TOLEDO-LUCAS COUNTY PORT AUTHORITY

SINGLE AUDIT REPORT
REPORTING PACKAGE

DECEMBER 31, 1999

CLARK JOHNSON & ROBSON
Certified Public Accountants

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Toledo Lucas County Port Authority
One Maritime Plaza
Toledo, Ohio 43604

We have reviewed the Independent Auditor's Report of the Toledo Lucas County Port Authority, Lucas County, prepared by Clark Johnson & Robson, for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 16, 2001

TOLEDO-LUCAS COUNTY PORT AUTHORITY

SINGLE AUDIT REPORT

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CLARK JOHNSON & ROBSON
Certified Public Accountants
Toledo, Ohio

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of the
Toledo-Lucas County Port Authority

We have audited the accompanying general-purpose financial statements of the Toledo-Lucas County Port Authority as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Toledo-Lucas County Port Authority as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2000 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 grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 1999 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Clark Johnson & Robson

July 12, 2000

Toledo-Lucas County Port Authority
Balance Sheet

	December 31, 1999	December 31, 1998
ASSETS		
Cash	$ 3,615,817	$ 5,300,011
Investments	4,083,983	1,000,000
Restricted investments	29,192,447	37,111,313
Interest receivable	281,986	216,002
Accounts receivable	3,931,085	4,107,874
Prepaid expenses and other assets	27,262	38,565
Property, plant and equipment	297,933,510	262,736,883
Loans receivable	27,447,071	27,040,480
Amount due from lessee	265,864	277,020
Deferred bond issuance cost	8,691,867	8,413,212
Deferred loss on refunding	1,148,008	1,275,564
Total assets	**$ 376,618,900**	**$ 347,516,924**
LIABILITIES AND FUND EQUITY		
Accounts payable	$ 2,138,465	$ 3,556,663
Accrued payroll	497,949	478,616
Accrued interest payable	2,196,736	2,436,801
Deferred income	75,076	305,398
Long-term notes payable	26,846,625	17,673,851
Revenue bonds payable	211,977,000	195,377,000
Ohio Enterprise bond payable	8,250,000	8,350,000
Ohio Water Development Authority loan payable	1,327,176	1,394,272
Borrower deposit reserves	2,617,743	2,594,409
Total liabilities	**255,926,770**	**232,167,010**
Contributed capital	122,848,148	113,504,886
Fund balance	(2,156,018)	1,845,028
Total fund equity	**120,692,130**	**115,349,914**
Total liabilities and fund equity	**$ 376,618,900**	**$ 347,516,924**

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

Toledo-Lucas County Port Authority
Statement of Revenues and Expenses and Changes in Fund Equity

	For the Year Ended December 31, 1999	1998
Operating revenues		
Rental under property lease	$ 19,495,781	$ 18,329,011
Wharfage under property lease	117,073	131,406
Airport landing area	631,999	659,873
Airport terminal area	2,609,389	3,002,766
Burlington	2,736,196	2,998,548
Other rental and fee income	3,442,237	3,129,180
Interest income on loans receivable	2,876,938	2,659,695
Other income	142,222	247,705
Total operating revenues	**32,051,835**	**31,158,184**
Operating expenses		
Personal services	4,263,709	3,906,527
Marketing	474,121	350,760
Contractual services	2,924,985	3,434,724
Utilities	675,337	495,442
Repairs and maintenance	1,495,184	1,830,118
Depreciation	12,239,507	9,700,498
Amortization	665,349	637,114
Rental expense	118,563	110,027
Interest expense	2,980,016	2,727,917
Other operating expenses	757,239	489,691
Provision for loan loss reserve	150,000	200,000
Total operating expenses	**26,744,010**	**23,882,818**
Operating income	**5,307,825**	**7,275,366**
Nonoperating revenues (expenses/expenditures)		
Proceeds of property tax levy	2,323,742	2,273,727
Interest income from investments	1,393,926	1,096,765
Passenger facility charges	728,477	876,324
Interest expense	(13,319,467)	(12,849,357)
Borrower disbursements	(435,549)	(387,455)
Litigation settlement	-	(1,150,000)
Total nonoperating expenses	**(9,308,871)**	**(10,139,996)**
Net loss	**(4,001,046)**	**(2,864,630)**
Fund equity at beginning of year	115,349,914	104,848,303
Contributed capital from grants	9,343,262	13,366,241
Fund equity at end of year	**$ 120,692,130**	**$ 115,349,914**

