

TOLEDO-LUCAS COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Toledo-Lucas County Port Authority, Lucas County, prepared by Weber O'Brien, Ltd, for the audit period January 1, 2005 through December 31, 2005. 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.

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

BETTY MONTGOMERY
Auditor of State

December 7, 2006

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TOLEDO-LUCAS COUNTY PORT AUTHORITY

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 11
Statement of Net Assets	12 - 13
Statement of Revenues, Expenses, and Changes in Net Assets	14
Statement of Cash Flows	15 - 16
Notes to Financial Statements	17 - 34
Schedule of Net Assets Information by Division	35
Schedule of Revenues, Expenses and Changes in Net Assets Information by Division	36
Schedule of Net Assets Information - Seaport Division	37
Schedule of Revenues, Expenses and Changes in Net Assets Information - Seaport Division	38
Schedule of Net Assets Information - Economic Development Division	39
Schedule of Revenues, Expenses and Changes in Net Assets Information - Economic Development Division	40
Schedule of Expenditures of Federal Awards	41
Schedule of Passenger Facility Charges Collected and Expended - Cash Basis	42
Notes to Schedule of Passenger Facility Charges Collected and Expended - Cash Basis	43

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	44 - 45
Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance	46 - 47
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	48 - 49
Schedule of Findings and Questioned Costs	50
Summary Schedule of Prior Audit Findings	51

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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 statement of net assets of the Toledo-Lucas County Port Authority ("Authority") as of December 31, 2005, and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2005, 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.

As described more fully in Note 3, the Authority has changed its method of accounting for conduit debt obligations.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 - 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards on page 41 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 pages 42 and 43 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 35 - 40, which is presented for purposes of additional analysis, are 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



August 3, 2006

TOLEDO-LUCAS COUNTY PORT AUTHORITY

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

The discussion and analysis of the Toledo-Lucas County Port Authority's financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2005. This information should be read in conjunction with the basic financial statements included in this report.

ACCOUNTING CHANGE

Prior to 2005, the Authority reported conduit debt obligations on its Statement of Net Assets, along with any related assets. Because the bonds do not constitute a debt or pledge of the full faith and credit of the Authority, effective January 1, 2005, the Authority changed its accounting for conduit debt by removing the conduit debt obligations and related assets and liabilities from its Statement of Net Assets. These obligations included both individual bond issues and the Northwest Bond Fund. The effect of the change in accounting for conduit debt on the Authority's net assets is shown as a restatement of the December 31, 2004 net asset balance in the Authority's Statement of Revenues, Expenses and Changes in Net Assets for the year ended December 31, 2005 and is composed of the following:

	prior stated	revised	change
Elimination of Assets:			
Capital assets	273,730,788	162,812,673	\$110,918,115
Other assets	90,129,739	35,396,119	54,733,620
Total assets	<u>363,860,527</u>	<u>198,208,792</u>	<u>165,651,735</u>
Elimination of Liabilities:			
Current liabilities	14,586,535	4,613,859	9,972,676
Other liabilities	215,010,193	48,177,446	166,832,747
Total liabilities	<u>229,596,728</u>	<u>52,791,305</u>	<u>176,805,423</u>
Net Effect of Accounting Change:	<u>134,263,799</u>	<u>145,417,487</u>	<u>(11,153,688)</u>

TOLEDO-LUCAS COUNTY PORT AUTHORITY

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Condensed Statement of Net Assets Restated

	December 31, 2004, As Previously Reported	Effect of Accounting Change	December 31, 2004, As Restated	December 31, 2005
Assets:				
Current assets	18,586,657	(4,538,151)	14,048,506	17,776,913
Capital Assets, Net	273,730,788	(110,918,115)	162,812,673	163,834,542
Other Noncurrent Assets	71,543,082	(50,195,469)	21,347,613	21,320,091
Total assets	<u>363,860,527</u>	<u>(165,651,735)</u>	<u>198,208,792</u>	<u>202,931,546</u>
Liabilities and Net Assets:				
Liabilities:				
Current liabilities	14,586,535	(9,972,676)	4,613,859	6,200,408
Long-term debt outstanding	212,773,712	(164,596,266)	48,177,446	44,198,047
Other liabilities	2,236,481	(2,236,481)	-	-
Total liabilities	<u>229,596,728</u>	<u>(176,805,423)</u>	<u>52,791,305</u>	<u>50,398,455</u>
Net Assets:				
Invested in capital assets-net of related debt	104,234,644	9,152,917	113,387,561	116,900,480
Restricted	12,928,311	6,872,119	19,800,430	22,574,352
Unrestricted	17,100,844	(4,871,348)	12,229,496	13,058,259
Total net assets	<u>134,263,799</u>	<u>11,153,688</u>	<u>145,417,487</u>	<u>152,533,091</u>
Total liabilities and net assets	<u>363,860,527</u>	<u>(165,651,735)</u>	<u>198,208,792</u>	<u>202,931,546</u>

TOLEDO-LUCAS COUNTY PORT AUTHORITY

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Condensed Statement of Revenues, Expenses and Changes in Net Assets Restated

	December 31, 2004, As Previously Reported	Effect of Accounting Change	December 31, 2004, As Restated	December 31, 2005
Operating revenues				
Airport related	\$ 7,376,659	\$ 2,951,815	\$ 10,328,474	\$ 9,592,662
Economic development	17,177,823	(17,177,823)	-	-
Seaport, Financing and other	3,800,346	-	3,800,346	3,180,657
Total operating revenues	<u>28,354,828</u>	<u>(14,226,008)</u>	<u>14,128,820</u>	<u>\$ 12,773,319</u>
			-	
Operating expenses				
Economic development	12,199,767	(10,616,043)	1,583,724	\$ 910,999
Airport related	10,992,587	872,602	11,865,189	11,679,724
Seaport, Financing, Administration and other	6,991,002	-	6,991,002	5,836,467
Total operating expenses	<u>30,183,356</u>	<u>(9,743,441)</u>	<u>20,439,915</u>	<u>18,427,190</u>
			-	
Operating Loss	<u>(1,828,528)</u>	<u>(4,482,567)</u>	<u>(6,311,095)</u>	<u>(5,653,871)</u>
			-	
Nonoperating revenues (expenses)				
Proceeds of property tax levy	2,434,427	-	2,434,427	2,460,320
Intergovernmental Grants	1,583,724	-	1,583,724	936,180
Interest income from investments	603,554	(72,746)	530,808	1,420,360
Passenger facility charges	1,471,591	-	1,471,591	1,134,651
Litigation settlement	-	-	-	870,500
Interest expense	(10,005,013)	7,020,533	(2,984,480)	(2,950,022)
Other expense	(945,728)	96,549	(849,179)	(228,780)
Total nonoperating revenues (expenses)	<u>(4,857,445)</u>	<u>7,044,336</u>	<u>2,186,891</u>	<u>3,643,209</u>
 Loss before contributions	 (6,685,973)	 2,561,769	 (4,124,204)	 (2,010,662)
 Capital Contributions	 9,972,487	 75,000	 10,047,487	 9,126,267
Changes in Net Assets	<u>3,286,514</u>	<u>2,636,769</u>	<u>5,923,283</u>	<u>7,115,605</u>
Total net assets-beginning of year	130,977,285	8,516,919	139,494,204	145,417,486
Total net assets-end of year	<u>\$ 134,263,799</u>	<u>\$ 11,153,688</u>	<u>\$ 145,417,487</u>	<u>\$ 152,533,091</u>

TOLEDO-LUCAS COUNTY PORT AUTHORITY

Management's Discussion and Analysis For the Year Ended December 31, 2005

FINANCIAL HIGHLIGHTS

The following financial highlights for 2005 are as follows:

