DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

for the year ended December 31, 2009

Mary Taylor, CPA
Auditor of State

Board of Directors
Dayton-Montgomery County Port Authority
8 North Main Street
Dayton, Ohio 45402-2400

We have reviewed the *Independent Auditors' Report* of the Dayton-Montgomery County Port Authority, Montgomery County, prepared by Bastin & Company, LLC, for the audit period January 1, 2009 through December 31, 2009. 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 Dayton-Montgomery County Port Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 12, 2010

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DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Board of Directors
Dayton-Montgomery County Port Authority

We have audited the accompanying financial statements of the Dayton-Montgomery County Port Authority, Montgomery County, Ohio, (Authority) as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dayton-Montgomery County Port Authority, as of December 31, 2009 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 of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2010 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 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 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Bastin & Company, LLC

Cincinnati, Ohio
June 17, 2010

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DAYTON-MONTGOMERY COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(unaudited)

Our discussion and analysis of the Dayton-Montgomery County Port Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2009. Please review it in conjunction with the basic financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- Total assets exceed liabilities as of December 31, 2009 by $10,123,792 a decrease of $2,833,924 from December 31, 2008.

- The Authority's restricted and unrestricted cash and investment balances at December 31, 2009 totaled $8,610,753, a decrease of $15.1 million from December 31, 2008, primarily due to the final payments on the construction of the CareSource Management Group project.

- The Authority's debt balances decreased by $3.5 million as the Port was making full annual debt service payments on all projects in the portfolio.

- The Authority had operating revenues of $4,784,996 and operating expenses of $3,907,601 ($2,291,185 depreciation) resulting in an operating income of $877,395 for 2009.

- The Authority's capital outlays for the year were $13,184,366, for the final construction payments on the CareSource Management Group project and the Main Street Garage project.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The following is a list of the basic financial statements included in this report:

Management Discussion and Analysis
Basic Financial Statements
Statement of Net Assets
Statement of Revenues, Expenses and Changes in Net Assets
Statement of Cash Flows
Notes to the Financial Statements

The Authority is a single enterprise fund using proprietary fund accounting, which means these statements are presented in a manner similar to private-sector business. The statements are presented using economic resource management focus and the accrual basis of accounting. The statements are designed to provide readers with a broad overview of the Authority's finances.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

Our analysis of the Authority as a whole begins here. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse as a result of the year's activities?" Despite the net assets decreasing by $2.8 million, the answer is still yes. The question we hope that we are answering is, "Where is the Authority going and are we headed in the right direction?"

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority as a whole and about its activities in a way that helps answer those two questions. These statements include all the assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's *net assets* and changes in them. One can think of the Authority's net assets, the difference between assets (what the Authority owns) and liabilities (what the Authority owes), as one way to measure the Authority financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating. One will need to consider other nonfinancial factors, however, such as changes in the Authority's jurisdiction, the availability of capital projects, and continuing local government support to assess the overall health of the Authority.

Statement of Cash Flows

The Statement of Cash Flows provides information about the Authority's cash receipts and cash payments during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing activities and investing activities.

These financial statements report on all of the functions of the Authority that are principally supported by fees and financing lease revenues. The Authority's overall function is to provide economic development financing activities in Montgomery County, Ohio as an independent political subdivision of the State of Ohio.

These financial statements can be found on pages 7 through 10 of this report.

Notes to the Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 11-29 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

As stated previously, the Statement of Net Assets looks at the Authority as a whole. The following table provides a summary of the Authority's net assets for 2009 compared to 2008.

Net Assets (in thousands)

	2008	2009	Change
Current Assets and Other Assets	$46,985	$30,329	($16,656)
Capital Assets	90,940	101,833	10,893
Total Assets	137,925	132,162	(5,763)
Current Liabilities	5,554	5,958	404
Long-Term Liabilities	119,413	116,080	(3,333)
Total Liabilities	124,967	122,038	(2,929)
Net Assets:			
Invested in Capital Assets	2,596	2,858	262
Restricted for Capital Projects	2,720	0	(2,720)
Restricted for Bond Fund Program Reserve	5,000	5,000	0
Unrestricted	2,642	2,266	(376)
Total Net Assets	$12,958	$10,124	($2,834)

For 2009, total net assets of the Authority decreased by $2,833,924 in large part related to the annual depreciation on the parking garages and CareSource building. The Port also reported a significant amount of interest charges that were covered by the large restricted cash balances.

Unrestricted net assets, which is the portion of net assets that can be used to finance the day-to-day operations without constraints established by debt covenants or other legal requirements, decreased by $0.38 million in 2009. The investment in capital assets, net of related debt, increased by $0.26 million as a result of the Care Source Management Group project and Main Street Parking Garage projects being completed and annual depreciation reducing the capital asset values. Net assets restricted for capital projects decreased as a result of the construction projects being completed. A large portion of the Authority's net assets reflects restricted net assets that are from its bond fund reserves. The Authority uses these assets to provide for collateral for future project funding.

The following tables look at the change in the Authority's revenues and expenses from 2008 to 2009.

