TOLEDO-LUCAS COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

Auditor of State
Betty Montgomery

Board of Directors
Toledo-Lucas County Port Authority
One Maritime Plaza
Toledo, Ohio 43604-1866

We have reviewed the Independent Auditor's Report of the Toledo-Lucas County Port Authority, Lucas County, prepared by Weber O'Brien, LTD., for the audit period January 1, 2002 to December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 8, 2003

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TOLEDO-LUCAS COUNTY PORT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Toledo-Lucas County Port Authority
One Maritime Plaza
Toledo, Ohio 43604-1866

We have audited the accompanying balance sheet of the Toledo-Lucas County Port Authority ("Authority") as of December 31, 2002, and the related statements of revenues, expenses and changes in equity and of cash flows for the year then ended. 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 audit. The general purpose financial statements of Toledo-Lucas County Port Authority as of December 31, 2001, were audited by other auditors whose report dated July 22, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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The Board of Directors
Toledo-Lucas County Port Authority
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In accordance with *Government Auditing Standards,* we have also issued a report dated June 20, 2003 on our consideration of the Authority's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the 2002 general purpose financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards on page 28 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,* the accompanying schedule of passenger facility charges collected and expended - cash basis on page 29 is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration, and the supplemental information on pages 22 - 27, which is presented for purposes of additional analysis, is not a required part of the financial statements. Such additional information, which is the responsibility of the Authority's management, has been subjected to the auditing procedures applied in the audit of the 2002 general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2002 general purpose financial statements taken as a whole.

Weber O'Brien, LTD.

June 20, 2003

Toledo-Lucas County Port Authority
Balance Sheets

	December 31, 2002	December 31, 2001
ASSETS		
Cash and cash equivalents	$ 1,616,298	$ 6,016,295
Investments	6,350,294	5,022,001
Restricted investments	51,514,854	30,521,122
Interest receivable	338,823	315,441
Accounts receivable	3,936,523	4,357,705
Prepaid expenses and other assets	257,541	136,314
Property, plant and equipment	321,044,672	311,053,729
Loans receivable	39,770,014	36,770,820
Amount due from lessee	221,350	237,676
Deferred bond issuance cost	9,151,852	8,259,439
Deferred loss on refunding	765,339	892,895
Total assets	**$ 434,967,560**	**$ 403,583,437**
LIABILITIES AND EQUITY		
Accounts payable	$ 3,853,936	$ 2,709,927
Accrued payroll	573,859	456,084
Accrued interest payable	1,437,055	1,558,712
Deferred income	504,343	651,915
Long-term notes payable	27,540,983	30,284,028
Revenue bonds payable	238,605,128	225,298,000
Ohio Enterprise bond payable	17,570,000	7,815,000
Ohio Water Development Authority loan payable	1,094,241	1,177,550
Accrued loss due to lease modification	9,626,214	-
Borrower deposit reserves	3,409,787	2,811,220
Total liabilities	**304,215,546**	**272,762,436**
Contributed capital	129,139,029	129,139,029
Retained earnings	1,612,985	1,681,972
Total equity	**130,752,014**	**130,821,001**
Total liabilities and equity	**$ 434,967,560**	**$ 403,583,437**

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

Toledo-Lucas County Port Authority
Statements of Revenues, Expenses and Changes in Equity

	For the Year Ended December 31, 2002	2001
Operating revenues		
Income from leases and other property agreements	$ 24,153,567	$ 22,336,458
Airport landing area	685,661	504,032
Airport terminal area	4,219,173	3,627,475
BAX Global	1,882,583	2,058,953
Other rental and fee income	3,531,080	3,045,421
Wharfage under property lease	199,278	197,347
Interest income on loans receivable	3,240,597	3,065,131
Other income	757,037	281,732
Total operating revenues	**38,668,976**	**35,116,549**
Operating expenses		
Personal services	4,547,006	4,445,870
Marketing	717,598	428,881
Contractual services	2,762,281	3,183,851
Utilities	683,811	634,058
Repairs and maintenance	1,402,260	1,357,389
Depreciation	14,637,048	13,797,100
Amortization	762,864	747,334
Rental expense	121,409	133,837
Interest expense	3,255,346	3,065,307
Other operating expenses	546,093	604,942
Provision for loan loss reserve	-	150,000
Total operating expenses	**29,435,716**	**28,548,569**
Operating income	**9,233,260**	**6,567,980**
Nonoperating revenues (expenses)		
Proceeds of property tax levy	2,406,126	2,382,562
Capital contributions	10,416,069	9,502,558
Interest income from investments	1,190,724	1,838,950
Passenger facility charges	1,354,628	1,162,155
Interest expense	(14,614,619)	(14,229,318)
Other expense	(13,177)	(3,043)
Borrower disbursements	(415,784)	(563,724)
Loss due to lease modification	(9,626,214)	-
Total nonoperating expenses	**(9,302,247)**	**90,140**
Net income (loss)	**(68,987)**	**6,658,120**
Equity at beginning of year - as previously reported	131,554,334	124,762,881
Prior period adjustment	(733,333)	(600,000)
Equity at beginning of year - restated	130,821,001	124,162,881
Equity at end of year	**$ 130,752,014**	**$ 130,821,001**