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

TOLEDO-LUCAS COUNTY PORT AUTHORITY
STATEMENT OF CASH FLOWS

	For the Year Ended December 31, 1999	1998
Cash flows from operating activities:		
Operating income	$ 5,307,825	$ 7,275,366
Adjustments to reconcile operating income to cash provided (used) by operating activities:		
Depreciation and amortization expense	12,904,856	10,337,612
Provision for loan loss reserve	150,000	200,000
Changes in assets and liabilities:		
Issuance of loans receivable	(4,670,000)	(11,280,000)
Accounts receivable and due from lessee	187,945	(639,828)
Interest receivable	43,566	(50,782)
Prepaid expenses and other assets	11,303	1,348,172
Reductions in loans receivable	4,113,409	3,883,329
Accounts payable	(1,418,198)	1,925,146
Accrued payroll	19,333	(154,424)
Accrued interest	(497,771)	67,958
Deferred income	(230,322)	112,821
Deferred compensation	-	(1,353,543)
Total adjustments	**10,614,121**	**4,396,461**
Net cash provided by operating activities	**15,921,946**	**11,671,827**
Cash flows from noncapital financing activities:		
Principal reductions on Northwest Ohio Development Revenue Bonds	(4,710,000)	(3,690,000)
Proceeds of property tax levy	2,323,742	2,273,727
Net cash used by noncapital financing activities	**(2,386,258)**	**(1,416,273)**
Cash flows from capital and related financing activities:		
Capital grants received	9,343,262	13,366,241
Passenger facility charges received	728,477	876,324
Acquisition and construction of capital assets	(47,436,134)	(26,434,967)
Interest paid on capital asset debt	(13,307,072)	(12,754,158)
Litigation settlement	-	(1,150,000)
Principal payments on long-term debt	(7,925,221)	(6,733,177)
Issuance of new bonds	35,250,000	47,550,000
Issuance of Ohio Department of Development note	-	8,350,000
Defeasance of NW Ohio and Airport Improvement note	-	(9,735,000)
Loss on defeasance	-	(1,275,564)
State Infrastructure Loan proceeds	2,990,860	-
Payment of bond issuance costs	(816,448)	(902,072)
Net cash provided (used) by capital and related financing activities	**(21,172,276)**	**11,157,627**
Cash flows from investing activities:		
Interest on investments	1,529,684	1,095,066
Borrower disbursements	(412,215)	154,082
Purchase of securities	(24,729,899)	(39,186,845)
Proceeds from sale of securities	29,564,824	18,221,553
Net cash provided (used) by investing activities	**5,952,394**	**(19,716,144)**
Net increase (decrease) in Cash and Cash Equivalents	**(1,684,194)**	**1,697,037**
Cash and Cash Equivalents at Beginning of Year	5,300,011	3,602,974
Cash and Cash Equivalents at End of Year	**$ 3,615,817**	**$ 5,300,011**
Supplemental disclosure of interest paid	**$ 16,539,548**	**$ 15,414,117**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Toledo-Lucas County Port Authority is a governmental subdivision created following enactment by the Ohio Legislature of the Ohio Port Authority Act. The Act permits the Authority to administer seaport, airport, surface transportation and economic development business within the State of Ohio. The Authority is governed by a board of thirteen directors, six of whom are appointed by the City of Toledo, six by Lucas County, and one by joint action of the City and the County.

The Authority is composed of four divisions, the Seaport Division, the Airport Division, the Economic Development Division and the Surface Transportation Division. The Authority functions as a site purchasing and development agency, leasing developed areas at the Port of Toledo, Toledo Express Airport, Metcalf Airport and Central Union Plaza to private firms for operations. In 1973 the Authority assumed the operation and management of Toledo's airports from the City of Toledo under a lease which expires in the year 2023. The Economic Development Division was formed during 1985 to oversee the general economic development of the City of Toledo, Lucas County, and the surrounding area. To further that goal, in 1993, the Division formed a working association with the Toledo Area Chamber of Commerce which is known as the Toledo Regional Growth Partnership. The partnership's financial information is presented in Note 2. The following summary of significant accounting policies of the Authority is presented to assist the reader in evaluating the financial statements.

Basis of Accounting

The Authority operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in all material respects. The Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989 unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements, in which case GASB prevails.

Cash and Investments

Investments are made in accordance with statutes of the State of Ohio and policies of the board of directors. Restricted cash and investments represent balances maintained in the Northwest Ohio Development and Airport Improvement Revenue funds which are governed by the respective trust agreements. The agreements restrict activity to certain highly rated investments such as U. S. Government securities, certificates of deposit and money market funds. Accordingly, these balances have been separately identified in the accompanying financial statements.

In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"*, the Authority reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit, repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the statement of cash flows, the Authority considers all bank deposits including investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and overnight investment of excess deposits in repurchase agreements to be cash equivalents.

The Authority invested funds in the STAR Ohio during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation expense is provided using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the related lease. Maintenance and repairs are charged to expense and improvements are capitalized. Interest on funds used during construction, less interest earned on related investments if the asset is financed with the proceeds from restricted obligations, is capitalized as part of the cost of the asset. The Authority capitalized $1,346,420 and $98,587 of net interest expense in 1999 and 1998, respectively.

Deferred Bond Issue Costs and Bond Discount

Bond issue costs and bond discounts are being amortized over the life of the bonds using the straight-line method which approximates the interest method.

Contributed Capital

Federal, state and local government improvement grants and contributions received from private firms in connection with financing projects are recorded as contributed capital.

Property Tax Levy

A .4 mill real estate tax replacement levy passed by Lucas County voters in 1999 provides financial support for the various activities of the Authority. The Authority elected to collect the full .4 mill in 1999 and 1998.

Based on materiality, property taxes are recognized as revenues when received from the Lucas County Auditor.