Statement of Activities (in thousands)

	2008	2009	Change
Fees charged	$683	$1,211	$528
Operating lease revenue	0	2,508	2,508
Property financing leases	1,060	970	(90)
Other revenue	65	96	31
Total operating revenue	1,808	4,785	2,977
Operating expense	2,216	1,617	(599)
Depreciation expense	288	2,291	2,003
Total operating expenses	2,504	3,908	1,404
Capital grants and contributions	1,668	959	(709)
Interest income	1,946	261	(1,685)
Interest expenses	(2,742)	(4,931)	(2,189)
Total nonoperating revenues and expenses	872	(3,711)	(4,583)
Change in Net Assets	176	(2,834)	(3,010)
Beginning Net Assets	12,782	12,958	176
Ending Net Assets	$12,958	$10,124	($2,834)

The Authority saw activity decrease on the project financing side although fee revenue increased mainly from the receipt of garage parking fees used in the operation of the garage. Operating expenses decreased as the Welcome Stadium project activity took place during 2008. Depreciation was significantly higher as the Authority recognized the first year of depreciation on the CareSource Management group project ($1,604,159 just for that project).

The interest income recognized decreased significantly as the Authority spent down the funds for construction purposes and interest rates dropped dramatically. The interest expense rose greatly over 2008 as a full year of debt service was recognized on the CareSource and parking garage projects and the amortization of the issuance costs increased the expense.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Authority's capital assets changes from December 31, 2008 to December 31, 2009 are reflected in the table below:

Class	2008 (in thousands)	2009 (in thousands)	Percentage Change
Land	$13,764	$13,764	0%
Buildings & Improvements	78,499	91,684	16.80%
Furniture and Equipment	7	7	0%
Total at Historical Cost	92,270	105,455	14.29%
Accumulated Depreciation	(1,330)	(3,622)	172.33%
Capital Assets, Net	$90,940	$101,833	11.98%

The Authority's capital assets increased by almost twelve percent due to the final construction payments on the CareSource Management Group facility and the Main Street Garage Project. See note 3 of the financial statements for more information.

Debt

The Authority's long term debt obligations decreased by $3,516,134 during 2009. The Authority has other long term obligations due to the City of Dayton in related to the Main Street Garage project, which increased by $691,301 due to final construction payments being made, offset by payments made by the Authority to start repaying the obligation during 2009. For more information on the Authority's debt balances see note 6 of the financial statements.

ECONOMIC FACTORS

The Dayton economy continues to slow considerably since 2007. The local economy has felt the effects from both Delphi Corporation closing six automotive plants and GM closing the last remaining truck assembly plant in December 2007. The national economy's overall slowing has been heavily felt in Montgomery County also as unemployment increased from 6.6% in December 2008 to 13.2% to December 2009.

Request for Information

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Dayton-Montgomery County Port Authority, 8 North Main Street, Dayton, Ohio 45402-2400.

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS:

CURRENT ASSETS:		
Cash and investments	$	478,515
Accounts Receivable		17,637
Total current assets		496,152
CAPITAL ASSETS:		
Land and land improvements		13,764,294
Buildings and improvements		91,683,821
Office Equipment		6,518
Total		105,454,633
Less: Accumulated Depreciation		(3,621,792)
Total capital assets, net		101,832,841
RESTRICTED AND OTHER ASSETS:		
Restricted cash and investments		8,132,238
Financing lease receivable - Relizon		9,933,769
Financing lease receivable - Burrows		6,140,006
Debt issuance costs		5,583,903
Other assets		43,371
Total restricted and other assets		29,833,287
TOTAL ASSETS	$	132,162,280

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

LIABILITIES:

CURRENT LIABILITIES:		
Accounts payable	$	290,808
Interest payable		351,078
Current portion of long term debt:		
Relizon project State Loan Revenue Note		288,980
Relizon project Development Revenue Bonds, Series 2001		300,000
Parking garage project Development Mortgage Revenue Bond, Series 2001		145,000
Parking garage project Development Revenue Bond, Series 2004A		80,000
Burrows project DOD State Loan		595,000
Austin Center project Montgomery County TID Loan		1,649,384
Austin Center project Development Revenue Bonds Series 2004B		648,302
Care Source project Development Revenue Bonds Series 2007A		790,000
Care Source project Development Revenue Bonds Series 2007B		420,000
Care Source project Taxable State Loan Revenue Bonds		400,000
TOTAL CURRENT LIABILITIES:		5,958,552
OTHER LIABILITIES - including amounts related to restricted assets:		
Revenue bonds, notes and loans:		
Relizon project State Loan Revenue Note		3,979,218
Relizon project Development Revenue Bonds, Series 2001		5,365,000
Parking garage project Development Mortgage Revenue Bond, Series 2001		2,265,000
Parking garage project Development Revenue Bond, Series 2004A		1,800,000
Burrows project DOD State Loan		5,640,000
Austin Center project Montgomery County TID Loan		1,748,428
Austin Center project Development Revenue Bonds Series 2004B		2,427,298
Care Source project Development Revenue Bonds Series 2007A		43,385,000
Care Source project Development Revenue Bonds Series 2007B		14,735,000
Care Source project Taxable State Loan Revenue Bonds		7,166,667
Project financing payable to City of Dayton		24,132,330
Bond Fund Program Loan		1,000,000
Land purchase option deposits		2,135,995
Reimbursable deposits		300,000
TOTAL LONG TERM LIABILITIES:		116,079,936
TOTAL LIABILITIES		122,038,488