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

Toledo-Lucas County Port Authority
Statements of Cash Flows

	December 31, 2002	December 31, 2001
Cash flows from operating activities:		
Operating income	$9,233,260	$6,567,980
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization expense	15,399,912	14,544,434
Provision for loan loss reserve	-	150,000
Changes in assets and liabilities:		
Issuance of loans receivable	(8,095,000)	(8,320,000)
Reductions in loans receivable	5,095,806	2,819,168
Accounts receivable and due from lessee	437,508	(1,587,749)
Interest receivable	(23,382)	57,142
Prepaid expenses and other assets	(121,227)	(93,219)
Accounts payable	1,144,009	1,172,231
Accrued payroll	117,775	(43,886)
Accrued interest	(121,657)	(2,057)
Deferred income	(147,572)	214,480
Borrower deposit reserves	598,567	929,007
Total adjustments	**14,284,739**	**9,839,551**
Net cash provided by operating activities	**23,517,999**	**16,407,531**
Cash flows from noncapital financing activities:		
Principal reductions on Northwest Ohio Development Revenue Bonds	(7,600,000)	(2,760,000)
Proceeds of property tax levy	2,406,126	2,382,562
Net cash used by noncapital financing activities	**(5,193,874)**	**(377,438)**
Cash flows from capital and related financing activities:		
Capital grants received	10,416,069	9,502,558
Passenger facility charges received	1,354,628	1,162,155
Acquisition and construction of capital assets	(24,496,129)	(21,899,212)
Interest paid on capital asset debt	(14,736,276)	(14,229,318)
Principal payments on long-term debt	(19,625,742)	(14,402,860)
Ohio Enterprise Bond proceeds	10,000,000	15,000
Other bond proceeds	32,000,000	21,475,000
Proceeds from notes and loans	5,461,516	1,500,000
Payment of bond issuance costs	(1,527,720)	(583,709)
Net cash used by capital and related financing activities	**(1,153,654)**	**(17,460,386)**
Cash flows from investing activities:		
Interest on investments	1,167,342	1,838,950
Borrower disbursements	(415,784)	(563,724)
Purchase of securities	(57,150,001)	(35,543,123)
Proceeds from sale of securities	34,827,976	36,597,956
Net cash provided (used) by investing activities	**(21,570,467)**	**2,330,059**
Net increase in Cash and Cash Equivalents	**(4,399,996)**	**899,766**
Cash and Cash Equivalents at Beginning of Year	6,016,295	5,116,529
Cash and Cash Equivalents at End of Year	**$1,616,299**	**$6,016,295**
Supplemental disclosure of interest paid	**$17,991,622**	**$17,296,682**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Toledo-Lucas County Port Authority ("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 Dr. Martin Luther King, Jr. 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 assist the general economic development of the City of Toledo, Lucas County, and the surrounding area. To further that goal, in 1993, the Economic Development Division formed a working association with the Toledo Area Chamber of Commerce, which is now known as the Regional Growth Partnership, Inc. The following summary of significant accounting policies of the Authority is presented to assist the reader in evaluating the financial statements.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority does not have financial accountability over any entities.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, 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, is recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

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.

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, 2002.

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 $381,980 and $499,696 of net interest expense in 2002 and 2001, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Loss on Bond Refunding

The difference between the reacquisition price of the new debt and the carrying amount of the old debt is deferred and amortized over ten years.

Capital Contributions

To comply with new GASB statements beginning in 2001, Federal, state and local government improvement grants and contributions received from private firms in connection with financing projects are recorded as nonoperating revenue.

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 2002 and 2001.

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

Statement of Cash Flows – Supplemental Disclosures of Noncash Transaction

At December 31, 2002, the Authority recorded an accrued loss of $9,626,214 due to a lease modification.

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 2004. The contract provides for a fee of $1,350,000 per year, which is a significant portion of the partnership revenue. 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 does not have the authority to appoint or approve a majority of the Board of Trustees of the Partnership. 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, 2002, the carrying amount of the Authority's deposits was $39,759,915 and the bank balance was $40,307,767. Of the bank balance, $100,000 was covered by federal depository insurance and $37,111 was uninsured but collateralized by securities held in the Authority's name and $40,170,656 was uninsured but collateralized by securities held in the pledging bank's trust department.

At December 31, 2001, carrying amount of the Authority's deposits was $18,866,095 and the bank balance was $19,189,342. Of the bank balance, $100,000 was covered by federal depository insurance and $267,305 was uninsured but collateralized by securities held in the Authority's name and $18,822,038 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, 2002. 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.

	2002			2001
	Category 2	Category 3	Fair Value	Fair Value
Categorized Investments				
U.S. Treasury/Agency Securities	$14,085,694	-	$14,085,694	$13,174,101
Repurchase Agreements	-	$ 2,007,234	2,007,234	4,753,388
Commercial Bond	61,813	0	61,813	0
Guaranteed Investment Contracts	3,546,984	-	3,546,984	3,546,984
Total Categorized Investments	17,694,491	2,007,234	19,701,725	21,474,473
Noncategorized Investments				
STAR Ohio	N/A	N/A	19,806	1,218,850
Total Noncategorized Investments	-	-	19,806	1,218,850
Total Investments	$17,694,491	$2,007,234	$19,721,531	$22,693,323

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.

NOTE 3 - CASH, INVESTMENTS AND REPURCHASE AGREEMENTS, Continued

A reconciliation between classifications of cash and investments on the combined balance sheet at December 31, 2002 and the classifications per this GASB Statement No. 3 disclosure is as follows:

	Cash and Cash Equivalents	Investments
Per Combined Balance Sheet	$1,616,298	$57,865,148
Restricted Money Market Funds	40,170,657	(40,170,657)
Investments:		
Repurchase Agreement	(2,007,234)	2,007,234
STAR Ohio	(19,806)	19,806
Per GASB Statement No. 3	$39,759,915	$19,721,531

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2002	December 31, 2001
Land and Improvements	$182,785,742	$170,266,180
Property and Equipment	38,974,740	37,937,634
Buildings and Leasehold Improvements	26,370,179	25,965,912
Furniture and Fixtures	430,975	430,975
Brush Wellman Inc. Facility	20,129,383	19,829,383
Owens Corning Facility	95,978,456	95,978,456
BAX Hub	37,974,351	37,974,351
HCR	24,048,664	24,048,664
Superior Street Garage	5,489,625	4,815,653
Hercules Tire & Rubber Co.	15,149,720	13,007,387
FlightSafety International Facility	16,281,162	16,325,913
Kuss Corp	7,928,847	7,928,847
TWI/Total Foods	3,238,505	1,861,495
Cargotec	4,508,397	2,790,506
Construction in Progress:		-
Toledo Hospital	2,319,338	-
Dana	2,178,466	-
	483,786,550	459,161,356
Less: Accumulated Depreciation	(162,741,878)	(148,107,627)
	$321,044,672	$311,053,729

