<u>6,809,869</u>
Total	\$ <u>14,780,000</u>	\$ <u>7,291,300</u>	\$ <u>22,071,300</u>

Note 8: 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 \$705,829 and \$780,829 at December 31, 2013 and 2012, respectively.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 8: Notes Payable and Notes Receivable (continued)

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>
2014	\$ 75,000
2015	75,000
2016	75,000
2017	75,000
2018	75,000
2019 – 2022	<u>330,829</u>
Total	\$ <u><u>705,829</u></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 \$458,829 at the end of the term will be discharged by the Authority.

During 2013, the Board of Directors of the Authority approved the forgiveness of \$450,000 of principal, interest and other fees owed by the Akron Civic Theater and amended the loan agreement effective January 1, 2014.

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

<u>Year</u>	<u>Amount</u>
2014	\$ 10,000
2015	10,000
2016	10,000
2017	10,000
2018	10,000
2019 – 2033	<u>608,329</u>
Total	\$ <u><u>658,329</u></u>

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 9: 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 10: 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. 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 \$225,425 from ABIA under this Agreement in 2013.

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. The annual base rent during the term of the lease is \$86,793 per year. The tenant has also agreed to pay its proportional share of the common area maintenance, utilities, and related expenses. The Authority received \$159,242 from DJFS under this agreement in 2013.

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 2013, the Authority recognized \$15,000 of rental income from equipment leased under this agreement. The future fixed rental the Authority is scheduled to receive under the Lease Agreement totals \$15,000 due in 2014.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 10: Leases (continued)

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 \$11,000 of rental income from property leased under this agreement in 2013. The future fixed rental payments the Authority is scheduled to receive under the Lease Agreement total \$61,884 in 2014.

Note 11: Twinsburg Township Project

In December 2007, the Trustees of Twinsburg Township (the "Trustees") took action to permanently appropriate rent payments due under the Series 2005D Agreement for the period ending December 31, 2008, making the Series 2005D Agreement non-cancelable during calendar year 2008.

Subsequently, the Trustees took action on January 2, 2008 to rescind the permanent appropriation of rent payments due under the Series 2005D Agreement. Due to Twinsburg Township's (the "Township") failure to make an annual appropriation of rent for the year 2008, the Authority cancelled the Series 2005D Agreement and notified the Township to vacate the premises. The Township vacated the Series 2005D Project on April 30, 2008. The Authority used its own unencumbered funds to make rent payments as they come due under the Series 2005D Agreement.

During 2010, the Authority reached a settlement with the Township for delinquent rental payments under the lease agreement with the Authority, dated September 1, 2005, for all months beginning February 2008, as well as ongoing expenses associated with the upkeep of the building and legal fees. The Authority had made these payments to remain in good standing with the Bond Holders although this was not the Authority's obligation. This \$1.2 million settlement was paid in installments with \$350,000 having been paid on April 30, 2010, \$650,000 having been paid on December 1, 2010, and with the final installment of \$200,000 being paid on March 7, 2011.

In October 2009, the Authority began leasing the former Twinsburg Township building space to the Humane Society of Greater Akron with an initial lease term commencing December 1, 2009 and ending on November 30, 2012, with extension terms available and payments of \$25,000 per month. At any time after the commencement of the initial lease term the lessee had the option to terminate the lease and purchase the premises from the Authority. The lessee conducted a Development Campaign with a goal of raising \$3 million. The purchase price at the option of the lessee is the current appraised value of \$3.4 million less all rental payments made during the first 12 months of the lease term, not to exceed \$300,000 or the outstanding principal amount on the Bonds for the Twinsburg Building on the optional lease purchase date or the term lease purchase date, if applicable. Subsequently, the Humane Society entered into a sublease agreement for a portion of the building to Hattie Larlham, a private non-profit organization.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 11: Twinsburg Township Project (continued)

In December of 2012, the Humane Society of Greater Akron signed the purchase agreement to purchase the premises for \$3,507,024 which included the purchase price, the deposit held by the Authority, lease payments used towards the purchase price and closing costs. During 2013, \$4,480,000 was paid to pay off the remaining balance of the Series 2005D revenue bonds.