NET ASSETS:

Invested in capital assets, net of related debt		2,858,149
Restricted for Bond Fund Program Reserve		5,000,000
Unrestricted Net Assets		2,265,643
TOTAL NET ASSETS	$	10,123,792

See accompanying notes to the financial statements

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATING REVENUES:		
Port fees	$	176,225
Parking garage fees		1,034,960
Operating lease revenue		2,508,651
Property financing leases		969,596
Construction management fees		15,482
Other revenues		80,082
Total Operating Revenues		4,784,996
OPERATING EXPENSES:		
Salaries and benefits		65,301
Operating expenses		192,042
Project related expenses		727,238
Professional services		197,870
Payments in lieu of real estate taxes		433,965
Depreciation and amortization		2,291,185
Total Operating Expenses		3,907,601
OPERATING INCOME		877,395
NONOPERATING REVENUES (EXPENSES):		
Tax increment financing provided by City of Dayton		205,497
Capital grants		753,056
Interest income		260,838
Interest and fiscal charges		(4,930,710)
Total nonoperating revenues (expenses)		(3,711,319)
CHANGE IN NET ASSETS		(2,833,924)
Net Assets Beginning of Year		12,957,716
Net Assets End of Year	$	10,123,792

See accompanying notes to the financial statements

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

Cash flows from operating activities:		
Cash received from customers	$	4,694,471
Cash payments to employees for services		(64,632)
Cash payments to supplier for goods and services		(1,645,611)
Cash received from other sources		80,082
Net cash used for operating activities		3,064,310
Cash flows from capital related activities:		
Proceeds from interim financing payable (Main Street Parking Garage)		998,866
Retirement of debt		(3,879,601)
Interest paid on debt		(4,468,481)
Financing leases principal payments received		1,145,180
Land purchase option deposits received		736,000
Cash capital contributions		21,970
Tax increment property taxes		205,497
Acquisition and construction of capital assets		(13,184,366)
Net cash used for capital financing activities		(18,424,935)
Cash flows from investing activities:		
Interest received		260,838
Net cash provided by investing activities		260,838
Net decrease in cash and investments		(15,099,787)
Cash and cash equivalents at beginning of year		23,710,540
Cash and cash equivalents at end of year	$	8,610,753
Reconciliation of operating gain to net cash used for operating activities		
Operating gain		877,395
Adjustments to reconcile operating gain to net cash used for operating activities		
Depreciation and amortization		2,291,185
Changes in assets and liabilities:		
Increase in accounts receivable		(10,443)
Decrease in accounts payable		(93,827)
Net cash provided by operating activities	$	3,064,310

See accompanying notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Dayton-Montgomery County Authority, Montgomery County, Ohio (the “Authority”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority was established in January 2000 pursuant to section 4582.22 of the Ohio Revised Code by resolution of Montgomery County and by ordinance of the City of Dayton. A nine-member Board of Directors directs the Authority. Five of the Directors are appointed by the Montgomery County Commissioners and four are appointed by the Mayor of the City of Dayton, with the advice and consent of the Dayton City Council.

The Authority provides services that are enumerated in Sections 4582.21 to 4582.29 of the Ohio Revised Code. The services include but are not limited to the power to purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Authority facilities.

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all divisions and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization’s government board and able to impose its will on the organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or to impose specific financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Authority itself is included in the financial reporting entity.

Basis of Accounting

The Authority’s activities are financed and operated as a single enterprise fund such that the costs and expenses, including depreciation, of providing the services are recovered primarily through user charges. The measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, and accountability. The Authority’s financial transactions are recorded on the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Revenues received in advance are deferred and recognized as earned over the period to which they related.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities that use Proprietary Fund Accounting,* the Authority has elected not to apply those Statements and Interpretations of the Financial Accounting and Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by GASB.

Investments

The Authority's investments (including cash equivalents) are recorded at fair value. Money market mutual funds are recorded at share values reported by the mutual fund.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with maturities of less than three months (including restricted assets) to be cash equivalents.

Capital Assets

The Authority defines capital assets as those with an initial, individual cost of more than $500 and an estimated useful life in excess of three years. Capital assets are stated at historical cost. Donated capital assets are recorded as estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed and updated for the cost of additions and retirement during the year. Interest incurred during construction is capitalized until substantial completion of the project.

Depreciation is computed using a straight-line basis over the following estimated useful lives:

Description	Years
Buildings and improvements	40
Office equipment	3

Restricted Assets and Related Liabilities

Bond indentures and other agreements require portions of debt proceeds as well as other resources of the Authority to be set aside for various purposes. These amounts are reported as restricted assets. The liabilities that relate to the restricted assets are included in other liabilities in the accompanying statement of net assets.

Financing Leases Receivable

The Authority enters into various financing arrangements for the purpose of funding the construction of facilities that are leases to private and public companies. Financing lease agreements with the companies provide for leasing payments sufficient to fund the related debt issued by the Authority and other costs and expenses related to the project. The leases are non-cancelable until the underlying debt and any related charges are paid in full. Lease payments cover a minimum of the principal and interest payments on the debt as they become due. Lease arrangements allow for the lessee an option to purchase the leased facility at the termination of the lease. All expenses related to the debt and operation and maintenance of the leased facilities are the responsibility of the lessee. The Authority assumes no responsibility for the repayment of any of the debt issued for the construction of the leases facilities beyond the resources provided by the underlying lease. All lease payments and debt retirement payment are administered and flow through accounts of the Authority and are recognized in the accompanying statements.