Depreciation has been determined using the straight-line method over the estimated useful lives of the depreciable property and equipment ranging between 5 and 40 years. During 2002 and 2001, approximately $10,400,000 and $9,500,000, 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, 2002 follows:

			Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002
Revenue Bonds:					
Northwest Ohio Development:					
	Taxable:				
10.42%	Dunbar	1989B	$1,420,000	($110,000)	$1,310,000
10.28%	Poggemeyer	1990B	1,015,000	(60,000)	955,000
10.44%	Advantage	1990E	1,445,000	(90,000)	1,355,000
9.43%	Sandusky LTD.	1994A	2,030,000	(620,000)	1,410,000
10.06%	Owens Corning	1995A	4,550,000	(115,000)	4,435,000
7.24%	Brent	1995B	1,655,000	(255,000)	1,400,000
7.20%	Sandusky LTD.	1998A	2,240,000	(280,000)	1,960,000
7.22%	Port Authority	1998B	1,920,000	(220,000)	1,700,000
7.30%	City of Toledo	1998C	2,515,000	(70,000)	2,445,000
7.00%	Crown Battery	1998D	4,810,000	(275,000)	4,535,000
7.63%	Hercules Tire & Rubber Co.	1998E	4,700,000	(140,000)	4,560,000
8.54%	Kuss Corporation	2000B	6,070,000	-	6,070,000
8.00%	Hammill	2001B	1,500,000	(60,000)	1,440,000
8.15%	Cargotec, Inc.	2001F	5,060,000	(70,000)	4,990,000
6.65%	Hercules Tire & Rubber Co.	2002A	-	3,095,000	
				(175,000)	2,920,000
6.18%	Dana	2002B	-	7,000,000	7,000,000
6.55%	Impact	2002D	-	4,710,000	4,710,000
	Tax Exempt:				
8.25- 8.40%	Scottdell	1989C	890,000	(890,000)	-
7.75%	ARPC	1992A	595,000	(595,000)	-
5.1- 5.40%	Superior Street Parking	1999A	7,640,000	(105,000)	7,535,000
5.65- 6.12%	Alex Products	1999B	4,005,000	(570,000)	3,435,000
5.90%	Aero Classics	2000A	1,950,000	(180,000)	1,770,000
6.60%	Precision Steel	2000C	1,640,000	(100,000)	1,540,000
6.90%	Toledo World Industries	2000D	1,355,000	(30,000)	1,325,000
6.10%	Total Foods Inc.	2000E	2,250,000	(175,000)	2,075,000
6.00%	Alex Products	2000F	2,450,000	(345,000)	2,105,000
4- 6.00%	Accutech Films	2001A	3,575,000	(155,000)	3,420,000
4- 6.00%	Total Foods Inc.	2001C	2,300,000	(140,000)	2,160,000
4.2- 6.00%	Solutions Mfg	2001D	1,415,000	(60,000)	1,355,000
4- 5.75%	RTH Processing	2001E	1,600,000	(215,000)	1,385,000
3.75- 5.65%	Rassini Chassis	2001G	6,025,000	(6,025,000)	-
2.6- 5.35%	Oracle	2002C	-	3,385,000	3,385,000
Other:					
9.90%	Owens Corning World Headquarters	1995	60,103,000	(6,855,000)	53,248,000
7- 7.50%	Airport Improvement	1994	30,410,000	(770,000)	29,640,000
8.17%	Brush Wellman	1996	10,780,000	(795,000)	9,985,000
8.01%	Brush Wellman	1997	1,745,000	(110,000)	1,635,000
variable	FlightSafety International, Inc.	1998	15,800,000	-	15,800,000
5.55%	Airport Improvement Refunding	1998	8,085,000	(250,000)	7,835,000
7.10%	HCR	1999	15,755,000	-	15,755,000
variable	Burlington Ramp	1996	4,000,000	-	4,000,000
10.50%	Dana Corporation	2002	-	13,810,000	13,810,000
3.35%	Toledo Hospital	2002	-	2,212,128	2,212,128
Total Revenue Bonds			225,298,000	13,307,128	238,605,128

Continued

NOTE 5 - LONG-TERM DEBT (Continued)

			Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002
Notes Payable:					
4.00%	MLKJ Plaza ODOD	1996	213,255	(40,810)	172,445
2.00%	Owens Corning ODOD Note	1995	8,764,974	(200,708)	8,564,266
2.24- 4.25%	Brush Wellman ODOD Note	1997	4,064,559	(235,056)	3,829,503
5.00%	Airport Improvement Note	1990	2,070,482	(373,998)	1,696,484
1.00- 4.00%	Manor Care Corporation Note	1999	7,000,000	-	7,000,000
4.25%	Airport ODOT Note	1999	3,075,324	(3,075,324)	-
4.25%	Surface ODOT Note	1999	860,434	67,843	
				(454,380)	473,897
3.00%	Highway Enterprise Program Loan	2000	240,000	(80,000)	160,000
2.25- 5.25%	Kuss Corporation ODOD	2000	2,495,000	(100,000)	2,395,000
2.00%	Rassini Chassis ODOD	2001	1,500,000	(1,500,000)	-
4.00%	Seaport ODOD	2002	-	300,000	
				(50,612)	249,388
2.00%	Dana Corporation ODOD	2002	-	3,000,000	3,000,000
Total Notes Payable			30,284,028	(2,743,045)	27,540,983
Ohio Enterprise Bonds:					
7.25%	Hercules Tire & Rubber Co.	1998	7,815,000	(245,000)	7,570,000
6.08%	Dana Corporation	2002	-	10,000,000	10,000,000
Total Ohio Enterprise Bonds Payable			7,815,000	9,755,000	17,570,000
Ohio Water Development Authority Loans (OWDA):					
7.50%	Water Pollution Control Plant		1,177,550	(83,309)	1,094,241
Total			$264,574,578	$20,235,774	$284,810,352

NOTE 5 - LONG-TERM DEBT (Continued)