- ❑ Total Net Assets increased to \$152,533,091 or 4.7 % from restated year ended December 31, 2004.
- ❑ Operating Revenue decreased approximately \$1.3 million from 2004 due primarily to less passenger travel at the airport and significantly lower dredging income in 2005 than in 2004.
- ❑ Operating Expenses decreased approximately \$2 million from 2004 primarily due to lower maintenance and contracted services.
- ❑ Operating loss of \$5,653,871 was reported, however this included \$7.4 million of depreciation and amortization expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, the Statement of Cash Flows and the accompanying notes to the financial statements. These Statements report information about the Authority as a whole and about its activities. The Authority is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The statements are presented using economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Assets presents the Authority's financial position and reports the resources owned by the Authority (assets), obligations owed by the Authority (liabilities) and Authority net assets (the difference between assets and liabilities). The Statement of Revenues, Expenses and Changes in Net Assets presents a summary of how the Authority's net assets changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statement of Cash Flows provide information about the Authority's cash receipts and disbursements during the year. It summarized net changes in cash resulting from operating, investing and financing activities. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

TOLEDO-LUCAS COUNTY PORT AUTHORITY

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

FINANCIAL ANALYSIS OF THE AUTHORITY

The following tables provide a summary of the Authority's financial position and operations for 2005 and 2004, respectively.

Condensed Statements of Net Assets

	December 31, 2005	December 31, 2004, As Restated	Change Amount	%
Assets:				
Current assets	17,776,913	14,048,506	3,728,407	26.5%
Capital Assets, Net	163,834,542	162,812,673	1,021,869	0.6%
Other Noncurrent Assets	21,320,091	21,347,613	(27,522)	-0.1%
Total assets	202,931,546	198,208,792	4,722,754	2.4%
Liabilities and Net Assets:				
Liabilities:				
Current liabilities	6,200,408	4,613,859	1,586,549	34.4%
Long-term debt outstanding	44,198,047	48,177,446	(3,979,399)	-8.3%
Total liabilities	50,398,455	52,791,305	(2,392,850)	-4.5%
Net Assets:				
Invested in capital assets-net of related debt	116,900,480	113,387,561	3,512,919	3.1%
Restricted	22,574,352	19,800,430	2,773,922	14.0%
Unrestricted	13,058,259	12,229,496	828,763	6.8%
Total net assets	152,533,091	145,417,487	7,115,604	4.9%
Total Liabilities and Net Assets	202,931,546	198,208,792	4,722,754	2.4%

- Current assets increased \$3.7 million as cash and cash equivalents increased approximately \$2.3 million and investments increased approximately \$1 million.
- Capital assets increased approximately \$1 million to \$163.8 million due mainly to Airport improvements.
- Total liabilities decreased \$2.4 million as long-term principal debt payments were made.

TOLEDO-LUCAS COUNTY PORT AUTHORITY

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

The Authority's assets exceeded liabilities by approximately \$152.5 million at December 31, 2005, an increase of over \$7 million from the restated net assets as of December 31, 2004. The largest portion of the Authority's net assets represents its investment in capital assets, less related debt outstanding used to acquire those assets. The Authority uses these capital assets to provide services to its tenants, passengers and customers of the Airport and Seaport. Therefore these assets are not available for future spending. The Authority's operating revenue is used to repay the debt associated with these capital assets.

Changes in Net Assets - The following table shows the changes in revenues and expenses for the Authority between 2005 and 2004:

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	December 31, 2005	December 31, 2004, As Restated	Change Amount	%
Operating revenues				
Airport related	\$ 9,592,662	\$ 10,328,474	\$ (735,812)	-7.1%
Seaport Financing and other	3,180,657	3,800,346	(619,689)	-16.3%
Total operating revenues	<u>12,773,319</u>	<u>14,128,820</u>	<u>(1,355,501)</u>	<u>-9.6%</u>
Operating expenses				
Economic development	910,999	1,583,724	(672,725)	-42.5%
Airport related	11,679,724	11,865,189	(185,465)	-1.6%
Seaport, Financing, Admin and other	5,836,467	6,991,002	(1,154,535)	-16.5%
Total operating expenses	<u>18,427,190</u>	<u>20,439,915</u>	<u>(2,012,725)</u>	<u>-9.8%</u>
Operating income (loss)	<u>(5,653,871)</u>	<u>(6,311,095)</u>	<u>657,224</u>	<u>-10.4%</u>
Nonoperating revenues (expenses)				
Proceeds of property tax levy	2,460,320	2,434,427	25,893	1.1%
Intergovernmental Grants	936,180	1,583,724	(647,544)	-40.9%
Interest income from investments	1,420,360	530,808	889,552	167.6%
Passenger facility charges	1,134,651	1,471,591	(336,940)	-22.9%
Litigation settlement	870,500	-	870,500	100.0%
Interest expense	(2,950,022)	(2,984,480)	34,458	-1.2%
Other expense	(228,780)	(849,179)	620,399	-73.1%
Total nonoperating revenues (expenses)	<u>3,643,209</u>	<u>2,186,891</u>	<u>1,456,318</u>	<u>66.6%</u>
Loss before contributions	(2,010,662)	(4,124,204)	2,113,542	-51.2%
Capital Contributions	9,126,267	10,047,487	(921,220)	-9.2%
Changes in Net Assets	<u>7,115,605</u>	<u>5,923,283</u>	<u>1,192,322</u>	<u>20.1%</u>
Total net assets-beginning of year	<u>145,417,486</u>	<u>139,494,204</u>	<u>5,923,282</u>	<u>4.2%</u>
Total net assets-end of year	<u>\$152,533,091</u>	<u>\$ 145,417,487</u>	<u>\$ 7,115,604</u>	<u>4.9%</u>

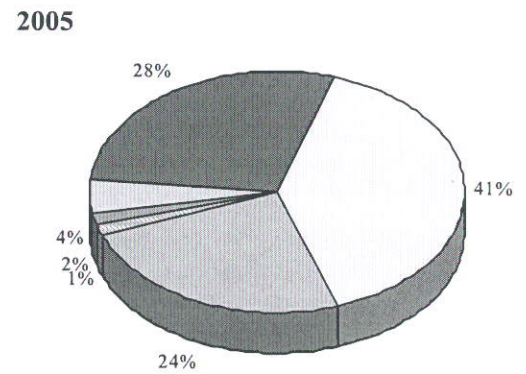
TOLEDO-LUCAS COUNTY PORT AUTHORITY

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

- Although 2005 reported a net operating loss of \$5.6 million including \$7.4 million of depreciation and amortization expense, non-operating revenues exceeded non-operating expenses by \$3.6 million. Revenues included in this category are proceeds from the tax levy and airport passenger facility charges.

- Included in operating expenses were funds expended for land clean up of over \$900,000. These expenditures were reimbursed from grants received and recorded in Capital Contributions which is considered a non-operating revenue.