Debt Issuance Costs

The costs associated with the issuance of the Authority's revenue bonds and notes are deferred and recognized as interest cost over the period the related debt is outstanding using the interest method.

Budgetary Accounting and Control

The Authority's annual budget, as provided by law, is prepared on the accrual basis of accounting. The budget includes amounts for current year revenues and expenses.

The Authority maintains budgetary control by not permitting total capital expenditures and accounts charges to individual expense categories to exceed their respective appropriations without an amendment of appropriations by the Board of Directors.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from charges for services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Authority. Revenues and expenses that do not meet these criteria are considered non-operating and reported as such.

Tax Increment Financing from the City of Dayton

As part of the financing agreement between the Authority and the City of Dayton related to the Taxable Project Development Mortgage Revenue Bonds for the Patterson Street Parking Garage Facility Project, the City of Dayton makes debt service payments on the bonds from increment property taxes and payments in lieu of taxes received from the Authority. The Authority recognizes the debt service payments, made by the City of Dayton on the Authority's behalf, as tax increment financing, equal to the debt payment of the bonds.

In addition, as a result of timing differences between increment tax collections, which are collected the year subsequent to when property taxes are assessed, and the timing of the debt service requirements on the bonds, the City of Dayton agreed to reimburse the Authority any excess tax increment proceeds in order to return funding to the Authority which had paid the debt service requirements during the initial years of the bond issues.

Net Assets

Total net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowing, or portion of a borrowing, used for the acquisition, construction or improvement on those assets. Net assets restricted for capital projects represent assets restricted for the completion of ongoing construction projects, such as unused bond proceeds, reduced by applicable remaining portion of debt balances. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority received a $5,000,000 grant through Ohio Department of Development for the purpose of creating the bond reserve to increase debt capacity of the Authority. Due to the nature of the grant terms, the resulting amount of net assets is considered restricted for the bond reserve program.

Estimates

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

2. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Active deposits must be maintained either as cash by the Authority in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Authority has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Interim monies held by the Authority can be deposited or invested in the following securities:

- United States Treasury Notes, Bills, Bonds, 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;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days; and
- Bond and other obligations of the State of Ohio;
- Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
- The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned. Protection of the Authority cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledges by the institutions 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 FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amount equal to at least 105 percent 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 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 December 31, 2009, the carrying amount of the Authority's deposits was $778,515 and the bank balance was $831,569. FDIC insurance covered $271,807 of the bank balance.

Investments

The Authority's investments as of December 31, 2009 were as follows:

	Fair Value	Credit Rating	Maturity
U.S Government Money Market Funds*	$3,832,238	N/A	<60 days
CDC Funding Corporation Guaranteed Investment Contracts (GIC)	4,000,000	N/A	5/15/2024
Total Investments	$7,832,238		

* U.S Governmental Money Market Funds are considered a cash equivalent for the purpose of the Statement of Cash Flows.

Interest Rate Risk – State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Authority, and that an investment must be purchased with the expectation that it will be held to maturity. The Guaranteed Investment Contracts are matched to obligations within the Bond Fund Program.

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest in one issuer. As of December 31, 2009, of the Authority's total investments, 48.93 percent are in U.S Government Money Market Funds and 51.07 percent are in Guaranteed Investment Contracts.

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 investments or collateral securities that are in the possession of an outside party. The CDC Funding Corporation Guaranteed Investment Contracts is exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Authority's name. The Authority has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investment to the Authority or qualified trustee.

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Increases	Decreases	Balance 12/31/2009
Class				
Capital assets, not being depreciated				
Land	$13,764,294	$0	$0	$13,764,294
Capital Assets, being depreciated				
Buildings and improvements	78,499,455	13,184,366	0	91,683,821
Office equipment	6,518	0	0	6,518
Total at historical cost	92,270,267	13,184,366	0	105,454,633
Accumulated depreciation				
Buildings and improvements	(1,324,089)	(2,291,185)	0	(3,615,274)
Office equipment	(6,518)	0	0	(6,518)
Total accumulated depreciation	(1,330,607)	(2,291,185)	0	(3,621,792)
Net Capital Assets	$90,939,660	$10,893,181	$0	$101,832,841

4. PROJECTS

Relizon Company Headquarters Project

During 2001, the Authority financed the construction of a commercial office building for the headquarters of the Relizon Company. Land for the project was granted to the Authority by the City of Dayton with a value of $1,833,000. The Authority issued a $6,540,000 Taxable State Loan Revenue Note dated May 1, 2001 payable to the Ohio Department of Development and $7,250,000 of Taxable Project Development Revenues Bonds, Series 2001, dated May 18, 2001.

The Authority is to make monthly principal payments on the Taxable State Loan Revenue Note in varying monthly amounts ranging from $23,807 beginning on January 1, 2010 to $30,389 on March 1, 2017. A balloon payment of $2,000,000 is also due on March 1, 2017. The note carried no interest through March 31, 2007. Effective April 1, 2008 the note carried a rate of 2.5 percent. The note is secured by the property and rental payments to be received under the lease with Relizon as well as a residual value insurance contract covering balloon payments due on the debt as discussed below.