Note 12: 1034 Home Avenue Project

In December of 2012, the Authority entered into a lease/purchase agreement 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 term of the lease is \$12,000 per year. The purchase price at the option of the lessee was \$850,000 less all rental payments made during the first 12 months of the lease term, and all other amounts due an unpaid under the lease agreement. If the lessee purchases the premises within the first 24 months of the post-option exercise lease term, the purchase price will be \$825,000 less all rental payments made during the post option exercise lease term, and all other amounts due an unpaid under the lease agreement. As of December 31, 2013, A&K Summit Holdings, LLC has entered into the post-option exercise lease term of the agreement. The term of the post-option exercise lease is the 96 month period beginning on the first month succeeding A&K Summit Holdings, LLC's election to extend the lease agreement. Rental payments during the post-option exercise lease term are equal monthly installments for the first nine months of \$2,656 and \$9,495 for the remainder of the lease term. As of December 31, 2013 and 2012, the balance on the lease receivable was \$847,344 and \$850,000, respectively.

On July, 20, 2010, the Authority entered into a delinquent tax agreement with Summit County, in order to pay the outstanding property taxes owed on the property received. As of December 31, 2013 and 2012, the Authority owed \$14,566 and \$23,986 to the county, respectively. Of this amount, \$9,420 and \$9,420 is considered the current portion of this liability as of December 31, 2013 and 2012, respectively.

Note 13: 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.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 13: Bridgestone Project (continued)

Approximate future annual principal and interest payments for this obligation are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 355,000	\$ 436,020	\$ 791,020
2015	360,000	424,986	784,986
2016	370,000	412,998	782,998
2017	375,000	397,791	772,791
2018	385,000	381,441	766,441
2019 – 2023	2,110,000	1,587,657	3,697,657
2024 – 2028	2,470,000	917,168	3,387,168
2029 – 2030	<u>1,125,000</u>	<u>120,190</u>	<u>1,245,190</u>
Total	\$ <u>7,550,000</u>	\$ <u>4,678,251</u>	\$ <u>12,228,251</u>

Note 14: 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 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 2013; there were no insurance settlements in 2013 and 2012.

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 15: Related Party Transactions

The Authority uses certain Summit County employees without reimbursement. In addition, the Authority received a \$75,000 grant from Summit County. Of this amount, the County, on a reimbursement basis, will reimburse the Authority in the amount of \$2,500 for eligible expenses. The remainder of the balance was paid in advance. The County also specified that \$50,000 of this grant was to be used to invest in the Headsense Medical LTD investment during 2013. In conjunction with this investment, the County forgave \$75,000 of the Note Payable – Summit County.

Note 16: 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. No amounts were outstanding on this letter of credit as of December 31, 2013 and 2012.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 17: 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.

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 Taxable 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.

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. Total amount of conduit debt outstanding for this project is \$7.8 and \$8.1 million as of December 31, 2013 and 2012, respectively.

The Authority issued a 22 year note in the amount of \$2,490,000 upon purchase of the project site which is be 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.

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 leases floors four, five, six, and the balance of the basement to the county for its Department of Job and Family Services ("DJFS"). The Authority uses approximately 2,040 square feet of floor four of the project site as its offices. As of December 31, 2013, the Authority has recorded a liability in the amount of \$48,840 for estimated payments received which were greater than the total operating expenses allocated for the year.

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, 2013 is \$2,275,000.

Development Finance Authority of Summit County

Notes to Financial Statements (continued)

For the Years Ended December 31, 2013 and 2012

Note 18: Contingencies

The Authority, in the normal course of its activities, is involved in 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 19: Subsequent Events

During the period January 1, 2014 through April 30, 2014, the Authority executed financing summaries and received application fees to provide conduit financing for the Greystone Hotel, Arhaus Furniture Headquarters, and Courtyard Hotel projects.

In January 2014 Lockheed Martin announced it would begin to phase out a substantial portion of its Akron-based operations but would continue to use the Airdock property, which is owned by the Authority. The lease expires in 2026.

The Authority received from the Ohio Development Services Agency a Request for Qualifications (RFQ) to determine eligibility for an energy efficiency loan loss reserve to enhance the Authority's Bond Fund; the Authority could be eligible for up to \$3.6 million. The Authority responded to the RFQ by the April 30, 2014 deadline.

On April 23, 2014 the County of Summit, University of Akron, City of Akron, and the DFA jointly announced the intent to pursue a .25% sales tax increase for the November 2014 ballot in part to finance a downtown arena and other capital items for the County. Under the proposal, the DFA will manage the county-owned arena.

**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***

Board of Directors
Development Finance Authority of
Summit County

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 business-type activities of Development Finance Authority of Summit County (the “Authority”), as of and for the years ended December 31, 2013 and 2012, 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 3, 2014.

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 opinion 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 Authority’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.

Board of Directors
Development Finance Authority of
Summit County

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*.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cini & Baruchi, Inc.

Cleveland, Ohio
June 3, 2014