Revenue Sources	2005	Percent of Total
Airport landing area	560,584	4.39%
Airport terminal area	3,629,929	28.42%
BAX property and operation lease and fees	5,068,698	39.68%
Other rental and fee income	3,120,210	24.43%
Wharfage under property lease	176,766	1.38%
Other income	217,132	1.70%
Total Revenue	<u>\$12,773,319</u>	<u>100.00%</u>



Operating revenues consist primarily of fees for services, rents and charges for the use of Port Authority facilities, airport landing fees, operating grants and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

TOLEDO-LUCAS COUNTY PORT AUTHORITY

Management's Discussion and Analysis For the Year Ended December 31, 2005

For the year ended December 31, 2005:

- Operating revenues for 2005 decreased about 10% from 2004 mainly in modal operations. Dredging income at the Seaport in 2004 was significantly higher than in 2005 and passenger travel at the airport decreased in 2005.
- There was a decrease of about 10% in operating expenses primarily due to lower seaport maintenance and administration contracted services.
- Operating expense at the airport remained about the same.
- Nonoperating revenue and expenses increased by approximately \$1.4 million due to:
 - Intergovernmental grant income decreased by approximately \$600,000 due to the receipt of \$1.5 million Clean Ohio Grant in 2004 and approximately \$885,000 received in 2005.
 - Interest income from investments increased by approximately \$890,000.
 - A litigation settlement was received in 2005 of approximately \$870,000.
- Capital contributions decreased in total approximately \$900,000 in 2005 mainly due to lower FAA Grants, however, Federal High Bay Grant and Ohio Air National Guard Grants increased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005 the Authority had \$163,834,542 net of accumulated depreciation invested in land, buildings, equipment and vehicles. This amount represents a net increase of approximately \$1 million, or .6% as compared to 2004. The following table shows fiscal year 2005 and restated 2004 balances:

Capital Assets at December 31,

	<u>2005</u>	<u>2004</u> <u>Restated</u>	<u>Change</u>
Land	\$ 51,832,228	\$ 51,794,724	\$ 37,504
Construction in progress	4,560,965	4,560,965	0
Improvements	140,666,515	136,135,292	4,531,223
Property and equipment	42,243,194	40,177,318	2,065,876
Buildings & leasehold improvements	63,485,561	62,077,140	1,408,421
Furniture and fixtures	467,498	467,498	0
Total Cost	\$ 303,255,961	\$ 295,212,937	\$ 8,043,024
Accumulated Depreciation	(139,421,419)	(132,400,264)	(7,021,155)
Net Value	<u>\$ 163,834,542</u>	<u>\$ 162,812,673</u>	<u>\$ 1,021,869</u>

Major additions in 2005 were airport related.

TOLEDO-LUCAS COUNTY PORT AUTHORITY

Management's Discussion and Analysis For the Year Ended December 31, 2005

Debt

At December 31, 2005, the Authority had \$46,934,062 in debt outstanding, \$2,736,015 of which is due within one year. All but \$789,765 of outstanding debt pertains to Airport improvements.

The following table summarizes the Authority's debt outstanding as of December 31, 2005 and 2004 restated and should be read in conjunction with Note 7 to the audited financial statements for more detailed information on debt.

Outstanding Debt at December 31,

	<u>2005</u>	<u>2004</u> <u>Restated</u>
Revenue bonds payable	44,760,000	46,470,000
Long-term notes payable	1,369,043	1,922,362
Ohio Water Development Authority loan payable	805,019	908,460
	<u>46,934,062</u>	<u>49,300,822</u>

ECONOMIC FACTORS

The following statistics played a key role in the Authority's financial picture in 2005:

- ❑ Cargo moving through the Port of Toledo was up over 14% due mainly to an increase in coal, iron ore and general cargo. However, grain and liquid bulk were down.
- ❑ Passengers using Toledo Express were down 23.5 %.
- ❑ There was no significant change in the amount of Passengers using the AMTRAK station in Toledo, at Dr. Martin Luther King, Jr., Plaza owned by the Port Authority.
- ❑ Numerous development financing projects were completed for 2005. Eight bond issues totaling a record \$186,850,000. Five SBA 504 loans were closed for \$2.7 million and three Ohio 166 Regional Loans were closed for \$1.4 million. Eighteen additional loans and bonds were either approved or authorized.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary R. Berger, Director of Finance and Technology for the Toledo Lucas County Port Authority, One Maritime Plaza, Toledo, Ohio 43604.

Toledo-Lucas County Port Authority
Statement of Net Assets
December 31, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 5,202,936
Investments	9,031,301
Interest receivable	65,070
Accounts receivable	2,180,772
Settlement receivable	870,500
Prepaid expenses and other assets	426,334
Total Current Assets	17,776,913

Noncurrent Assets:

Nondepreciable capital assets	56,393,193
Depreciable capital assets, net of accumulated depreciation	107,441,349
Restricted:	
Cash and cash equivalents	354,328
Investments	14,527,273
Amount due from lessee	450,000
Deferred bond issue costs	2,046,821
Deferred loss on refunding	941,669
Amount due from Northwest Bond Fund	3,000,000
Total Noncurrent Assets	185,154,633

Total Assets **202,931,546**

(Continued)

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Net Assets, Continued
December 31, 2005

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	2,477,895
Accrued payroll		637,715
Deferred income		18,098
Accrued interest payable		330,685
Notes payable-current		799,837
Revenue bonds payable-current		1,825,000
Ohio Water Development Authority loan payable-current		111,178

Total Current Liabilities		6,200,408
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Noncurrent Liabilities:

Long-term notes payable		569,206
Revenue bonds payable		42,935,000
Ohio Water Development Authority loan payable		693,841

Total Noncurrent Liabilities		44,198,047
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Total Liabilities		50,398,455
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Net Assets:

Invested in capital assets, net of related debt		116,900,480
Restricted		22,574,352
Unrestricted		13,058,259

Total Net Assets	\$	152,533,091
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See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005

Operating Revenues	
BAX rental under property lease	\$ 3,004,469
Airport landing area	560,584
Airport terminal area	3,629,929
BAX operation lease and fees	2,064,229
Other rental and fee income	3,120,210
Wharfage under property lease	176,766
Other income	217,132
Total Operating Revenues	<u>12,773,319</u>
Operating Expenses	
Personal services	4,747,263
Marketing	627,476
Contractual services	2,706,355
Utilities	736,479
Repairs and maintenance	1,695,747
Depreciation	7,021,155
Amortization	368,663
Rental	127,549
Other	396,503
Total Operating Expenses	<u>18,427,190</u>
Operating Loss	<u>(5,653,871)</u>
Nonoperating Revenues (Expenses)	
Proceeds of property tax levy	2,460,320
Intergovernmental grants	936,180
Interest income from investments	1,420,360
Passenger facility charges	1,134,651
Litigation settlement	870,500
Interest expense	(2,950,022)
Borrower disbursements	(228,780)
Total Nonoperating Revenues (Expenses)	<u>3,643,209</u>
Loss Before Contributions	(2,010,662)
Capital contributions	<u>9,126,267</u>
Changes in Net Assets	7,115,605
Net assets at beginning of year, restated	<u>145,417,486</u>
Net Assets at End of Year	<u><u>\$ 152,533,091</u></u>

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Cash Flows
For the Year Ended December 31, 2005

<u>Cash flows from operating activities:</u>	
Cash received from customers	12,963,106
Cash payments for goods and services	(6,230,993)
Cash payments to and on behalf of employees	(4,809,358)
Net cash provided by operating activities	<u>1,922,755</u>
<u>Cash flows from noncapital financing activities:</u>	
Issuance of new bonds	20,592
Proceeds of property tax levy	2,460,320
Net cash provided by noncapital financing activities	<u>2,480,912</u>
<u>Cash flows from capital and related financing activities:</u>	
Capital grants received	10,062,447
Passenger facility charges received	1,015,180
Acquisition and construction of capital assets	(8,003,747)
Interest paid on capital asset debt	(2,974,626)
Principal payments on long-term debt	(2,387,352)
Net cash used by capital and related financing activities	<u>(2,288,098)</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	1,401,875
Borrower disbursements	(228,780)
Purchase of securities	(996,800)
Net cash provided by investing activities	<u>176,295</u>
Net Increase in cash and cash equivalents	2,291,864
Cash and cash equivalents at beginning of year	<u>3,265,400</u>
Cash and cash equivalents at end of year	<u><u>\$5,557,264</u></u>