The Authority is to make monthly principal payments on the Taxable Project Development Revenue Bonds in varying monthly amounts ranging from $25,000 beginning on January 1, 2010 to $40,000 on February 1, 2017. A balloon payment of $3,000,000 is also due on February 1, 2017. The bonds bear an interest rate of 8.75 percent and are secured by the property and rental payments to be received under the lease with Relizon as well as residual value insurance contract covering balloon payments due on the debt as discussed below.

The Authority entered into a lease agreement, dated May 18, 2001, with the Relizon Company for use of the office building facility. The timing and amount of payments due from Relizon under the lease are scheduled to meet the debt service requirements of the Authority and other costs and expenses incurred in connection with the project through March 1, 2017. The term of the lease provides for various options at the end of the lease, including Relizon’s option to purchase the property, the continuation of the lease with the refinancing of the $5,000,000 of balloon payments due on the related debts or the vacating of the property by Relizon. The Authority has acquired a residual value insurance policy to guarantee funding for balloon payment amounts when they become due should Relizon vacate the property at lease end.

The Authority accounts for the lease with Relizon as a financing lease. The term of the lease commenced on May 1, 2001 and expires, unless sooner terminated in accordance with the terms of the lease, on February 28, 2017.

The difference between the financing lease receivable and the total payments to be made by the lessee are being amortized over the term of the lease so as to produce a constant periodic rate of return on the Authority’s investment in the lease.

The future minimum lease payments to be received, including proceeds from the residual value insurance contract, and the Authority's net investment in the lease are as follows:

Year Ending December 31,	Amount
2010	$1,206,823
2011	1,210,215
2012	1,189,595
2013	1,176,452
2014	1,177,051
Thereafter	7,566,604
Total	13,526,740
Less: Amount Representing Interest	(3,592,971)
Present Value of Net Minimum Lease Payments	$9,933,769

Patterson Street Parking Garage Facility Project

During 2001, the Authority financed the acquisition and construction of a parking garage facility located adjacent to the Relizon Company Headquarters Project. The Authority owns the parking facility.

Land for the project was granted to the Authority by the City of Dayton with a value of $1,725,000. The Authority issued $3,225,000 in Taxable Project Development Mortgage Revenue Bonds, Series 2001, dated May 1, 2001 payable to the City of Dayton and a $2,000,000 Project Development Revenue Bond Anticipation Note (BAN), Series 2001, dated May 16, 2001.

Principal payments on the Taxable Project Development Mortgage Revenue Bonds, Series 2001, are due on December 1, in varying amounts ranging from $145,000 in 2010 to $270,000 in 2021. Interest at a rate of 5.81 percent was effective until November 30, 2003. The interest rate is variable thereafter and was reset on December 1, 2003, and is to be reset every third year based on the weighted average interest rate on all investments in the City of Dayton's investment portfolio on those dates.

The 2001 BAN has been refunded on an annual basis. On July 14, 2004 the Authority issued $2,235,000 of twenty year Project Development Revenue Bonds, Series 2004A, to fund appropriate reserves, pay the cost of issuance and refund the Bond Anticipation Note. The Authority is to make semi-annual principal payments on the Project Development Revenue Bonds, Series 2004A, in semi-annual amounts ranging from $40,000 on May 15, 2010 to $305,000 on May 15, 2024. The bonds bear interest rates ranging from 5 to 6.125 percent.

Burrows Paper Corporation Project

During 2003, the Authority financed the construction of a 275,000 square foot manufacturing building in Franklin, Ohio for the Burrows Paper Corporation. Construction costs were funded by proceeds of a $9,000,000 Ohio Department of Development Taxable State Loan dated June 1, 2003. The Ohio Department of Development Loan was funded by the issuance of $9,000,000 State Economic Development Revenue Bonds, Ohio Enterprise Bond Fund (OEBF) Series 2003-4.

Principal payments on the Ohio Department of Development Taxable State Loan are due quarterly in varying amounts ranging from $145,000 on March 1, 2010 to $225,000 due June 1, 2018, and bear interest at 5.35 percent. The loan is secured by the rental payments to be received under the lease with Burrows Paper Corporation as discussed below.

The Authority has entered into a 15-year lease agreement, dated June 1, 2003, with Burrows Paper Corporation for use of the project facility. The lessee has the right to purchase the project prior to maturity for an amount equal to the outstanding OEBF amount. The lessee also has the right to purchase the project at the end of the lease for $100.

The Authority accounts for the lease with Burrows Paper Corporation as a financing lease. Payments commenced under the lease on July 15, 2003, and consisted of interest and fees until May 15, 2004. Beginning June 15, 2004 and until the final lease payment scheduled for May 15, 2018, the timing and amount of payments due from the lessee are scheduled to meet the debt service requirements of the Authority for the Ohio Department of Development Taxable State Loan plus administrative charges and port fees.

The difference between the financing lease receivable and the total payments to be made by the lessee are being amortized over the term of the lease so as to produce a constant periodic rate of return on the Authority's investment in the lease.