NOTE 2 - REGIONAL GROWTH PARTNERSHIP

Effective May 1, 1996 the Authority and the Chamber of Commerce relinquished their interests in the Toledo Regional Growth Partnership, which simultaneously filed as a non-profit corporation in the State of Ohio. The Authority entered into a contract with the entity, which is now known as the Regional Growth Partnership, Inc. to perform certain economic development services for the Authority through the end of 1999. The contract provides for a fee of $1,350,000 per year. Either party may terminate the agreement as of the end of a calendar year by notifying the other party in writing on or before September 1 of that year.

The Authority appoints or approves the appointment of a majority of the officers of the Partnership and provides a significant portion of the Partnership's revenue. Unlike the Authority which uses enterprise fund accounting, the Partnership accounts for its activities using government funds and account groups in its financial statements. Audited Partnership financial statements for the year ended December 31, 1999, which are not considered material to the financial statements of the Authority, reflected total (memorandum) assets of $568,038, fund equity of $469,735, revenues of $1,795,913, and deficiency of revenues under expenditures of $43,987. The audited financial statements of the Partnership are available at the Regional Growth Partnership, Inc., 300 Madison Avenue, Suite 300, Toledo, Ohio 43604.

NOTE 3 - CASH, INVESTMENTS AND REPURCHASE AGREEMENTS

Bank Deposits

At December 31, 1999, the carrying amount of the Authority's deposits was $16,070,871 nonnegotiable and the bank balance was $16,088,693. Of the bank balance, $100,000 was covered by federal depository insurance and $1,412,857 was uninsured but collateralized by securities held in the Authority's name and $14,575,836 was uninsured but collateralized by securities held in the pledging bank's trust department.

At December 31, 1998, the carrying amount of the Authority's deposits was $10,006,030 and the bank balance was $9,536,858. Of the bank balance, $300,000 was covered by federal depository insurance and $1,148,925 was uninsured but collateralized by securities held in the Authority's name and $8,087,933 was uninsured but collateralized by securities held in the pledging bank's trust department.

Investments

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at December 31, 1999. Category 1 includes investments that are insured or registered, or securities held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which securities are held by a trust department in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a trust department or agent but not in the Authority's name.

NOTE 3 - CASH, INVESTMENTS AND REPURCHASE AGREEMENTS (Continued)

	1999			1998
	Category 2	Category 3	Fair Value	Fair Value
Categorized Investments				
U.S. Treasury/Agency Securities	$10,152,856	-	$10,152,856	$8,597,280
Repurchase Agreements	-	$ 1,169,229	1,169,229	1,282,001
Guaranteed Investment Contracts	3,546,984	-	3,546,984	4,047,223
Total Categorized Investments	13,699,840	1,169,229	14,869,069	13,926,504
Noncategorized Investments				
Mutual Funds	N/A	N/A	3,848,647	15,627,004
STAR Ohio	N/A	N/A	2,102,960	3,851,086
Total Noncategorized Investments	-	-	5,951,607	19,478,090
Total Investments	$13,699,840	$1,169,229	$20,820,676	$33,404,594

Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined balance sheet and the classifications per this GASB Statement No. 3 disclosure is as follows:

	Cash and Cash Equivalents	Investments
Per Combined Balance Sheet	$3,615,817	$33,276,430
Restricted Money Market Funds	15,727,943	(15,727,943)
Investments:		
Repurchase Agreement	(1,169,229)	1,169,229
STAR Ohio	(2,102,960)	2,102,960
Per GASB Statement No. 3	$16,071,571	$20,820,676

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, substantially all of which is leased to third parties, consists of the following:

	December 31, 1999	December 31, 1998
Land and Improvements	151,184,078	$147,236,589
Property and Equipment	37,614,141	37,015,376
Buildings and Leasehold Improvements	22,806,295	22,799,612
Furniture and Fixtures	430,975	430,975
Brush Wellman Inc. Facility	19,829,383	19,829,383
Owens Corning Facility	95,978,456	95,978,456
BAX Hub	33,974,351	33,974,351
Construction in Progress:		
Superior Street Garage	4,043,600	-
FlightSafety International Facility	14,554,365	-
Manor Care	22,454,058	8,924,151
Hercules Tire & Rubber Co.	12,003,933	3,578,679
Other	3,450,395	1,182,273
	418,324,030	370,949,845
Less: Accumulated Depreciation	(120,390,520)	(108,212,962)
	$297,933,510	$262,736,883

Depreciation has been determined using the straight-line method over the estimated useful lives of the property and equipment ranging between 5 and 40 years. During 1999 and 1998, approximately $9,300,000 and $13,000,000, respectively, of federal, state and local grant funding was utilized to purchase fixed assets.