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

	2003	2004	2005	2006
Notes Payable				
MLKJ Plaza Note	$42,473	$44,203	$46,004	$39,765
Owens Corning ODOD Note	273,588	255,691	261,504	267,451
Brush Wellman ODOD Note	235,621	244,576	255,175	266,234
Airport Improvement Revenue Notes	393,051	413,076	434,121	456,236
Manor Care Corporation Note	-	-	-	-
Surface ODOT Note	473,897	-	-	-
Highway Enterprise Program Loan	80,000	80,000	-	-
Kuss Corporation	100,000	100,000	100,000	110,000
Seaport ODOD Note	57,368	59,705	62,138	64,670
Dana Corporation ODOD	-	44,842	91,210	93,284
Revenue Bonds Payable				
Northwest Ohio Development Revenue Bonds	5,710,000	6,460,000	5,965,000	6,175,000
Owens Corning World Headquarters	7,550,000	8,317,000	9,160,000	4,384,000
Airport Improvement Revenue Bonds	820,000	870,000	930,000	1,000,000
Airport Improvement Refunding Bonds	460,000	480,000	505,000	525,000
Brush Wellman Revenue Bond	850,000	925,000	1,000,000	1,090,000
Brush Wellman Revenue Bond	120,000	165,000	180,000	180,000
FlightSafety Revenue Bond	-	-	-	-
HCR	-	-	-	-
Burlington Ramp	-	-	-	-
Dana Corporation	-	-	-	-
Toledo Hospital	130,962	180,182	186,758	193,571
Ohio Enterprise Bonds				
Hercules Tire & Rubber Co.	261,667	281,667	306,667	326,667
Dana Corporation	0	70,000	160,000	160,000
OWDA Loan Payable				
Water Pollution Control Plant	89,542	96,240	103,440	111,178
Total	$17,648,169	$19,087,182	$19,747,017	$15,443,056

	2007	Thereafter	Total
Notes Payable			
MLKJ Plaza	$0	$0	$172,445
Owens Corning ODOD Note	273,531	7,232,501	8,564,266
Brush Wellman ODOD Note	277,772	2,550,125	3,829,503
Airport Improvement Revenue Notes	-	-	1,696,484
Manor Care Corporation Note	-	7,000,000	7,000,000
Surface ODOT Note	-	-	473,897
Highway Enterprise Program Loan	-	-	160,000
Kuss Corporation ODOD	110,000	1,875,000	2,395,000
Seaport ODOD Note	5,507	-	249,388
Dana Corporation ODOD	95,405	2,675,259	3,000,000
Revenue Bonds Payable			
Northwest Ohio Development Revenue Bonds	6,585,000	53,790,000	84,685,000
Owens Corning World Headquarters	1,899,000	21,938,000	53,248,000
Airport Improvement Revenue Bonds	1,075,000	24,945,000	29,640,000
Airport Improvement Refunding Bonds	550,000	5,315,000	7,835,000
Brush Wellman Revenue Bond	1,180,000	4,940,000	9,985,000
Brush Wellman Revenue Bond	180,000	810,000	1,635,000
FlightSafety Revenue Bond	-	15,800,000	15,800,000
HCR	-	15,755,000	15,755,000
Burlington Ramp	-	4,000,000	4,000,000
Dana Corporation	-	13,810,000	13,810,000
Toledo Hospital	200,635	1,320,020	2,212,128
Ohio Enterprise Bonds			
Hercules Tire & Rubber Co.	351,665	6,041,667	7,570,000
Dana Corporation	175,000	9,435,000	10,000,000
OWDA Loan Payable			
Water Pollution Control Plant	119,496	574,345	1,094,241
Total	$13,078,011	$199,806,917	$284,810,352

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 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 non-recourse letters 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 $2,630,000 at December 31, 2002, 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 $365,000 at December 31, 2002, 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 $360,000 and $850,000, respectively, at December 31, 2002 are not included in the Authority's outstanding debt.

In 2001, $6,025,000 of tax-exempt bonds were issued for a project at Rassini. The project was abandoned before beginning and a mandatory redemption of all bonds was made in 2002. The full amount of the debt was removed from the balance sheet at December 31, 2002. There was no loss realized by the Port Authority.

At December 31, 2002, future minimum principal and interest payments to be received under the loan agreements securing the remaining bond issues are as follows:

Years	Receivable
2003	$11,565,976
2004	11,893,236
2005	10,963,339
2006	10,771,932
2007	10,761,682
Thereafter	73,509,375
Totals	$129,465,540

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, 2002 and 2001, a loan loss reserve of $1,950,000 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 were to continue through April 1, 2019.

NOTE 5 - LONG TERM DEBT (Continued)

B. Airport Improvement Revenue Bonds and Note (Continued)

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 are 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.

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 $5,585,000 and $2,690,000 at December 31, 2002, 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.

NOTE 5 - LONG-TERM DEBT (Continued)

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

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. Monthly payments are required in an amount adequate to reduce the bond principal by \$3,500,000. A balloon payment of \$1,500,000 is due May 15, 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.

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.

In 2000, Owens Corning entered into bankruptcy. Payments continued to be made on the lease as part of the reorganization. However, to further reduce its costs, Owens Corning negotiated with creditors and the Port Authority in 2003 to modify the lease agreement. Among the modifications was the change from a fair market value purchase option to a bargain purchase option of \$1,000 plus the balance of any outstanding debt at the time of purchase for the headquarters building at lease termination. In addition, Owens Corning purchased the balance of the \$85.34 million revenue bonds from the bondholders at approximately 60 cents on the dollar. With the removal of the fair market value purchase option from the underlying lease agreements, which eliminates risk of loss to the Port Authority, this project becomes similar to other third-party transactions in which the Port Authority is involved which have been accounted for as conduit debt (Note 10). Accordingly, this transaction also will be treated as conduit debt in 2003. Under conduit debt treatment, the assets and liabilities will not be included on the Port Authority's books. At December 31, 2002, the Port Authority accrued a loss of \$9,626,214 due to the lease modifications.