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Cash Flows, Continued
For the Year Ended December 31, 2005

Reconciliation of operating loss to net cash

Provided by operating activities:

Operating income (loss)	(5,653,871)
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation and amortization expense	7,389,818
Changes in assets and liabilities:	
Accounts receivable and due from lessee	152,709
Prepaid expenses and other assets	40,999
Accounts payable	59,167
Accrued payroll	(62,095)
Deferred income	(3,972)
Total adjustments	<u>7,576,626</u>
Net cash provided by operating activities	<u><u>1,922,755</u></u>

See accompanying notes to the financial statements.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

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 Mayor of the City of Toledo with approval by Toledo City Council, 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 Division formed a working association with the Toledo Area Chamber of Commerce, which is 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. All transactions are accounted for in a single enterprise fund. 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 Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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 pronouncements, in which case GASB prevails. The Authority has elected not to apply Financial Accounting Standards (FASB) after November 30, 1989. Governmental Accounting Standards Board (GASB) pronouncements are applied after this date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

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 the 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 the Authority's investment policy, which conforms with statutes of the State of Ohio. Restricted cash and investments represent balances restricted by trust agreements and proceeds from the sale of property purchased with federal monies. 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, is recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

For purposes of the statements of net assets and of cash flows, the Authority considers all bank deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) 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, 2005.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets 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.

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.

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.

Compensated Absences

Employees of the Authority are entitled to paid vacation days depending on job classification, length of service, and other factors. Accrued vacation at December 31, 2005 was \$535,919 and is included with accrued payroll on the statement of net assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net assets consist of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements. Restricted net assets also include cash received from the sale of land and passenger facility charges, which are restricted per the Federal Aviation Administration.

Revenues and Expenses

Operating revenues consist primarily of fees for services, rents and charges for use of Port facilities, airport landing fees, operating grants and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues include proceeds from the property tax levy, interest from investments and passenger facility charges. Nonoperating expenses include interest expense on long-term debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Levy

A .4 mill real estate tax replacement levy passed by Lucas County voters in 2004 provides financial support for the various activities of the Authority. The levy expires in 2009. The Authority elected to collect the full .4 mill in 2005.

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

Budgetary Process

The Authority has been notified by the Lucas County Auditor that it has waived the requirement to prepare a tax budget.

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 was a significant portion of the partnership revenue. For 2005, the Authority contracted with the entity for a fee of \$675,000 for services through June 30, 2005. The agreement was terminated as of December 31, 2005. 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.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE 3 – RESTATEMENT OF NET ASSETS

As part of its efforts to promote economic development within Northwestern Ohio, over the past several years, the Authority has issued debt obligations and loaned the proceeds to industrial, commercial, governmental and nonprofit organizations, primarily located within Lucas County, Ohio. These obligations are secured by the property financed and are payable solely from the payments received by the trustee from the borrowers or other sources designated in the related agreements. Prior to 2005, the Authority reported these conduit debt obligations on its Statement of Net Assets, along with any related assets. Because the obligations do not constitute a debt or pledge of the full faith and credit of the Authority, effective January 1, 2005, the Authority changed its accounting for conduit debt by removing the conduit obligations and related assets and liabilities from its Statement of Net Assets as permitted under Interpretation No. 2 of GASB “Disclosure of Conduit Debt Obligations.” The effect of the change was to restate Net Assets at December 31, 2004 from \$134,263,799 to \$145,417,487 is as follows:

Elimination of Assets:

Capital Assets:

Nondepreciable capital assets	\$ 2,120,191
Depreciable capital assets, Net of accumulated depreciation	<u>108,797,925</u>
Net Book Value of Capital Assets	<u>110,918,116</u>

Other Assets:

Deferred bond issue costs	3,317,744
Investments	13,290,110
Interest receivable	205,152
Loans receivable	40,920,613
Interdivisional receivable	<u>(3,000,000)</u>
Total Other Assets	<u>54,733,619</u>

Total Assets \$ 165,651,735

Elimination of Liabilities:

Current Liabilities:

Accrued interest payable	464,066
Deferred income	714,554
Current portion of notes and bonds	<u>8,794,056</u>
Total Current Liabilities	<u>9,972,676</u>

Other Liabilities:

Borrower deposit reserves	2,236,481
Bonds and notes-net of current portion	<u>164,596,266</u>
Total Other Liabilities	<u>166,832,747</u>

Total Liabilities 176,805,423

Net effect of accounting change \$ 11,153,688

NOTE 4 – CASH AND INVESTMENTS

Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of Authority cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the Authority's deposits was \$5,535,600 and the bank balance was \$5,588,291. The Authority also had \$750 cash on hand. Federal depository insurance covered \$100,000 of the bank balance and \$5,488,291 was uninsured. Of the remaining uninsured bank balance, the Authority was exposed to custodial risk as follows:

Uninsured and collateralized with securities held by	
the pledging institution's trust department not in the Authority's name:	\$5,488,291

Investments

State law restricts the Authority's investments to the following:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in eligible institutions applying for interim monies;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 1. and 2. above and repurchase agreements secured by such obligations;
6. Investments in debt instruments of Ohio state and local governments;
7. Investments of proceeds of revenue bonds as may be permitted by a trust agreement or resolution;
8. The Ohio Subdivision's Fund (STAR Ohio); and

NOTE 4 – CASH AND INVESTMENTS (Continued)

9. Overnight or term repurchase agreements consisting of an agreement to repurchase any of the securities listed in 1. or 2. above.

The Authority's investments at December 31, 2005 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)			
			less than 1	1-3	3-5	more than 5
STAR Ohio	20,914	AAAm ¹	20,914	-	-	-
Money Market Fund	1,115,484	AAAm ¹	1,115,484	-	-	-
CDC Funding Corp Guaranteed Investment Contract	1,867,000	N/A	-	-	-	1,867,000
Transamerica Life Insurance Guaranteed Investment Contract	981,371	N/A	-	-	-	981,371
Toledo-Lucas County Port Authority Bond	9,810,000	BBB+ ²	-	-	-	9,810,000
Federal Farm Credit Bank	1,007,689	AAA ¹	1,007,689	-	-	-
Federal Home Loan Bank	3,505,599	AAA ¹	1,505,599	2,000,000	-	-
Federal National Mortgage Association	4,274,431	AAA ¹	749,297	3,525,134	-	-
Federal Home Loan Mortgage Corp	997,000	AAA ¹	-	997,000	-	-
Total Investments	\$23,579,488		4,398,983	6,522,134	-	12,658,371

¹ Standard & Poor's

² Fitch

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state laws, the Authority's investment policy limits investment maturities to those permitted by the Ohio Revised Code which is five years or less, unless the investment is matched to a specific obligation or debt of the Authority.

Credit Risk – The Authority's investment policy limits investments to securities specifically authorized by Ohio Revised Code. No load money market funds must have the highest rating issued by national raters. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Authority's investments in federal agency securities, the entire balance is uninsured, not registered in the name of the Authority, and are held by the counterparty.

Concentration of Credit Risk - Concentration of credit risk exists when investments are concentrated in one issue. The Authority's Investment Policy allows investments of 100% in U.S. Agency or Treasury Obligations, and limits repurchase agreements and investments in STAR Ohio to 25% of total investments and investments in Port Authority Bonds to \$200,000, unless the Authority's Board of Directors, by resolution, modifies the limits. The Authority's investments in U.S. Agencies represent approximately 41.6%, Money Market funds 4.7%, Toledo-Lucas County Port Authority Bond 41.6 % and Guaranteed Investment Contracts 12.1%, respectively, of the Authority's investment portfolio at year end.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE 5 – LINE OF CREDIT

The Authority has a line of credit available in the amount of \$3,000,000 for construction of an airport permanent improvement project. The line of credit was issued in order to finance the project while waiting receipt of an F.A.A. grant that has already been authorized by the Federal Government for this project. The interest rate is 4.45 % and as of December 31, 2005 the line of credit has not been utilized, as F.A.A. grant receipts have been sufficient.