NOTE 5 - LONG TERM DEBT

A summary of long-term debt activity for the year ended December 31, 1999 follows:

			Balance December 31, 1998	Issued (Retired)	Balance December 31, 1999
Revenue Bonds:					
Northwest Ohio Development:					
	Taxable:				
10.42%	Dunbar	1989B	$1,690,000	($80,000)	$1,610,000
10.28%	Poggemeyer	1990B	1,165,000	(45,000)	1,120,000
10.28%	Bunting	1990 C	575,000	(215,000)	360,000
10.44%	Advantage	1990E	1,725,000	(85,000)	1,640,000
7.76%	Sandusky LTD.	1992B	1,070,000	(510,000)	560,000
9.43%	Sandusky LTD.	1994A	3,605,000	(480,000)	3,125,000
10.06%	Owens Corning	1995A	4,845,000	(90,000)	4,755,000
7.24%	Brent	1995B	2,315,000	(205,000)	2,110,000
7.20%	Sandusky LTD.	1998A	2,975,000	(225,000)	2,750,000
7.22%	Port Authority	1998B	2,500,000	(180,000)	2,320,000
7.30%	City of Toledo	1998C	2,665,000	(30,000)	2,635,000
7.00%	Crown Battery	1998D	5,535,000	(225,000)	5,310,000
7.63%	Hercules Tire & Rubber Co.	1998E	5,000,000	(50,000)	4,950,000
	Tax Exempt:				
9.00%	Meri-Corp	1988B	980,000	(215,000)	765,000
8.25- 8.40%	Scottdell	1989C	1,470,000	(310,000)	1,160,000
8.50%	EPI	1889D	1,550,000	(745,000)	805,000
8.375%	NSS	1989F	950,000	(950,000)	-
7.75%	ARPC	1992A	825,000	(70,000)	755,000
5.1- 5.40%	Superior Street Parking	1999A	-	7,825,000	7,825,000
5.65- 6.12%	Alex Products	1999B	-	4,670,000	4,670,000
9.90%	Owens Corning World Headquarters	1995	77,107,000	(5,130,000)	71,977,000
7- 7.50%	Airport Improvement	1994	33,190,000	(870,000)	32,320,000
8.17%	Brush Wellman	1996	12,765,000	(605,000)	12,160,000
8.01%	Brush Wellman	1997	2,105,000	(120,000)	1,985,000
variable	FlightSafety Intemaltional, Inc.	1998	20,000,000	-	20,000,000
5.55%	Airport Improvement Refunding	1998	8,770,000	(215,000)	8,555,000
7.10%	Manor Care Corporation	1999	-	15,755,000	15,755,000
Total Revenue Bonds			195,377,000	16,600,000	211,977,000
Notes Payable					
4.00%	Central Union Plaza	1996	326,349	(36,203)	290,146
2.00%	Owens Corning ODOD Note	1995	9,486,369	(228,509)	9,257,860
2.24- 4.25%	Brush Wellman ODOD Note	1997	4,773,963	(231,172)	4,542,791
9.13%	Airport Improvement Note	1990	3,087,170	(322,202)	2,764,968
1.00- 4.00%	Manor Care Corporation Note	1999	-	7,000,000	7,000,000
4.25%	Airport ODOT Note	1999	-	2,130,426	2,130,426
4.25%	Surface ODOT Note	1999	-	860,434	860,434
Total Notes Payable			17,673,851	9,172,774	26,846,625
Ohio Enterprise Bonds:					
7.25%	Hercules Tire & Rubber Co.	1998	8,350,000	(100,000)	8,250,000
Ohio Water Development Authority Loans (OWDA):					
7.50%	Water Pollution Control Plant		1,394,272	(67,096)	1,327,176
Total			$222,795,123	$25,605,678	$248,400,801

NOTE 5 - LONG-TERM DEBT (Continued)

Presented below is a summary of principal payment requirements to maturity by years.

	2000	2001	2002	2003
Notes Payable				
Central Union Plaza Note	$37,678	$39,213	$40,810	$42,473
Owens Corning ODOD Note	233,704	239,018	244,452	250,008
Brush Wellman ODOD Note	235,990	241,354	236,259	234,418
Airport Improvement Revenue Notes	338,617	355,868	373,998	393,051
Manor Care Corporation Note	-	-	-	-
Airport ODOT Note	-	510,712	521,565	532,646
Surface ODOT Note	-	764,963	95,471	-
Revenue Bonds Payable				
Northwest Ohio Development Revenue Bonds	4,175,000	3,170,000	3,305,000	3,520,000
Owens Corning World Headquarters	5,650,000	6,224,000	6,855,000	7,550,000
Airport Improvement Revenue Bonds	925,000	985,000	770,000	820,000
Airport Improvement Refunding Bonds	230,000	240,000	250,000	460,000
Brush Wellman Revenue Bond	660,000	720,000	785,000	855,000
Brush Wellman Revenue Bond	120,000	120,000	120,000	120,000
FlightSafety Revenue Bond	-	-	-	-
Manor Care Corporation Revenue Bond	-	-	-	-
Ohio Enterprise Bonds				
Herucles Tire & Rubber Co.	211,667	226,667	246,666	261,667
OWDA Loan Payable				
Water Pollution Control Plant	72,117	77,512	83,310	89,542
Total	$12,889,773	$13,914,307	$13,927,531	$15,128,805