The future minimum lease payments to be received and the Authority's net investment in the lease are as follows:

Year Ending December 31,	Amount
2010	$931,546
2011	931,032
2012	926,927
2013	928,975
2014	928,784
Thereafter	3,146,840
Total	7,794,104
Less: Amount Representing Interest	(1,654,098)
Present Value of Net Minimum Lease Payments	$6,140,006

Austin Center Project

On October 31, 2003 the Authority purchased land to assist in the addition of an interchange on U.S. Interstate Highway 75 at Austin Pike and in anticipation of creating a commercial/office building community at the Austin Pike interchange.

Acquisition costs were funded by the issuance of a $2,925,000 Development Mortgage Revenue Bond Anticipation Note dated October 31, 2003, and obtaining an initial loan of $2,475,000 from Montgomery County Transportation Improvement District.

The Development Mortgage Revenue Bond Anticipation Note was scheduled to mature on May 1, 2006 at an interest rate of 6 percent. The loan was secured by the acquired property. During July 2004 the Authority issued $5,075,000 of Development Mortgage Revenue Bonds, Series 2004B, to fund appropriate reserves, pay the cost of issuance and refund the Development Mortgage Revenue Bond Anticipation Note. Bond repayment requirements provide that accrued interest through November 15, 2006, totaling $152,250, is to be added to the principal balance of the bonds and retired as principal over the remaining life of the bonds. Principal payments on the Development Mortgage Revenue Bonds, Series 2004B, are due on May 15 and November 15 in varying amounts ranging from $321,738 on May 15, 2010, to $362,435 on May 15, 2014. The bonds bear an interest rate of 3.0 percent.

The loan from Montgomery County Transportation Improvement District (TID) provided for the assignment of ED/GE program funds received by the TID to the Authority. The terms of the assignment agreement provide that the Authority repay the loan of the ED/GE funds based on a prorated share of proceeds derived from the future sale of the project’s land.

During 2004, the land purchase and terms of the TID loan were finalized. The TID and the Authority have a vested interest in property in the interchange project. The Authority received a total of $3,029,940 to enable financing for the purchase of 121 acres that includes an equity infusion and additional costs. During 2006, the TID provided an additional $367,872 of funding to the Authority for the Authority to make the initial debt service payment on the Mortgage Revenue Bonds, Series 2004B. The additional funding increased the TID's equity interest in the project by increasing the loan balance payable by the Authority to the TID.

During 2007, $736,000 was provided to the Authority by a developer for the Authority to make the debt service payments on the Mortgage Revenue Bonds, Series 2004B, as they came due. In return, the developer retains an option to purchase the property, with all amounts contributed to be applied towards the purchase price upon settlement. During 2008, an additional $663,995 was provided by the developer and for 2009 the amount was $736,000.

Welcome Stadium Project

During 2006, the Authority received an operating grant of $930,000 from the State of Ohio for the purpose of providing Phase I renovations to the University of Dayton's Welcome Stadium. During 2007, the Authority received an additional operating grant of $1,576,000 for Phase II of the project. During 2008, the Authority received an additional operating grant of $459,525 for installation of artificial turf. During 2009, the Authority received an additional $24,777 to pay for close out costs and some additional items. The project was completed during 2009.

CareSource Management Group Project

During May 2007, the Authority began construction of a 300,000 square foot commercial office building for the corporate headquarters of the CareSource Management Group.

To fund the project, the Authority issued $68,600,000 of debt consisting of 1) $45,000,000 of Adjustable Rate Development Revenue Bonds, Series 2007A, 2) $15,600,000 of Fixed Rate Development Revenue Bonds, Series 2007B, and 3) $8,000,000 of Taxable State Loan Revenue Bonds, all dated May 1, 2007.

The Authority is to make monthly principal payments on the Adjustable Rate Development Revenue Bonds, Series 2007A, in varying monthly amounts ranging from $65,000 beginning on January 1, 2010, to $165,000 on November 1, 2028. A balloon payment of $20,000,000 is due on November 15, 2028. While the bonds bear an adjustable rate of interest, rate swap agreements with financial institutions have established a fixed rate to be applied to the Authority of 3.79 percent. The bonds are secured by the property and rental payments to be received under the operating lease with CareSource Management Group through November 1, 2028.

The Authority is to make monthly principal payments on the Fixed Rate Development Revenue Bonds, Series 2007B, in varying monthly amounts ranging from $35,000 on January 1, 2010 to $115,000 on November 1, 2028. The bonds bear an interest rate of 6.35 percent and are secured by the property and rental payments to be received under the lease with CareSource Management Group through November 1, 2028.

The Authority is to make monthly principal payments on the Taxable State Loan Revenue Bonds in monthly amounts of $33,333 beginning on January 1, 2010 through November 1, 2028. The bonds bear interest rates between 0 and 4 percent and are secured by the property and rental payments to be received under the lease with CareSource Management Group.

The Authority has entered into a 20 year operating lease agreement, dated May 1, 2007, with CareSource Management Group for use of the office building facility. The timing and amount of payments due from CareSource Management Group under the lease are scheduled to meet the debt service requirements of the Authority and other costs and expenses due to the Authority through November 1, 2028. The lease may be extended by CareSource Management Group for an additional 10 years, subject to execution of a supplemental agreement with the Authority. Land with a purchase price of $1,167,382 was funded by a cash contribution from the City of Dayton and transferred to CareSource Management Group under the terms of the lease.