NOTE 6 – CAPITAL ASSETS

Capital assets consist of the following:

<i>Historical Cost:</i>	December 31, 2004			December 31, 2005
Class	As Restated	Additions	Deletions	
Capital assets not being depreciated:				
Land	\$ 51,794,724	\$ 37,504	\$ -	\$ 51,832,228
Construction in Progress	4,560,965	-	-	4,560,965
Subtotal	56,355,689	37,504	-	56,393,193
Capital assets being depreciated:				
Improvements	136,135,292	4,542,111	(10,888)	140,666,515
Property and Equipment	40,177,318	2,065,876	-	42,243,194
Buildings and Leasehold				
Improvements	62,077,140	1,408,421	-	63,485,561
Furniture and Fixtures	467,498	-	-	467,498
Subtotal	238,857,248	8,016,408	(10,888)	246,862,768
Total Cost	\$ 295,212,937	\$ 8,053,912	\$ (10,888)	\$ 303,255,961
Accumulated Depreciation:				
Class	December 31, 2004	Additions	Deletions	December 31, 2005
Capital assets being depreciated:				
Land Improvements	\$ (74,465,389)	\$ (3,994,387)	\$ -	\$ (78,459,776)
Property and Equipment	(22,817,359)	(1,515,910)	-	(24,333,269)
Buildings and Leasehold				
Improvements	(34,867,038)	(1,500,181)	-	(36,367,219)
Furniture and Fixtures	(250,478)	(10,677)	-	(261,155)
Total Depreciation	\$ (132,400,264)	\$ (7,021,155)	\$ -	\$ (139,421,419)
Net Value:	\$ 162,812,673	\$ 1,032,757	\$ (10,888)	\$ 163,834,542
Depreciation Expense charged to operating expense		\$7,021,155		

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 2005, approximately \$10,000,000 of federal, state and local grant funding was utilized to purchase capital assets.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE 7 – LONG TERM DEBT

A summary of Long Term Debt Activity for the year ended December 31, 2005 follows:

	Series	Maturity Date	Balance December 31, 2004 As Restated	Additions	Reductions	Balance December 31, 2005	Due Within One Year
Revenue Bonds:							
Northwest Ohio Development:							
Taxable:							
7.22% Port Authority	1998B	2008	\$ 1,210,000	\$ -	\$ (270,000)	\$ 940,000	\$ 290,000
Tax Exempt:							
6.38% BAX	2004C	2032	9,810,000	-	-	9,810,000	-
Other:							
6.25-6.375% BAX	2004-1	2013	28,160,000	-	(1,140,000)	27,020,000	1,220,000
5.55% Airport Improvement Refunding	1998	2020	7,290,000	-	(300,000)	6,990,000	315,000
Total Revenue Bonds			46,470,000	-	(1,710,000)	44,760,000	1,825,000
Notes Payable:							
4.00% MLKJ Plaza ODOD	1996	2006	85,769	-	(46,004)	39,765	39,765
4.00% Seaport ODOD	2002	2007	132,314	-	(132,314)	-	-
3.00% Airport ODOT Note	2003	2007	1,704,279	20,592	(395,593)	1,329,278	760,072
Total Notes Payable			1,922,362	20,592	(573,911)	1,369,043	799,837
Ohio Water Development Authority Loans (OWDA):							
7.50% Water Pollution Control Plant		2011	908,460	-	(103,441)	805,019	111,178
Total			\$ 49,300,822	\$ 20,592	\$ (2,387,352)	\$ 46,934,062	\$ 2,736,015

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE 7 - LONG-TERM DEBT (Continued)

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

	2006	2007	2008	2009	2010	
Notes Payable						
MLKJ Plaza Note	\$ 39,765	\$ -	\$ -	\$ -	\$ -	
Brushman Wellman ODOT Note	-	-	-	-	-	
Airport ODOT Note	760,072	569,206	-	-	-	
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	290,000	315,000	335,000	-	-	
BAX	1,220,000	1,295,000	1,775,000	1,890,000	2,010,000	
Tax Exempt-BAX	-	-	-	-	-	
Airport Improvement Refunding Bonds	315,000	330,000	350,000	365,000	390,000	
OWDA Loan Payable						
Water Pollution Control Plant	111,178	119,496	128,436	124,044	148,371	
Total	<u>\$ 2,736,015</u>	<u>\$ 2,628,702</u>	<u>\$ 2,588,436</u>	<u>\$ 2,379,044</u>	<u>\$ 2,548,371</u>	
	2011-2015	2016-2020	2021-2025	2026-2030	2031-2032	Total
Notes Payable						
MLKJ Plaza	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,765
Airport ODOT Note	-	-	-	-	-	1,329,278
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	-	-	-	-	-	940,000
BAX	9,690,000	2,105,000	2,235,000	2,560,000	2,240,000	27,020,000
Tax Exempt-BAX	670,000	2,105,000	2,235,000	2,560,000	2,240,000	9,810,000
Airport Improvement Refunding Bonds	2,275,000	2,965,000	-	-	-	6,990,000
OWDA Loan Payable						
Water Pollution Control Plant	173,494	-	-	-	-	805,019
Total	<u>\$ 12,808,494</u>	<u>\$ 7,175,000</u>	<u>\$ 4,470,000</u>	<u>\$ 5,120,000</u>	<u>\$ 4,480,000</u>	<u>\$ 46,934,062</u>

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE 7 - LONG-TERM DEBT (Continued)

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

	2006	2007	2008	2009	2010
Notes Payable					
MLKJ Plaza Note	\$ 733	\$ -	\$ -	\$ -	\$ -
Airport ODOT Note	22,802	17,076	-	-	-
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Taxable-Port Authority	57,399	35,559	12,093	-	-
BAX	1,682,262	1,604,762	1,516,481	1,403,825	1,283,825
Tax Exempt-BAX	625,387	625,388	625,387	625,388	625,387
Airport Improvement Refunding Bonds	375,787	358,050	339,350	319,687	298,925
OWDA Loan Payable					
Water Pollution Control Plant	60,226	51,907	50,350	33,359	23,032
Total	\$ 2,824,596	\$ 2,692,742	\$ 2,543,661	\$ 2,382,259	\$ 2,231,169

	2011-2015	2016-2020	2021-2025	2026-20230	2031-2034	Total
Notes Payable						
MLKJ Plaza	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 733
Airport ODOT Note	-	-	-	-	-	39,878
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	-	-	-	-	-	105,051
BAX	4,271,947	2,628,569	1,902,296	1,183,994	226,949	17,704,910
Tax Exempt-BAX	3,095,700	2,628,573	1,902,300	1,183,997	226,949	12,164,456
Airport Improvement Refunding Bonds	1,141,937	424,735	-	-	-	3,258,471
OWDA Loan Payable						
Water Pollution Control Plant	11,908	-	-	-	-	230,782
Total	\$ 8,521,492	\$ 5,681,877	\$ 3,804,596	\$ 2,367,991	\$ 453,898	\$ 33,504,281

A. 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 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.

NOTE 7 - LONG TERM DEBT (Continued)

A. 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 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 \$4,550,000 and \$2,465,000 at December 31, 2005 are not included in the Authority's outstanding debt since the Authority has in substance satisfied its obligations through the advance refunding.