	2004	Thereafter	Total
Notes Payable			
Central Union Plaza Note	$44,203	$85,769	$290,146
Owens Corning ODOD Note	255,691	8,034,987	9,257,860
Brush Wellman ODOD Note	244,576	3,350,194	4,542,791
Airport Improvement Revenue Notes	413,076	890,358	2,764,968
Manor Care Corporation Note	-	7,000,000	7,000,000
Airport ODOT Note	543,967	21,536	2,130,426
Surface ODOT Note	-	-	860,434
Revenue Bonds Payable			
Northwest Ohio Development Revenue Bonds	3,715,000	31,340,000	49,225,000
Owens Corning World Headquarters	8,317,000	37,381,000	71,977,000
Airport Improvement Revenue Bonds	870,000	27,950,000	32,320,000
Airport Improvement Refunding Bonds	480,000	6,895,000	8,555,000
Brush Wellman Revenue Bond	930,000	8,210,000	12,160,000
Brush Wellman Revenue Bond	120,000	1,385,000	1,985,000
FlightSafety Revenue Bond	-	20,000,000	20,000,000
Manor Care Corporation Revenue Bond	-	15,755,000	15,755,000
Ohio Enterprise Bonds			
Herucles Tire & Rubber Co.	281,667	7,021,666	8,250,000
OWDA Loan Payable			
Water Pollution Control Plant	96,240	908,455	1,327,176
Total	$16,311,420	$176,228,965	$248,400,801

NOTE 5 - LONG-TERM DEBT (Continued)

A. **Northwest Ohio Development Revenue Bonds**

The Northwest Ohio Development Revenue Bonds are issued pursuant to authorization of the Ohio Revised Code and under a Trust Agreement dated August 15, 1988 between the Authority and the trustee. The program is designed to advance economic development of the Toledo-Lucas County and surrounding area by providing long-term, fixed and variable interest rate financing. Each bond issue must be authorized by a separate action of the board of directors.

Debt service requirements on each bond issue are 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 deposit into the Primary Reserve an amount with the trustee as additional security for the related bonds. Such amounts may be used in the event the borrower is unable to make the required payments under the lease or loan agreement or may be applied to the final year's debt service payments. The trustee holds these funds during the term the bonds are outstanding, with investment income earned on the reserve amounts returned to the borrowers annually. Investment income earned is included in nonoperating interest income while the remittances to the borrowers are included in nonoperating expenditures as "borrower disbursements" in the Statement of Revenues and Expenses and Changes in Fund Equity.

Upon the issuance of the first series of bonds (Series 1988A), the Authority deposited $3,000,000 in the Program Reserve Account with the trustee. The State of Ohio awarded the Authority a grant of $1,500,000, received in 1991 and 1992 and $2,000,000, received in 1999 which was also deposited in the Program Reserve Account. In addition, the Authority has obtained a non-recourse bank letter of credit in the amount of $6,500,000 from a bank to provide additional security for bond investors.

The bond issues are not general obligations of and are not secured by the full faith and credit or taxing power of the Authority.

In December 1994, the Authority defeased $3,355,000 of Taxable Development Revenue Bonds (Series 1988A) and sold the related facility to the sub lessee. Funds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the defeased bonds. The defeased bonds, which have an outstanding balance of $2,950,000 at December 31, 1999, are not included in the Authority's outstanding debt.

In April 1995, the Authority defeased $1,435,000 of Tax Exempt Development Revenue Bonds (Series 1989A). Funds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the defeased bonds. The defeased bonds, which have an outstanding balance of $810,000 at December 31, 1999, are not included in the Authority's outstanding debt.

In May 1996 and July 1996, the Authority defeased $1,115,000 and $1,860,000, respectively, of Tax Exempt Development Revenue Bonds (Series 1989E and 1990D). Funds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the

NOTE 5 - LONG-TERM DEBT (Continued)

A. Northwest Ohio Development Revenue Bonds (Continued)

defeased bonds. The defeased bonds, which have outstanding balances of $650,000 and $1,150,000, respectively, at December 31, 1999 are not included in the Authority's outstanding debt.

At December 31, 1999, future minimum principal and interest payments to be received under the loan agreements securing the remaining bond issues are as follows:

Years	Lease Receivable
2000	$7,882,275
2001	6,510,296
2002	6,394,787
2003	6,346,364
2004	6,262,082
Thereafter	46,491,830
Totals	$79,887,634

The loan agreements are secured by each project's property and/or equipment. In addition, there are personal guarantees from principals of the borrowing companies and/or letters of credit. At December 31, 1999, a loan loss reserve of $1,650,000 has been provided for potentially uncollectible loan amounts.

The Series 1998B bonds were issued for the benefit of the Authority to finance capital improvement costs at the Airport. The bonds are secured by a pledge of specific net revenues of the Authority, not including any tax revenues.

B. Airport Improvement Revenue Bonds and Note

In 1989, the Authority issued $30,870,000 of Airport Improvement Revenue Bonds. The proceeds of the bond issue, along with funds made available by Lucas County and grants from the City of Toledo and the State of Ohio, were used to finance the construction and equipping of an air cargo distribution facility currently leased to Burlington Air Express Inc. (now known as BAX Global Inc.). In conjunction with the issuance of the Airport Improvement Revenue Bonds, a trust agreement dated April 1, 1989 was executed by the Authority and the trustee. The tax-exempt bonds paid interest of 9.875% per annum and were scheduled to mature in installments which began in 1992 and continued through April 1, 2019.