The Authority is leasing the facilities to OC under a long-term lease. The lease requires monthly payments through May 2015, which are generally equal to the debt service requirements on the remaining bond and note described above, plus a monthly fee of \$11,250 to the Authority. The lease agreement provides OC with three options to extend the lease. OC is also responsible for taxes, insurance and maintenance of the project. A total of \$135,000 in fees related to the OC project was recognized as income by the Authority in 2002.

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 mature through 2011 and 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 matures 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.

E. Dr. Martin Luther King, Jr. Plaza Project

In 1996 the Authority completed the renovation of the Dr. Martin Luther King, Jr. Plaza 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 2002 and 2001 was $460,000 and $430,000, respectively.

NOTE 6 – PROJECTS IN PROGRESS

Major projects in process at December 31, 2002 include the Toledo Hospital and Dana Corporation.

The Authority issued $2.212 million of variable rate revenue bonds for The Toledo Hospital project that involves construction of a new medical office and associated equipment. The proceeds of the bonds are advanced by the bondholder in installments as acquisition and construction progresses and structured as a synthetic lease with the Authority as the lessor.

During 2002 the Authority completed a multi-faceted financing project for Spicer Driveshaft, Inc., a subsidiary of Dana Corporation that included a new building and equipment for a Technology Center. The project was financed with the issuance of $13.81 million in revenue bonds by the Authority with a 100% balloon and a interest rate of 10.5%; a $10 million bond to the Authority under the Ohio Enterprise Bond Program with an $8 million balloon with a 6.1% interest rate; a $7 million bond issued to the Authority under The Northwest Ohio Bond Fund Program with a $5 million balloon and an interest rate of 6.18%; a $3 million Ohio 166 loan to the Authority with a $2 million balloon and an interest rate of 2%; a $1 million Ohio 629 Grant to Lucas County for roadway improvements; and a $300,000 Ohio 412 Grant to the Authority. The Authority will lease the building and equipment to the Dana Corporation.

NOTE 7 - RETIREMENT PLAN

The following information was provided by the Public Employees Retirement System of Ohio (PERS) 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 Ohio PERS, a cost-sharing multiple employer defined benefit pension plan. The Ohio PERS 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 Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2002 and 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll. The 2002 and 2001 pension rates were 8.55% and 9.25%, respectively. The 2002 and 2001 health care rates were 5.0% and 4.3%, respectively. 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 Ohio PERS for the years ending December 31, 2002, 2001 and 2000 were $458,905, $450,279 and $349,845, respectively, which were equal to the required contributions for each year.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS 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 Ohio PERS. The portion of the 2002 and 2001 employer contribution rates (identified above) that were used to fund health care were 5.0% and 4.3%, respectively, of covered payroll, which amounted to $169,338 and $142,893, respectively.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2001 is $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively.

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, excluding those which have been pledged solely for the debt service of related bonds, are as follows:

	Operating Leases			
Years	Burlington Rentals and Debt Service	Dr. Martin Luther King Plaza	Seaport Leases	Total
2003	3,747,605	441,468	832,798	5,021,871
2004	3,742,395	441,468	832,798	5,016,661
2005	3,741,523	441,468	771,948	4,954,939
2006	3,676,280	334,441	746,478	4,757,199
2007	3,669,181	193,020	746,478	4,608,679
Thereafter	22,208,170	1,318,353	11,400,620	34,927,143
Totals	$40,785,154	$3,170,218	$15,331,120	$59,286,492

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 $3,012,137 in 2002 and $3,109,388 in 2001. Future scheduled payments range between $3,005,904 in 2003 and $2,997,598 in 2012.

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 $741,701 to be received in 2003 to $538,968 scheduled for 2013. Landing fees which are calculated based on aircraft weight amounted to $849,787 and $999,943 in 2002 and 2001, 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 2002 and 2001 amounted to $1,965,717 and $2,167,452, 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 $1,538,311 and $1,133,648 in 2002 and 2001, respectively. Under the agreement covering the operation of the parking lot, rentals are based on percentages of gross parking lot receipts. During 2002 and 2001 rentals received totaled $1,660,907 and $1,369,459 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, 2002, there were fourteen series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the five series issued after July 1, 1995 was $48,730,000 of which $44,705,000 remained outstanding at December 31, 2002. The aggregate principal amount outstanding at December 31, 2002 for the six series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled $91,650,000.

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.

In March, 2001 the Authority's self-insured health benefit program, excluding dental coverage, was replaced with a premium based HMO. Premium expense for 2002 and 2001 was $427,000 and $250,000 respectively. The Authority continues to provide a self-insured dental plan, which provides various benefits after a deductible. Maximum dental benefits are limited to $1,000 per year for preventative care and major dental services and $1,000 per lifetime for orthodontics.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The financial statements for periods prior to January 1, 2002 have been restated from amounts previously reported to record the addition of a fixed asset of $4,000,000 in 1996 and the corresponding issuance of a bond, which were inadvertently not included. The balance of net assets at December 31, 2001 has been restated from amounts previously reported to reflect the retroactive charge of $733,333 for depreciation on such fixed asset. Of this amount, $133,333 is applicable to 2001 and has been reflected as an increase in depreciation expense for that year. The balance of $600,000 (applicable to years prior to 2001) was charged to net assets at January 1, 2001.

NOTE 13 – CONTINGENCIES

In the normal course of operations, the Authority may be subject to litigation, claims and unasserted possible claims. As of December 31, 2002, the Authority was involved in several such matters. While the outcome of such matters cannot presently be determined, management believes that their ultimate resolution will not have a material adverse effect on the financial position of the Authority.