In July 2004, the Authority refunded the Airport Improvement Revenue Bonds, which bonds were used to finance the construction and equipping of an air cargo distribution facility currently leased to Burlington Air Express Inc. (now know as BAX Global, Inc.) The Authority issued two series of refunding bonds totaling \$28,480,000. The first series totaled \$18,670,000 and will be payable from existing rent payments under the BAX Global lease and a supplemental annual payment of approximately \$400,000 to be provided by the Authority, commencing in 2008 through 2013. The average interest rates were reduced from approximately 7.45% to approximately 6.25%-6.37%. The second series of bonds totaled \$9,810,000 and were issued by the Northwest Ohio Bond Fund. These bonds will mature on November 15, 2032, and the interest rate is 6.38%. The Authority has pledged its net non-tax revenues as security for the second series of bonds beginning in 2014, which is the period subsequent to the expiration in 2013 of the existing BAX Global lease. The refunding was undertaken to reduce total debt service payments over the next 28 years by \$1,953,886 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1,074,300.

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.

B. 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 2005 was \$424,000.

NOTE 8 - 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."

All employees of the Authority participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. 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) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. 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, 2005, 2004, and 2003 were \$488,167, \$476,456 and \$470,098, respectively, which were equal to the required contributions for each year.

NOTE 8 - RETIREMENT PLAN (Continued)

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans 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 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$144,108.

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, 2004. 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 2004 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 plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS December 31, 2005

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.

Property under lease at December 31, 2005 consists of the following:

	Burlington Rentals and Debt Service	Dr. Martin Luther King Plaza	Seaport Leases	Total
Capitalized Interest	\$ 1,869,601	\$ -	\$ -	\$ 1,869,601
Facilities and Equipment	32,104,750	-	-	32,104,750
Land	-	-	11,417,594	11,417,594
Construction in Progress	-	-	1,990,286	1,990,286
Improvements	-	-	9,572,544	9,572,544
Property and Equipment Buildings and Leasehold Improvements	-	7,509,623	1,991,995	9,501,618
	-	7,682	4,011,984	4,019,666
Total Cost	<u>33,974,351</u>	<u>7,517,305</u>	<u>28,984,403</u>	<u>70,476,059</u>
Less: Accumulated Depreciation	(19,966,378)	(2,386,442)	(12,037,972)	(34,390,792)
Net Value	<u>\$14,007,973</u>	<u>\$5,130,863</u>	<u>\$16,946,431</u>	<u>\$36,085,267</u>

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:

Years	Burlington Rentals and Debt Service	Dr. Martin Luther King Plaza	Seaport Leases	Total
2006	\$ 3,677,109	\$ 419,286	\$ 775,182	\$ 4,871,577
2007	3,674,469	390,223	866,849	4,931,541
2008	3,671,650	284,736	866,849	4,823,235
2009	3,668,619	284,736	966,848	4,920,203
2010	3,665,372	284,736	908,944	4,859,052
Thereafter	11,218,280	891,145	15,466,599	27,576,024
Totals	<u>\$29,575,499</u>	<u>\$2,554,862</u>	<u>\$19,851,271</u>	<u>\$51,981,632</u>

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. Rental income amounted to \$3,004,469 in 2005.

NOTE 9 - OPERATING LEASES, Continued

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 \$669,501 to be received in 2006 to \$538,968 scheduled for 2013. Landing fees which are calculated based on aircraft weight amounted to \$1,051,073 in 2005. 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 BAX recognized in 2005 amounted to \$2,064,229.

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 \$1,277,008 in 2005. Under the agreement covering the operation of the parking lot, rentals are based on percentages of gross parking lot receipts. During 2005 rentals received totaled \$1,152,437.

NOTE 10 - CONDUIT DEBT

From time to time the Authority has issued revenue bonds to provide financial assistance to private-sector, governmental and non-profit 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 are payable solely from payments on the underlying mortgage loans. Upon repayment of the obligations, ownership of the acquired facilities transfers to the 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, 2005, there were sixty-one series of Revenue Bonds outstanding. The original issue amounts for the forty-nine series issued after July 1, 1995 was \$550,920,000 of which \$497,401,266 remained outstanding at December 31, 2005. The aggregate principal amount issued for the twelve series issued prior to July 1, 1995 could not be determined; however, their original issue amounts totaled \$197,725,000.

NOTE 11 – AMOUNT DUE FROM LESSEE

On June 2, 2003, the United States transferred ownership of property occupied by Teledyne Technologies to the Authority for \$10. A lease agreement between the Authority and Teledyne Technologies was entered into on August 23, 2001 and commenced on the date the property was transferred to the Authority (June 2, 2003). Lease payments are due in the amount of \$65,000 per year with periodic increases based upon the consumer price index. The original lease term is five years with options to extend the lease for four additional periods of five years. After the commencement of the fifth year of the initial term, Teledyne has the option to purchase the property for \$450,000. Based on the estimated fair value of the property at the option date, the option price is considered a bargain purchase and, under the provision of Financial Accounting Board Standard No. 13, "Accounting for Leases", the lease is being accounted for as a direct financing lease. The present value of the bargain purchase option and the lease payments during the original lease term are recorded as amount due from lessee in the statement of net assets at December 31, 2005. All costs, expenses, and obligations relating to the property is to be paid by Teledyne.

NOTE 12 - 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.

The Authority has a premium based HMO for employee health insurance coverage. The Port Authority pays a portion of the employees' deductible. Premium expense for 2005 was \$388,858. 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 preventive care and major dental services and \$1,000 per lifetime for orthodontics.

NOTE 13 - LITIGATION SETTLEMENT

In late 2005 the Port Authority negotiated a settlement that certain of its insurance policies provide coverage to the Port Authority for claims asserted in the noise litigation by property owners near Toledo Express Airport. An amount of \$870,500 was received in February of 2006 for this settlement and is reported as revenue in the year ended December 31, 2005.

NOTE 14 - CONTINGENCIES

In the normal course of operations, the Authority may be subject to litigation, claims, and unasserted possible claims. As of December 31, 2005, the Authority was involved in several such matters. The outcome of such matters cannot presently be determined.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE 15 - SEGMENT INFORMATION

Significant financial data for the airport division, which meets the requirements for segment reporting under GASB 34, is as follows for the year ended December 31, 2005:

Statement of Net Assets

Current Assets	\$ 5,997,663
Capital Assets	129,069,292
Other Assets	12,511,469
Total Assets	<u>147,578,424</u>
Current Liabilities	4,957,187
Noncurrent Liabilities	44,198,047
Total Liabilities	<u>49,155,234</u>
Invested in Capital Assets, Net of Related Debt	82,174,995
Restricted	18,800,123
Unrestricted	(2,551,928)
Total Net Assets	<u><u>\$ 98,423,190</u></u>

**Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating Revenues	\$ 9,592,662
Depreciation and Amortization	5,488,329
Other Operating Expenses	6,191,395
Operating Loss	<u>(2,087,062)</u>
Nonoperating revenues (expenses):	
Investment Income	976,151
Interest Expense	(2,942,849)
Other Nonoperating Revenues (Expenses)	1,349,826
Capital Contributions	6,202,850
Change in Net Assets	<u>3,498,916</u>
Beginning Net Assets, Restated	94,924,274
Ending Net Assets	<u><u>\$ 98,423,190</u></u>

Statement of Cash Flows

Net Cash Provided (Used) by:	
Operating Activities	3,431,049
Noncapital Finance	20,592
Capital and Related Financing	(4,682,047)
Investing	778,533
Cash at Beginning of Year	1,744,605
Cash at End of Year	<u><u>\$ 1,292,732</u></u>

Toledo-Lucas County Port Authority
Schedule of Net Assets Information by Division
December 31, 2005