The Authority accounts for the lease as an operating lease. As of December 31, 2009, $64,202,483 of construction cost has been capitalized as buildings and improvements. The project was to be completed in December 2008 but all payments weren't finalized and the project was not closed out until 2009.

Upon completion of project construction, the Authority, in accordance with the terms of the Adjustable Rate Development Revenue Bonds, Series 2007A, authorized the use of all remaining unused bond proceeds (including interest earned on invested bond proceeds during construction) to be applied toward the regularly scheduled retirement of bond principal and interest payments due in 2009. As a result, lease revenues due under the operating lease from CareSource Management Group were reduced by $2,190,046.

Main Street Parking Garage

In conjunction with the CareSource Management Group project, during 2007 the Authority began construction of a seven story parking garage in downtown Dayton to be owned and operated by the Authority. CareSource Management Group has agreed to rent 900 spaces for 20 years with an option to re-negotiate rental rates after 10 years.

Interim funding for construction of the garage was provided under an intergovernmental agreement with the City of Dayton until such time the City issues economic development revenue bonds and enters into a loan agreement with the Authority. On January 10, 2008, the City of Dayton issued $32,000,000 in economic development revenue bonds with various interest rates between 4% and 5% and a maturity date of December 1, 2028. A portion of the bond issue was used to provide funding to the Authority for the Main Street Parking Garage facility. Concurrent with the bond issue, the Authority entered into a loan agreement with the City of Dayton in exchange for the assignment of a security interest in all property of the project, as well as all future net revenues generated by the project, until such time that net revenues of the project are sufficient to retire the amount loaned by the City, plus interest. The Authority reimbursed the City $363,467 of net monthly revenues generated by the project in 2009.

As of December 31, 2009, $24,495,797 of cost has been capitalized, including $4,218,338 of land and $20,277,459 of construction costs. Total funding of $24,495,797 has been provided by the City of Dayton, under the financing arrangement.

5. BOND FUND PROGRAM

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

The State of Ohio Department of Development (ODOD) awarded the Authority a grant of $5,000,000 during 2000 to establish the Bond Fund Program. Amounts held in the Authority's Bond Fund Program Reserve are included in restricted assets and as restricted retained earnings in the accompanying balance sheets, due to the nature of the grant that restricts the use of the funds solely to the Bond Fund Program activities. Under the Program, debt service requirements on each bond issue are to be secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financed facilities. In addition, all borrowers are required to provide a letter of credit as additional security for the related bonds.

During 2003 the Authority obtained an additional $2,000,000 grant/loan from ODOD to further increase the funds of the Bond Fund Program. The terms of the grant/loan allow the Authority to use the funds for the Bond Fund Program and for any purpose approved by the Board for economic development, and therefore are reflected as non-restricted in the accompanying balance sheets. The conditional grant/loan was initially for a 20-year term, with 25 percent of the interest earned on the fund remitted back to ODOD through December 2017 and then, beginning 2018 and continuing through December 2022, 100 percent of the interest earned was required to be remitted back to ODOD. In addition to the interest repayment requirements, the Authority was to make a $1,000,000 repayment of principal on December 31, 2022. During May 2004 the terms were renegotiated whereby the Authority is to make annual interest payments beginning of $25,000 over the 20 years on the loan portion and a final repayment in 2024 totaling $1,500,000, representing the original $1,000,000 of loan principal and $500,000 in accumulated interest so long as the funds are not committed in the Bond Fund Program reserve. As of December 31, 2009 the Authority has accrued interest payments owed to ODOD totaling $25,000.

In addition, the Authority has obtained a $5,000,000 commercial line of credit for additional Bond Fund Program purposes. As of December 31, 2009, no amounts of this line of credit have been utilized.

6. PROJECT RELATED DEBT OBLIGATIONS

For the year ended December 31, 2009, changes in Authority's project related debt were as follows:

	Balance at January 1, 2009	Additions	Payments/ Deletions	Balance at December 31, 2009	Due Within One Year
Relizon Project:					
Taxable State Loan Revenue Note 2.5%	$4,550,050	$0	($281,852)	$4,268,198	$288,980
Taxable Development Revenue Bond, Series 2001 8.75%	5,915,000	0	(250,000)	5,665,000	300,000
Parking Garage Project					
Taxable Development Mortgage Revenue Bonds, Series 2001 (variable)	2,545,000	0	(135,000)	2,410,000	145,000
Development Revenue Bonds Series 2004 5.0-6.125%	1,955,000	0	(75,000)	1,880,000	80,000
Burrows Project					
Ohio DOD Taxable State Loan 5.35%	6,800,000	0	(565,000)	6,235,000	595,000
Austin Center Project					
Montgomery County TID Loan 0.00%	3,397,812	0	0	3,397,812	1,649,384
Taxable Development Revenue Bonds, Series 2004B 3.0%	3,704,882	0	(629,282)	3,075,600	648,302
CareSource Project					
Development Revenue Bonds, Series, 2007A 3.79%	44,940,000	0	(765,000)	44,175,000	790,000
Development Revenue Bonds, Series, 2007B 6.35%	15,570,000	0	(415,000)	15,155,000	420,000
Taxable State Loan Revenue Bonds 0.0-4.0%	7,966,667	0	(400,000)	7,566,667	400,000
Total	$97,344,411	$0	($3,516,134)	$93,828,277	$5,316,666