Toledo-Lucas County Port Authority
Schedule of Balance Sheet Information by Division
December 31, 2002

	Administration	Seaport	Airport	Economic Development	Surface	Total
ASSETS						
Cash	$ 1,482,625	$ -	$ 133,673	$ -	$ -	$ 1,616,298
Investments	-	6,350,294	-	-	-	6,350,294
Restricted investments	-	-	1,111,102	50,403,752	-	51,514,854
Interest receivable	-	66,217	-	272,606	-	338,823
Accounts receivable	9,309	559,292	819,842	1,744,837	803,243	3,936,523
Due (to) from other divisions	(1,799,580)	(750,136)	3,539,450	1,959	(991,693)	-
Prepaid expenses and other assets	13,093	-	232,571	11,877	-	257,541
Property, plant and equipment	72,301	27,410,539	106,677,010	177,442,138	9,442,684	321,044,672
Loans receivable	-	-	-	39,770,014	-	39,770,014
Amount due from lessee	-	221,350	-	-	-	221,350
Deferred bond issuance costs	-	-	205,792	8,946,060	-	9,151,852
Deferred loss on refunding	-	-	765,339	-	-	765,339
Interdivisional receivables (payables)	-	10,106,003	(5,358,622)	(4,747,381)	-	-
Total assets	**$ (222,252)**	**$ 43,963,559**	**$ 108,126,157**	**$ 273,845,862**	**$ 9,254,234**	**$ 434,967,560**
LIABILITIES AND EQUITY						
Accounts payable	$ 199,147	$ 319,325	$ 1,147,060	$ 2,171,305	$ 17,099	$ 3,853,936
Accrued payroll	209,177	23,913	334,016	-	6,753	573,859
Accrued interest payable	-	-	-	1,437,055	-	1,437,055
Deferred income	-	-	86,748	415,395	2,200	504,343
Long-term notes payable	-	409,388	1,696,484	24,788,769	646,342	27,540,983
Revenue bonds payable	-	-	9,535,000	229,070,128	-	238,605,128
Ohio Enterprise bond payable	-	-	-	17,570,000	-	17,570,000
Ohio Water Development Authority loan	-	-	1,094,241	-	-	1,094,241
Accrued loss due to lease modification				9,626,214		9,626,214
Borrowers' deposit reserves	-	-	-	3,409,787	-	3,409,787
Total liabilities	**408,324**	**752,626**	**13,893,549**	**288,488,653**	**672,394**	**304,215,546**
Equity						
Contributed capital	5,000	6,627,403	104,218,778	9,764,795	8,523,053	129,139,029
Retained earnings (accumulated deficit)	(635,576)	36,583,530	(9,986,170)	(24,407,586)	58,787	1,612,985
Total equity	**(630,576)**	**43,210,933**	**94,232,608**	**(14,642,791)**	**8,581,840**	**130,752,014**
Total liabilities and equity	**$ (222,252)**	**$ 43,963,559**	**$ 108,126,157**	**$ 273,845,862**	**$ 9,254,234**	**$ 434,967,560**

Toledo-Lucas County Port Authority
Schedule of Revenues, Expenses and Changes in Equity Information by Division
For the Year Ended December 31, 2002

	Administration	Seaport	Airport	Economic Development	Surface	Total
Operating revenues						
Income from leases and other property agreements	$ -	$ -	$ -	$ 24,153,567	$ -	$ 24,153,567
Airport landing area	-	-	685,661	-	-	685,661
Airport terminal area	-	-	4,219,173	-	-	4,219,173
Burlington	-	-	1,882,583	-	-	1,882,583
Other rental and fee income	608,538	1,659,544	393,802	408,730	460,466	3,531,080
Wharfage under property lease	-	199,278	-	-	-	199,278
Interest income on loans receivable	-	-	-	3,240,597	-	3,240,597
Other income	268,888	18,412	469,737	-	-	757,037
Total operating revenues	**877,426**	**1,877,234**	**7,650,956**	**27,802,894**	**460,466**	**38,668,976**
Operating expenses						
Personal services	1,432,261	323,198	2,691,616	-	99,931	4,547,006
Marketing	138,888	66,351	501,603	-	10,756	717,598
Contractual services	1,446,865	456,808	748,069	-	110,539	2,762,281
Utilities	24,856	13,438	611,839	-	33,678	683,811
Repairs and maintenance	-	399,080	926,963	-	76,217	1,402,260
Depreciation	24,718	1,524,665	3,450,080	9,383,594	253,991	14,637,048
Amortization	-	-	161,855	601,009	-	762,864
Rental expense	121,409	-	-	-	-	121,409
Interest expense	-	-	-	3,255,346	-	3,255,346
Other operating expenses	191,122	66,703	41,886	230,252	16,130	546,093
Total operating expenses	**3,380,119**	**2,850,243**	**9,133,911**	**13,470,201**	**601,242**	**29,435,716**
Operating income (loss)	**(2,502,693)**	**(973,009)**	**(1,482,955)**	**14,332,693**	**(140,776)**	**9,233,260**
Nonoperating revenues (expenses)						
Proceeds of property tax levy	2,406,126	-	-	-	-	2,406,126
Capital Contributions	-	-	9,437,222	-	978,847	10,416,069
Interest income from investments	-	349,533	210,509	630,682	-	1,190,724
Passenger facility charges	-	-	1,354,628	-	-	1,354,628
Interest expense	-	(30,957)	(964,516)	(13,611,358)	(7,788)	(14,614,619)
Other expense	-	-	-	(13,177)	-	(13,177)
Borrower disbursements				(415,784)		(415,784)
Loss due to lease modification	-	-	-	(9,626,214)	-	(9,626,214)
Total nonoperating revenues (expenses)	**2,406,126**	**318,576**	**10,037,843**	**(23,035,851)**	**971,059**	**(9,302,247)**
Net Income (loss)	**(96,567)**	**(654,433)**	**8,554,888**	**(8,703,158)**	**830,283**	**(68,987)**
Equity (Deficit) at beginning of year	(1,046,091)	43,715,366	85,677,720	(5,277,551)	7,751,557	130,821,001
Interdivisional transfers in	512,082	311,569	971,052	777,613	48,598	2,620,914
Interdivisional transfers out	-	(161,569)	(971,052)	(1,439,695)	(48,598)	(2,620,914)
Equity (Deficit) at end of year	**$ (630,576)**	**$ 43,210,933**	**$ 94,232,608**	**$ (14,642,791)**	**$ 8,581,840**	**$ 130,752,014**