<u>ASSETS</u>	<u>Administration</u>	<u>Seaport</u>	<u>Airport</u>	<u>Economic Development</u>	<u>Surface</u>	<u>Total</u>
Current Assets:						
Cash and cash equivalents	\$ 3,566,269	\$ -	\$ 938,404	\$ 698,263	\$ -	\$ 5,202,936
Investments	-	9,031,301	-	-	-	9,031,301
Interest receivable	-	65,070	-	-	-	65,070
Accounts receivable	20,648	101,670	1,514,235	515,944	28,275	2,180,772
Settlement receivable	-	426,545	443,955	-	-	870,500
Due (to) from other divisions	(2,277,866)	1,219,901	2,817,810	39,463	(1,799,308)	-
Prepaid expenses and other assets	38,500	72,665	283,259	-	31,910	426,334
Total Current Assets	1,347,551	10,917,152	5,997,663	1,253,670	(1,739,123)	17,776,913
Noncurrent Assets:						
Nondepreciable capital assets	435,000	11,417,594	40,018,630	-	4,521,969	56,393,193
Depreciable capital assets, Net of accumulated depreciation	64,199	12,594,104	89,050,662	598,418	5,133,966	107,441,349
Restricted:						
Cash and cash equivalents	-	-	354,328	-	-	354,328
Investments	-	-	14,527,273	-	-	14,527,273
Amount due from lessee	-	-	-	450,000	-	450,000
Deferred bond issuance cost	-	-	2,046,821	-	-	2,046,821
Deferred loss on refunding	-	-	941,669	-	-	941,669
Amount due from Northwest Bond Fund	-	3,000,000	-	-	-	3,000,000
Interdivisional receivables (payables)	-	7,106,003	(5,358,622)	(1,747,381)	-	-
Total Noncurrent Assets	499,199	34,117,701	141,580,761	(698,963)	9,655,935	185,154,633
Total Assets	1,846,750	45,034,853	147,578,424	554,707	7,916,812	202,931,546
<u>LIABILITIES AND EQUITY</u>						
Current Liabilities:						
Accounts payable	\$ 260,426	\$ 15,209	\$ 1,659,926	\$ 515,943	\$ 26,391	\$ 2,477,895
Accrued payroll	352,885	11,307	267,228	-	6,295	637,715
Accrued interest payable	-	-	330,685	-	-	330,685
Deferred income	-	15,000	3,098	-	-	18,098
Notes payable-current	-	-	760,072	-	39,765	799,837
Revenue bonds payable-current	-	-	1,825,000	-	-	1,825,000
Ohio Water Development Authority loan payable-current	-	-	111,178	-	-	111,178
Total Current Liabilities	613,311	41,516	4,957,187	515,943	72,451	6,200,408
Noncurrent Liabilities:						
Long-term notes payable	-	-	569,206	-	-	569,206
Revenue bonds payable	-	-	42,935,000	-	-	42,935,000
Ohio Water Development Authority loan payable	-	-	693,841	-	-	693,841
Total Noncurrent Liabilities	-	-	44,198,047	-	-	44,198,047
Total Liabilities	613,311	41,516	49,155,234	515,943	72,451	50,398,455
Net Assets:						
Invested in capital assets, net of related debt	499,199	24,011,698	82,174,995	598,418	9,616,170	116,900,480
Restricted	-	3,075,966	18,800,123	698,263	-	22,574,352
Unrestricted	734,240	17,905,673	(2,551,928)	(1,257,917)	(1,771,809)	13,058,259
Total Net Assets	\$ 1,233,439	\$ 44,993,337	\$ 98,423,190	\$ 38,764	\$ 7,844,361	\$ 152,533,091

Toledo-Lucas County Port Authority
Schedule of Revenues, Expenses and Changes in Net Assets Information by Division
For the Year Ended December 31, 2005

	Administration	Seaport	Airport	Economic Development	Surface	Total
Operating Revenues						
BAX rental under property lease	\$ -	\$ -	\$ 3,004,469	\$ -	\$ -	3,004,469
Airport landing area	-	-	560,584	-	-	560,584
Airport terminal area	-	-	3,629,929	-	-	3,629,929
BAX operation lease and fees	-	-	2,064,229	-	-	2,064,229
Other rental and fee income	1,156,311	1,397,990	142,090	-	423,819	3,120,210
Wharfage under property lease	-	176,766	-	-	-	176,766
Other income	1,162	24,331	191,361	-	278	217,132
Total Operating Revenues	1,157,473	1,599,087	9,592,662	-	424,097	12,773,319
Operating Expenses						
Personal services	1,756,139	226,782	2,643,074	-	121,268	4,747,263
Marketing	151,302	43,916	429,558	-	2,700	627,476
Contractual services	577,144	365,853	730,957	910,999	121,402	2,706,355
Utilities	20,921	19,106	640,574	-	55,878	736,479
Repairs and maintenance	-	37,257	1,615,230	-	43,260	1,695,747
Depreciation	24,631	1,622,344	5,119,666	-	254,514	7,021,155
Amortization	-	-	368,663	-	-	368,663
Rental	127,549	-	-	-	-	127,549
Other	182,034	60,006	132,002	-	22,461	396,503
Total operating expenses	2,839,720	2,375,264	11,679,724	910,999	621,483	18,427,190
Operating Loss	(1,682,247)	(776,177)	(2,087,062)	(910,999)	(197,386)	(5,653,871)
Nonoperating Revenues (Expenses)						
Proceeds of property tax levy	2,460,320	-	-	-	-	2,460,320
Intergovernmental grants	-	17,863	-	918,317	-	936,180
Interest income from investments	192,560	243,199	976,151	8,450	-	1,420,360
Passenger facility charges	-	-	1,134,651	-	-	1,134,651
Litigation settlement	-	426,545	443,955	-	-	870,500
Interest expense	-	(4,579)	(2,942,849)	-	(2,594)	(2,950,022)
Borrower disbursements	-	-	(228,780)	-	-	(228,780)
Total Nonoperating Revenues (Expenses)	2,652,880	683,028	(616,872)	926,767	(2,594)	3,643,209
Income (Loss) Before Contributions and Transfers	970,633	(93,149)	(2,703,934)	15,768	(199,980)	(2,010,662)
Capital contributions	-	2,203,417	6,202,850	720,000	-	9,126,267
Interdivisional transfers in	-	136,893	1,207,347	-	48,598	1,392,838
Interdivisional transfers out	-	(136,893)	(1,207,347)	-	(48,598)	(1,392,838)
Change in Net Assets	970,633	2,110,268	3,498,916	735,768	(199,980)	7,115,605
Net assets (deficit) at beginning of year, restated	262,806	42,883,069	94,924,274	(697,004)	8,044,341	145,417,486
Net Assets at End of Year	\$ 1,233,439	\$ 44,993,337	\$ 98,423,190	\$ 38,764	\$ 7,844,361	\$ 152,533,091

Toledo-Lucas County Port Authority
Seaport Division
Schedule of Net Assets Information
December 31, 2005