In March 1994 the Authority issued $36,120,000 of Airport Refunding and Improvement Revenue Bonds, Series 1994-1, in part to refinance the 1989 issue of Airport Improvement Revenue Bonds and in part to finance an additional project and improvements at Toledo Express Airport, substantially all of which will be used by and leased to BAX. The bonds, which are tax exempt, pay interest at various rates ranging between 7% and 7.5% and mature in installments which began in 1995 and continue through 2019. The bonds may be redeemed prior to maturity, at specified premiums, at the option of the Authority.

Under the amended Trust Agreement, $3,546,984 of the bond proceeds were deposited with the trustee in a reserve account to be applied to the last year's debt service payments.

NOTE 5 - LONG TERM DEBT (Continued)

B. Airport Improvement Revenue Bonds and Note (Continued)

The lease agreement between the Authority and BAX was amended in March 1994 to reflect the issuance of the new debt. As amended, the initial term of the lease expires October 31, 2013. Lease payments will be sufficient to satisfy the debt service requirements on the bonds during the initial lease term. Throughout the initial lease term, BAX has various options including extending the lease or purchasing the facility. In the event BAX terminates the lease at the end of the initial lease term, the Authority has agreed to pay the remaining bond financing payments from revenues other than those derived from property tax levies. The lessee is obligated under the terms of the lease to bear all costs incurred in the use, operation and maintenance of the leased premises. In April 1990 the Authority issued a $5,000,000 Airport Improvement Revenue Note to the Director of Development of the State of Ohio to finance a portion of capital improvement costs at the Airport. The note pays interest at 5.0% per annum and is to be repaid in 60 quarterly installment payments which commenced on April 1, 1992, and run through January 1, 2007.

In May 1998, the Authority defeased $6,815,000 of Airport Improvement Revenue Bonds and $2,965,000 of Tax-Exempt Development Revenue Bonds (Series 1990A) through the issuance of $8,770,000 of Airport Improvement Revenue Bonds and $2,500,000 of Taxable Development Revenue Bonds (Series 1998B issued through the Northwest Bond Fund). The net proceeds of these bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of $6,385,000 and $2,870,000 at December 31, 1999 are not included in the Authority's outstanding debt since the Authority has in-substance satisfied its obligations through the advance refunding.

Pursuant to the BAX lease, the Authority is obligated to fund an estimated $7,500,000 of general improvements to the Toledo Express Airport if requested by BAX. The amount is expected to be financed from Authority revenue bonds and federal, state and local grants.

C. Owens Corning Project

In June 1994 the Authority announced its plan to construct facilities to serve as the new world headquarters for Owens Corning (OC). The Authority constructed the facilities on land leased to it by the City of Toledo and an affiliate of the local electric utility company. The project is being financed primarily by two bond issues and a loan (revenue note) from the State of Ohio.

In March 1995 the Authority issued $85,340,000 of taxable World Headquarters Revenue Bonds in connection with this project. The bonds, which pay interest at 9.9%, are subject to mandatory sinking fund redemptions each year beginning in 1997 and mature in 2015. The Authority also issued $5,000,000 of Northwest Ohio Development Revenue Bonds Series 1995A which pay interest at 10.06%, require semi-annual redemption payments and mature in May 2015. The State of Ohio, Department of Development, lent the Authority $10,000,000 for the project under a revenue note. The note bears interest at 2% per year. Required are level monthly payments in an amount adequate to reduce the note principal by $5,000,000 by November 15, 2014. A balloon payment of $5,000,000 is due November 15, 2014.

NOTE 5 - LONG-TERM DEBT (Continued)

C. **Owens Corning Project** (Continued)

The City of Toledo committed up to $11,250,000 for land acquisition, site preparation and improvements to the area surrounding the project. In addition, the Ohio Department of Development provided a $1,000,000 grant to the Authority for the project.

The Authority is leasing the facilities to OC under a long-term lease. The lease requires monthly payments through May 2015. The payments are generally equal to the debt service requirements on the three financing vehicles described above, plus a monthly fee of $11,250 to the Authority. OC is also responsible for taxes, insurance and maintenance of the project.

The future minimum lease payments to be received under the OC arrangement are as follows:

Years	Minimum Lease Receivable
2000	$13,817,852
2001	13,813,609
2002	13,812,294
2003	13,811,347
2004	13,823,312
Thereafter	67,406,101
Totals	$136,484,515

The lease agreement provides OC with three options to extend the lease, each for a period of five years. OC also has an option to purchase the building and right of first refusal on the sale to a third party. Unless the building is sold, the Authority will transfer its ownership interest to the City in 2030.

A total of $135,000 in fees related to the OC project was recognized as income by the Authority in 1999.

D. Brush Wellman Inc. Project

In 1996 the board authorized the Authority's participation in a $110 million expansion of Brush Wellman's manufacturing facilities in Elmore, Ohio. The construction of the expansion was financed through the Authority's issuance of $15.28 million of revenue bonds which matures through 2011and a $5 million loan (revenue note) to the Authority by the State of Ohio Department of Development all but $750,000 of which mature through 2011. The $750,000 balance mature through 2016. The balance of the project, consisting primarily of equipment purchases, was financed by Brush Wellman. The Authority issued $13.1 million of the bonds in 1996 and an additional $2.175 million in 1997. The State of Ohio revenue note proceeds were received in 1997.