Toledo-Lucas County Port Authority
Seaport Division
Schedule of Balance Sheet Information
December 31, 2002

ASSETS	General	Presque Isle	Total
Investments	$ 6,350,294	$ -	$ 6,350,294
Interest receivable	66,217	-	66,217
Accounts receivable	559,292	-	559,292
Due from other divisions	(750,136)	-	(750,136)
Property, plant and equipment	16,863,758	10,546,781	27,410,539
Amount due from lessee	221,350	-	221,350
Interdivisional receivables	10,106,003	-	10,106,003
Total assets	**$ 33,416,778**	**$ 10,546,781**	**$ 43,963,559**
LIABILITIES AND EQUITY			
Accounts payable	$ 319,325	$ -	$ 319,325
Accrued payroll	23,913	-	23,913
Long-term notes payable	409,388	-	409,388
Total liabilities	**752,626**	**-**	**752,626**
Equity			
Contributed capital	6,627,403	-	6,627,403
Retained earnings	26,036,749	10,546,781	36,583,530
Total equity	**32,664,152**	**10,546,781**	**43,210,933**
Total liabilities and equity	**$ 33,416,778**	**$ 10,546,781**	**$ 43,963,559**

Toledo-Lucas County Port Authority
Seaport Division
Schedule of Revenues, Expenses and Changes in Equity Information
For the Year Ended December 31, 2002

	General	Presque Isle	Total
Operating revenues			
Other rental and fee income	$ 1,659,544	$ -	$ 1,659,544
Wharfage under property lease	199,278	-	199,278
Other income	18,412	-	18,412
Total operating revenues	**1,877,234**	**-**	**1,877,234**
Operating expenses			
Personal services	323,198	-	323,198
Marketing	66,351	-	66,351
Contractual services	456,808	-	456,808
Utilities	13,438	-	13,438
Repairs and maintenance	399,080	-	399,080
Depreciation	364,160	1,160,505	1,524,665
Other operating expenses	66,703	-	66,703
Total operating expenses	**1,689,738**	**1,160,505**	**2,850,243**
Operating (loss)	**187,496**	**(1,160,505)**	**(973,009)**
Nonoperating revenues			
Interest income from investments	349,533	-	349,533
Interest expense	(30,957)	-	(30,957)
Total nonoperating revenues	**318,576**	**-**	**318,576**
Net income (loss)	**506,072**	**(1,160,505)**	**(654,433)**
Equity at beginning of year	32,008,080	11,707,286	43,715,366
Interdivisional transfer in	311,569	-	311,569
Interdivisional transfer out	(161,569)	-	(161,569)
Equity at end of year	**$ 32,664,152**	**$ 10,546,781**	**$ 43,210,933**

Toledo-Lucas County Port Authority
Economic Development Division
Schedule of Balance Sheet Information
December 31, 2002

ASSETS	General	Financing Activities	Northwest Ohio Bond Fund	Total
Restricted investments	$ -	$ 40,237,945	$ 10,165,807	$ 50,403,752
Interest receivable	-	9,933	262,673	272,606
Accounts receivable	-	1,744,837	-	1,744,837
Due from other divisions	1,959	-	-	1,959
Prepaid Expenses and other assets	-	11,877	-	11,877
Property, plant and equipment	598,418	176,843,720	-	177,442,138
Loans receivable	-	-	39,770,014	39,770,014
Deferred bond issuance cost	-	8,946,060	-	8,946,060
Interdivisional (payables)	(1,747,381)	-	(3,000,000)	(4,747,381)
Total assets	**$ (1,147,004)**	**$ 227,794,372**	**$ 47,198,494**	**$ 273,845,862**
LIABILITIES AND EQUITY				
Accounts payable	$ -	$ 2,171,305	$ -	$ 2,171,305
Accrued interest payable	-	869,223	567,832	1,437,055
Deferred income	-	351,903	63,492	415,395
Long-term notes payable	-	24,788,769	-	24,788,769
Revenue bonds payable	-	186,995,128	42,075,000	229,070,128
Ohio Enterprise bond payable	-	17,570,000	-	17,570,000
Accrued loss due to lease modification	-	9,626,214	-	9,626,214
Borrowers' deposit reserves	-	809,129	2,600,658	3,409,787
Total liabilities	**-**	**243,181,671**	**45,306,982**	**288,488,653**
Equity				
Contributed capital	84,112	6,180,683	3,500,000	9,764,795
Accumulated deficit	(1,231,116)	(21,567,982)	(1,608,488)	(24,407,586)
Total equity	**(1,147,004)**	**(15,387,299)**	**1,891,512**	**(14,642,791)**
Total liabilities and equity	**$ (1,147,004)**	**$ 227,794,372**	**$ 47,198,494**	**$ 273,845,862**

Toledo-Lucas County Port Authority
Economic Development Division
Schedule of Revenues, Expenses and Changes in Equity Information
For the Year Ended December 31, 2002

	General	Financing Activities	Northwest Ohio Bond Fund	Total
Operating revenues				
Income from leases and other property agreements	$ -	$ 24,153,567	$ -	$ 24,153,567
Other rental and fee income	-	-	408,730	408,730
Interest income on loans receivable	-	-	3,240,597	3,240,597
Other Income	-	-	-	-
Total operating revenues	-	**24,153,567**	**3,649,327**	**27,802,894**
Operating expenses				
Depreciation	-	9,383,594	-	9,383,594
Amortization	-	601,009	-	601,009
Interest expense	-	-	3,255,346	3,255,346
Other operating expenses	-	230,252	-	230,252
Total operating expenses	-	**10,214,855**	**3,255,346**	**13,470,201**
Operating income	-	**13,938,712**	**393,981**	**14,332,693**
Nonoperating revenues (expenses)				
Interest income from investments	-	357,799	272,883	630,682
Interest expense	-	(13,611,358)	-	(13,611,358)
Other Expense	-	(13,177)	-	(13,177)
Loss due to lease modification		(9,626,214)		(9,626,214)
Borrower disbursements	-	(321,240)	(94,544)	(415,784)
Total nonoperating revenues (expenses)	-	**(23,214,190)**	**178,339**	**(23,035,851)**
Net income (loss)	-	**(9,275,478)**	**572,320**	**(8,703,158)**
Equity (Deficit) at beginning of year	(1,147,004)	(6,112,251)	1,981,704	(5,277,551)
Interfund transfers in	-	777,613	-	777,613
Interfund transfers out	-	(777,183)	(662,512)	(1,439,695)
Equity (Deficit) at end of year	**$ (1,147,004)**	**$ (15,387,299)**	**$ 1,891,512**	**$ (14,642,791)**