<u>ASSETS</u>	General	Presque Isle	Total
Current assets:			
Investments	\$ 9,031,301	\$ -	\$ 9,031,301
Interest receivable	65,070	-	65,070
Accounts receivable	101,670	-	101,670
Settlement receivable	426,545	-	426,545
Due from other divisions	1,219,901	-	1,219,901
Prepaid expenses and other assets	72,665	-	72,665
Total Current Assets	10,917,152	-	10,917,152
Noncurrent Assets:			
Nondepreciable capital assets	4,417,594	7,000,000	11,417,594
Depreciable capital assets, Net of accumulated depreciation	12,528,838	65,266	12,594,104
Amount due from Northwest Bond Fund	3,000,000	-	3,000,000
Interdivisional receivables	7,106,003	-	7,106,003
Total Noncurrent Assets	27,052,435	7,065,266	34,117,701
Total Assets	37,969,587	7,065,266	45,034,853
<u>LIABILITIES AND EQUITY</u>			
Current Liabilities:			
Accounts payable	\$ 15,209	\$ -	\$ 15,209
Accrued payroll	11,307	-	11,307
Deferred income	15,000	-	15,000
Total Current Liabilities	41,516	-	41,516
Total Liabilities	41,516	-	41,516
Net Assets:			
Invested in capital assets, net of related debt	16,946,432	7,065,266	24,011,698
Restricted	3,075,966	-	3,075,966
Unrestricted	17,905,673	-	17,905,673
Total Net Assets	\$ 37,928,071	\$ 7,065,266	\$ 44,993,337

Toledo-Lucas County Port Authority
Seaport Division
Schedule of Revenues, Expenses and Changes in Net Assets Information
For the Year Ended December 31, 2005

	General	Presque Isle	Total
Operating Revenues			
Other rental and fee income	\$ 1,397,990	\$ -	\$ 1,397,990
Wharfage under property lease	176,766	-	176,766
Other income	24,331	-	24,331
Total Operating Revenues	1,599,087	-	1,599,087
Operating Expenses			
Personal services	226,782	-	226,782
Marketing	43,916	-	43,916
Contractual services	365,853	-	365,853
Utilities	19,106	-	19,106
Repairs and maintenance	37,257	-	37,257
Depreciation	461,839	1,160,505	1,622,344
Other	60,006	-	60,006
Total Operating Expenses	1,214,759	1,160,505	2,375,264
Operating Income (Loss)	384,328	(1,160,505)	(776,177)
Nonoperating Revenues (Expenses)			
Intergovernmental grants	17,863	-	17,863
Interest income from investments	243,199	-	243,199
Litigation settlement	426,545	-	426,545
Interest expense	(4,579)	-	(4,579)
Total Nonoperating Revenues (Expenses)	683,028	-	683,028
Income (Loss) Before Contributions and Transfers	1,067,356	(1,160,505)	(93,149)
Capital contributions	2,203,417	-	2,203,417
Interdivisional transfers in	136,893	-	136,893
Interdivisional transfers out	(136,893)	-	(136,893)
Change in Net Assets	3,270,773	(1,160,505)	2,110,268
Net assets at beginning of year	34,657,298	8,225,771	42,883,069
Net Assets at End of Year	\$ 37,928,071	\$ 7,065,266	\$ 44,993,337

Toledo-Lucas County Port Authority
Economic Development Division
Schedule of Net Assets Information
December 31, 2005

<u>ASSETS</u>	General	Financing Activities	Total
Current Assets:			
Cash	\$ 698,263	\$ -	\$ 698,263
Accounts receivable	515,944	-	515,944
Due from other divisions	39,463	-	39,463
Total Current Assets	1,253,670	-	1,253,670
Noncurrent Assets:			
Depreciable capital assets, Net of accumulated depreciation	598,418	-	598,418
Amount due from lessee	-	450,000	450,000
Interdivisional payables	(1,747,381)	-	(1,747,381)
Total Noncurrent Assets	(1,148,963)	450,000	(698,963)
Total Assets	104,707	450,000	554,707
<u>LIABILITIES AND EQUITY</u>			
Current Liabilities:			
Accounts payable	\$ 515,943	\$ -	\$ 515,943
Total Current Liabilities	515,943	-	515,943
Total Liabilities	515,943	-	515,943
Net Assets:			
Invested in capital assets, net of related debt	598,418	-	598,418
Restricted	-	-	698,263
Unrestricted	(1,009,654)	450,000	(1,257,917)
Total Net Assets (Deficit)	\$ (411,236)	\$ 450,000	\$ 38,764

Toledo-Lucas County Port Authority
Economic Development Division
Schedule of Revenues, Expenses and Changes in Net Assets Information
For the Year Ended December 31, 2005

	General	Financing Activities	Total
Operating Revenues			
Total Operating Revenues	\$ -	\$ -	\$ -
Operating Expenses			
Contractual services	910,999	-	910,999
Total Operating Expenses	910,999	-	910,999
Operating Loss	(910,999)	-	(910,999)
Nonoperating Revenues (Expenses)			
Intergovernmental grants	918,317	-	918,317
Interest income from investments	8,450	-	8,450
Total Nonoperating Revenues (Expenses)	926,767	-	926,767
Income Before Contributions	15,768	-	15,768
Capital contributions	720,000	-	720,000
Change in Net Assets	735,768	-	735,768
Net assets (deficit) at beginning of year, restated	(1,147,004)	450,000	(697,004)
Net Assets (Deficit) at End of Year	\$ (411,236)	\$ 450,000	\$ 38,764

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CASH BASIS)
For the Year Ended December 31, 2005

<u>Federal Grantor/Pass - Through Grantor Program Titles</u>	<u>CFDA Number</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Transportation</u>		
Airport Improvement Program	20.106	\$4,789,673
<u>U.S. Department of Homeland Security</u>		
Port Security Grant Program	97.056	703,418
<u>U.S. Environmental Protection Agency</u>		
Brownfield Pilots Cooperative Agreements	66.811	25,175
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grants	14.246	<u>7,318</u>
Total		<u>\$5,525,584</u>

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
FOR EACH QUARTER DURING THE YEAR ENDED DECEMBER 31, 2005

	<u>1st</u> <u>Quarter</u>	<u>2nd</u> <u>Quarter</u>	<u>3rd</u> <u>Quarter</u>	<u>4th</u> <u>Quarter</u>	<u>Year</u> <u>Ended</u>
PFC Fees Collected	\$ 294,960	\$ 293,666	\$ 238,274	\$ 188,280	\$ 1,015,180
Interest Income Net of Bank Fees	7,485	5,646	4,734	4,890	22,755
PFC Fees Expended	<u>-0-</u>	<u>1,019,106</u>	<u>471,108</u>	<u>132</u>	<u>1,490,346</u>
Net Increase (Decrease) in Cash	302,445	(719,794)	(228,100)	193,038	(452,411)
Cash at Beginning of Period	<u>1,382,443</u>	<u>1,684,888</u>	<u>965,094</u>	<u>736,994</u>	<u>1,382,443</u>
Cash at End of Period	<u>\$ 1,684,888</u>	<u>\$ 965,094</u>	<u>\$ 736,994</u>	<u>\$ 930,032</u>	<u>\$ 930,032</u>

"See Notes to Schedule of Passenger Facility Charges"

**TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
YEAR ENDED DECEMBER 31, 2005**

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, had been granted FAA approval to collect PFC fees for application #3 through December 1, 2003, at the rates of \$4.50 for each enplaned passenger, which was effective on July 1, 2001. Starting in December 2003, the Airport began to collect PFC fees for application #4, at the same rates, through August 1, 2006.

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.



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

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

We have audited the statement of net assets of the Toledo-Lucas County Port Authority ("Authority") as of December 31, 2005, and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended, and have issued our report thereon dated August 3, 2006, in which we noted that the Authority has changed its method of accounting for conduit debt obligations. 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.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the

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

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information 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.

A handwritten signature in cursive script, appearing to read "Robert O'Brien Ltd.", is written in dark ink.

August 3, 2006



**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, 2005. 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, 2005.

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 caused by error or fraud 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.

Robert O'Brien Ltd.

August 3, 2006



**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, 2005. 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, 2005.

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 reportable 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 caused by error or fraud 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 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.

August 3, 2006

**TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2005**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>
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:		<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	_X_ no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
97.056	Port Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low risk auditee?	_X_ yes	_____no
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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, 2005

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
DECEMBER 19, 2006**