NOTE 5 - LONG-TERM DEBT (Continued)

D. Brush Wellman Inc. Project (Continued)

Brush Wellman has granted the Authority a 30 year lease through 2026 with an option to extend for an additional 30 years for the land upon which the facility was built. The Authority owns the facility and leases it to Brush Wellman under an agreement that runs through 2011 with options through 2026. Brush Wellman has the option to purchase the facility for $100 plus the remaining outstanding debt or fair market value, whichever is greater.

Lease payments to be received from Brush Wellman are generally equal to the debt service requirements plus fees to the Authority and trustee. Brush Wellman is responsible for taxes, insurance and maintenance expenses. The future minimum lease payments to be received under the agreement are as follows:

Years	Minimum Lease Receivable
2000	$2,277,228
2001	2,269,007
2002	2,298,857
2003	2,309,842
2004	2,346,279
Thereafter	14,902,511
Totals	$26,403,724

E. Central Union Plaza Project

In 1996 the Authority completed the Union Terminal passenger railroad facility. The Authority purchased the facility in 1995 from Conrail with the intention of renovating and leasing the building. Approximately $6,100,000 of the $7,300,000 cost of the project was funded by federal, state and local grants with the balance funded by the Authority, including a $400,000 loan from the State. Rental income received in 1999 and 1998 was $415,400 and $387,532, respectively.

NOTE 6 – PROJECTS IN PROGRESS

Major projects in progress at December 31, 1999 include the FlightSafety International, Inc. (Flight Safety), Superior Street Parking Facility, Manor Care and Hercules Tire & Rubber Co. (Hercules) projects.

During 1998 the Authority issued $5 million in bonds for the Hercules project under the Northwest Ohio Bond Fund. The bonds bear interest at 7.625% and mature in 2018. Also, the State of Ohio issued $8,350,000 in bonds which bear interest at 7.25% and mature in 2018. The project includes the construction of a distribution center facility in Findlay, Ohio which will be owned by the Authority and leased to Hercules through 2008 at which time Hercules will have the options of purchasing the facility for $10 million, selling the facility and applying the proceeds to the remaining debt, or returning the facility to the Authority with residual guarantee payment of $7.4 million.

Under terms of the operating agreement between the authority and FlightSafety, the Authority acquired an existing building and assets on airport property from FlightSafety, is expanding the building and is acquiring flight simulators which will be operated by FlightSafety. To finance the project, in February 1998, the Authority issued $20 million of tax exempt Airport Development Revenue Bonds. The bonds, which mature in 20 years bear interest at a variable rate, adjusted periodically by the Remarketing Agent. Interest is payable quarterly while principal is due in a single payment in 2018. The bonds are secured by the project's assets as well as a guaranty by FlightSafety's parent, Berkshire Hathaway, Inc. As of December 31, 1999, approximately $12,000,000 million had been expended on the project which has been capitalized on the Authority's books in property, plant and equipment. The Authority received $100,000 in fees related to the project in 1999.

In 1999 the Authority issued $7,825,000 in bonds for the Superior Street Parking Facility out of the Northwest Ohio Bond Fund. The tax exempt bonds mature in 2012 at a rate of 5.1% in the amount of $3,365,000 and 2019 at a rate of 5.4% in the amount of $4,460,000. The City of Toledo leased the facility to the Authority. The Authority acquired all of the property necessary to expand the facility and will lease the completed facility to the City of Toledo for a 20 year period. The City of Toledo will pledge to annually appropriate from general revenues sufficient funds to pay the required debt service.

The Authority acquired the former Summit Center building for $19 million from Key Bank. The building was immediately leased to Manor Care Corporation. The project which includes remodeling was financed through the issuance of $15,775,000 in Authority revenue bonds and a $7 million State of Ohio loan. The City of Toledo and the State of Ohio contributed a grant of $1.5 million and $500,000 respectively toward the purchase of the building. The building was occupied in 1999 and the remodeling was in process at the end of 1999.

NOTE 7 - RETIREMENT PLAN

The following information was provided by the Public Employees Retirement System of Ohio (PERS) of Ohio to assist the Authority in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers."

NOTE 7 - RETIREMENT PLAN (Continued)

All employees of the Authority participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-466-2085 or 800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 1999 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.35% to fund the pension and 4.2% to fund health care (See Note 8.) The contribution requirements of plan members and the Authority are established and may be amended by the Public Employees Retirement Board. The Authority's contributions to the PERS of Ohio for the years ending December 31, 1999, 1998 and 1997 were $432,817, $409,203 and $440,229, respectively, which were equal to the required contributions for each year.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefit obligation described in Note 7, the PERS of Ohio provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of retirees. Health care coverage for disability recipients is also available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 1999 employer contribution rate (identified above) that was used to fund health care for the years ending December 31, 1999, 1998 and 1997 was 4.2% of covered payroll which amounted to $134,157, $126,838 and $166,020, respectively, which were equal to the required contributions for each year.