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CASH BASIS)
For the Year Ended December 31, 2002

Federal Grantor/Pass - Through Grantor Program Titles	Project Number	CFDA Number	Grant Expenditures
U.S. Department of Transportation			
Airport Improvement Program		20.106	$8,378,944

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
FOR EACH QUARTER DURING THE YEAR ENDED DECEMBER 31, 2002

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Totals
PFC Fees Collected	$ 382,328	$ 399,399	$ 319,739	$ 283,803	$ 1,385,269
Interest Income Net of Bank Fees	17,571	5,054	2,405	1,956	26,986
PFC Fees Expended	574,775	2,717,862	-0-	1,296,966	4,589,603
Net Increase (Decrease) in Cash	(174,876)	(2,313,409)	322,144	(1,011,207)	(3,177,348)
Cash at Beginning of Period	3,177,348	3,002,472	689,063	1,011,207	3,177,348
Cash at End of Period	$ 3,002,472	$ 689,063	$ 1,011,207	$ -0-	$ -0-

"See Notes to Schedule of Passenger Facility Charges"

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO SCHEDULE OF PASSENGER FACILTIY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
YEAR ENDED DECEMBER 31, 2002

General

The Schedule of Passenger Facility Charges Collected and Expended - Cash Basis was prepared for the purpose of complying with the regulations issued by the Federal Aviation Administration of the U.S. Department of Transportation (14 CFR 158) to implement 49 U.S.C. 40117, as amended. Those regulations define collection as the point when agents or other intermediaries remit passenger facility charges to the airlines. Passenger facility charges ("PFC's") are collected from passengers for the purpose of funding approved airport improvement projects. These fees are collected by certain air carriers and remitted to the appropriate airport, net of an allowed processing fee, which is retained by the air carrier.

The Aviation Safety and Capacity Expansion Act of 1990 and its implementing regulation, 14 CFR Part 158 (the"Regulation"), provided airports with the ability to obtain funds for improvement projects by assessing a $1, $2, $3, $4 or $4.50 PFC for each applicable enplaning passenger. Each airport choosing to assess such a fee must make an application with the Federal Aviation Administration of the U.S. Department of Transportation (the "FAA") in order to obtain approval for the project for which the PFC is to be collected and approval for the PFC amount that can be charged to each applicable enplaning passenger.

Upon approval from the FAA, certain air carriers are required to collect the PFC's from appropriate enplaning passengers and remit the fee to the assessing airport. The Regulation contains provisions regarding which air carriers are required to collect PFC's and provides for limitation on PFC's that can be collected from passengers.

The Toledo-Lucas County Port Authority ("Port Authority"), for its operation at Toledo Express Airport, has been granted FAA approval to collect PFC fees through December 1, 2003, at the rates of $4.50 for each enplaned passenger, which was effective on July 1, 2001.

The PFC amounts collected are maintained in a separate Port Authority bank account.

Basis of Accounting

The Port Authority uses the cash basis of accounting to prepare the Schedule of Passenger Facility Charges Collected and Expended. Under this method of accounting, the PFC fee is recorded when collected by the Port Authority from the airline and expenditures are recorded when paid.

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

To the Board of Directors
Toledo-Lucas County Port Authority
One Maritime Plaza
Toledo, Ohio 43604-1866

We have audited the general purpose financial statements of Toledo-Lucas County Port Authority ("Authority") as of and for the year ended December 31, 2002, and have issued our report thereon dated June 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Toledo-Lucas County Port Authority's general purpose 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 Toledo-Lucas County Port 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

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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.

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

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June 20, 2003

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors
Toledo-Lucas County Port Authority
One Martime Plaza
Toledo, Ohio 43604-1866

Compliance

We have audited the compliance of Toledo-Lucas County Port Authority with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2002. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of Toledo-Lucas County Port Authority's management. Our responsibility is to express an opinion on Toledo- Lucas County Port 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 the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Toledo -Lucas County Port 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 Toledo-Lucas County Port 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 passenger facility charge program for the year ended December 31, 2002.

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Internal Control Over Compliance

The management of the Toledo-Lucas County Port Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered Toledo-Lucas County Port Authority's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide.

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 and regulations that would be material in relation to the passenger facility charge 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 weaknesses.

This report is intended solely for the information and use of the Toledo-Lucas County Port Authority's Board of Directors and management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

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June 20, 2003

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

The Board of Directors
Toledo-Lucas County Port Authority
One Maritime Plaza
Toledo, Ohio 43604-1866

Compliance

We have audited the compliance of Toledo-Lucas County Port Authority ("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, 2002. The Authority's major federal programs are identified in the summary of auditors' 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 auditing standards generally accepted in the United States; 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 on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

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The Board of Directors
Toledo-Lucas County Port Authority
Page Two

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with 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 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 weaknesses.

This report is intended solely for the information of and use of the Authority's 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 these specified parties.

Weber · O'Brien, Ltd.

June 20, 2003

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2002

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	____yes	X no
Reportable condition(s) identified not considered to be material weaknesses?	____yes	X none reported
Noncompliance material to financial statements noted?	____yes	X no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	____yes	X no
Reportable conditions(s) identified not considered to be material weaknesses?	____yes	X none reported
Type of auditors' report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	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

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2002

NONE

Auditor of State
Betty Montgomery

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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
SEPTEMBER 25, 2003