Other Postemployment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. Funding and accounting were on a pay-as-you-go basis. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for other postemployment benefits during 1999 were $523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were $9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

NOTE 9 - OPERATING LEASES

The Authority has entered into a number of noncancelable operating lease agreements with various companies to lease certain of its facilities for periods from five to forty years. In addition, the Authority has entered into noncancelable operating lease agreements whose proceeds are pledged for the debt service of certain bonds. The minimum future rentals to be received under the lease agreements, most of which have been pledged for the debt service of related bonds, are as follows:

	Operating Leases			
Years	Burlington Rentals and Debt Service	Central Union Plaza	Seaport Leases	Total
2000	$4,048,475	$394,850	$784,778	$5,228,103
2001	3,855,167	394,850	784,778	5,034,795
2002	3,755,856	394,850	784,778	4,935,484
2003	3,747,605	394,850	784,778	4,927,233
2004	3,742,395	394,850	784,778	4,922,023
Thereafter	33,295,153	2,257,200	12,194,436	47,746,789
Totals	$52,444,651	$4,231,450	$16,118,326	$72,794,427

Under the BAX lease agreement, scheduled to expire in 2013, BAX was required to make monthly payments for the "basic" rent on the air cargo distribution facility in scheduled amounts calculated to be sufficient to meet the debt service requirements of the 1989 Airport Improvement Revenue Bonds described in Note 5. As described in Note 5 the debt was refinanced in March 1994 and the basic rent was recalculated in an amendment to the lease agreement. Such rental income amounted to $3,305,404 in 1999 and $3,297,338 in 1998. Future scheduled payments range between $3,300,271 in 2000 and $2,996,871 in 2011.

In addition to the basic rent, the agreement also provides for monthly landing fees and fixed payments for land rental and ramp fees. Fixed payments range from $750,482 received in 1999 to $538,968 scheduled for 2013. Landing fees which are calculated based on aircraft weight amounted to $1,556,347 and $1,598,276 in 1999 and 1998, respectively. The Authority is entitled to increase landing fees annually commensurate with the increase in airport operating costs, with a maximum increase of 5% per year. BAX is also being charged fuel royalty fees based on gallons used. Total rentals and fees (other than basic rent) from Burlington recognized in 1999 and 1998 amounted to $2,736,196 and $2,998,548, respectively.

Additionally, the Authority has entered into a number of noncancelable operating leases with companies that provide services at the Airport. The most significant of these agreements are with the airlines and the parking lot operator.

The rent and landing fees received from the airlines totaled $787,395 and $889,657 in 1999 and 1998, respectively. Under the agreement covering the operation of the parking lot, which expires in 2001, rentals are based on percentages of gross parking lot receipts. During 1999 and 1998 rentals received totaled $997,246 and $1,234,992 respectively.

NOTE 10 - CONDUIT DEBT

From time to time the Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 1999, there were twelve series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the three series issued after July 1, 1995 was $13,730,000 of which $13,515,000 remained outstanding at December 31, 1999. The aggregate principal amount payable for the nine series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled $110,500,000.

NOTE 11 - RISK MANAGEMENT

The Authority maintains commercial insurance coverage against most normal hazards and there has been no significant reduction in coverage from the prior year. Settlement claims have not exceeded coverage for any of the last three fiscal years.

The Authority participates in the State of Ohio's Workers' Compensation program under which premiums paid are based on a rate per $100 of payroll. The rate is determined based on accident history.

Employee health benefits are covered under a self insurance program with a stop loss policy which limits losses to $17,500 per employee up to a combined annual loss of $360,000.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Direct program			
Airport Improvement Program	20.106		$ 4,400,687
Total U.S. Department of Transportation			4,400,687
Total expenditures of federal awards			$ 4,400,687

Note - Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of the Toledo-Lucas County Port Authority and is presented on the accrual basis of accounting. The information in the schedule is also presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

CLARK JOHNSON & ROBSON
Certified Public Accountants
Toledo, Ohio

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

We have audited the general purpose financial statements of The Toledo-Lucas County Port Authority as of and for the year ended December 31, 1999, and have issued our report thereon dated July 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Authority in a separate letter dated July 12, 2000.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Clark Johnson & Robson

July 12, 2000

CLARK JOHNSON & ROBSON
Certified Public Accountants
Toledo, Ohio

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Toledo-Lucas County Port Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Toledo-Lucas County Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weakness.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used be used by anyone other than these specified parties.

Clark Johnson & Robson

July 12, 2000

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of accountants' report issued - Unqualified

Internal control over financial reporting -

Material weakness identified? ____yes __X__no

Reportable condition identified that is not considered to be material weakness? ____yes __X__none reported

Noncompliance material to financial statements noted? ____yes __X__no

Federal Awards

Internal control over major programs -

Material weakness identified? ____yes __X__no

Reportable condition identified that is not considered to be material weakness? ____yes __X__none reported

Type of accountants' report issued on compliance for major programs - Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ____yes __X__no

Identification of major programs-

CFDA Number - 20.106 Name of Federal Program - Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs - $300,000

Auditee qualified as low-risk auditee __X__yes ____no

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

NO MATTERS REPORTED

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NO MATTERS REPORTED

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 1999

NO MATTERS REPORTED

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
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TOLEDO LUCAS COUNTY PORT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 30, 2001