Amortization of the above debt, including interest, is scheduled as follows (for variable rate obligations the interest payment amounts are estimated and the retirement of the Austin Center TID loan is based upon future estimated land sales):

	Relizon Project				Burrows Project	
	State Loan Revenue Note		2001 Series Revenue Bonds		DOD State Loan	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2010	$288,980	$113,416	$300,000	$483,656	$595,000	$321,736
2011	296,287	105,369	300,000	457,406	630,000	289,234
2012	303,780	97,118	340,000	430,135	660,000	254,994
2013	311,462	88,659	360,000	399,000	700,000	218,882
2014	319,339	79,986	395,000	366,734	740,000	180,629
2015-2018	2,748,350	137,580	3,970,000	690,922	2,910,000	300,002
Total	$ 4,268,198	$ 622,128	$ 5,665,000	$ 2,827,853	$ 6,235,000	$ 1,565,477

	Parking Garage Project				Austin Center Project	
	2001 Series Revenue Bonds		2004A Series Revenue Bonds		Austin Center TID Loan	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2010	$145,000	$66,757	$80,000	$105,712	$1,649,384	-
2011	155,000	62,741	80,000	101,713	379,874	-
2012	160,000	58,447	90,000	97,587	391,357	-
2013	170,000	54,015	90,000	93,088	403,185	-
2014	180,000	49,306	95,000	88,587	574,002	
2015-2019	1,075,000	165,370	560,000	363,162	-	-
2020-2024	525,000	22,022	885,000	167,060	-	-
Total	$ 2,410,000	$ 478,658	$ 1,880,000	$ 1,016,909	$ 3,397,802	$ -

	Austin Center Project		CareSource Project			
	2004B Series Revenue Bonds		2007A Series Revenue Bonds		2007B Series Revenue Bonds	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2010	$648,302	$87,442	$790,000	$1,660,667	$420,000	$950,119
2011	667,897	67,847	840,000	1,629,700	460,000	922,708
2012	688,084	47,660	880,000	1,597,422	480,000	892,494
2013	708,881	26,862	920,000	1,563,365	525,000	861,063
2014	362,436	5,437	965,000	1,527,560	540,000	826,937
2015-2019	-	-	5,625,000	7,035,630	3,365,000	3,523,724
2020-2024	-	-	7,175,000	5,831,754	4,595,000	2,294,690
2025-2028	-	-	26,980,000	3,514,763	4,770,000	630,152
Total	$ 3,075,600	$ 235,248	$44,175,000	$24,360,861	$15,155,000	$10,901,887

Year Ending December 31,	CareSource Project Chapter 166 Revenue Bonds Principal	Interest	Total Principal	Interest
2010	$400,000	$73,833	$5,316,666	$3,863,338
2011	400,000	69,853	4,209,058	3,706,571
2012	400,000	65,833	4,393,221	3,541,690
2013	400,000	66,833	4,588,528	3,371,767
2014	400,000	115,667	4,570,787	3,240,843
2015-2019	2,000,000	500,521	22,253,350	12,716,911
2020-2024	2,000,000	407,002	15,180,000	8,722,528
2025-2028	1,566,667	121,343	33,316,667	4,266,258
Total	$ 7,566,667	$1,420,885	$93,828,277	$43,429,906

7. DEFINED BENEFIT PENSION PLAN

All full-time employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2009, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2009 employer contribution rate for local government employer units was 14.00%, of covered payroll. A portion of the Authority's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2009, 7.0% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the Authority are established and may be amended by the OPERS Board. The Authority's contributions for pension obligations to OPERS for the years ending December 31, 2009, 2008, and 2007 were $4,096, $9,165 and $13,725, respectively, which were equal to the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to the traditional and combined plans is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.0 percent of covered payroll. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2009, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were $2,772, $9,165 and $9,040, respectively. All of the required contributions were paid within the respective years.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries, and natural disasters. The Authority has obtained commercial insurance for comprehensive property and general liability, employee bonding, auto insurance and specific property insurance for the Patterson Street Parking Garage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the last three years. There has not been a significant reduction in coverage from the prior year.

10. CONDUIT DEBT

The Authority has issued debt obligations, three separate issues, on behalf of DHL for the purpose of acquisition, construction or leasing of facilities and equipment. The debt obligations and the interest thereon do not constitute debt or liability by the Authority, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements, and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The Authority has elected to not report the liability and respective asset on the face of the financial statements. Combined conduit debt issue outstanding for DHL as of December 31, 2009 is as follows:

Entity	Amount
DHL Wilmington Air Park	$256,235,000

Bastin & Company, LLC
Certified Public Accountants

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
Dayton-Montgomery County Port Authority

We have audited the financial statements of the Dayton-Montgomery County Port Authority, Montgomery County, Ohio (the Authority) as of and for the year ended December 31, 2009, and have issued our report thereon dated June 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-01 described in the accompanying schedule of findings to be a material weakness.

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 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*.

4286 Mt. Carmel-Tobasco Road, Suite A, Cincinnati, Ohio 45244-2372, Telephone/Fax (513) 753-3999

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

Bastin & Company, LLC

Cincinnati, Ohio
June 17, 2010

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2009

FINDING NUMBER 2009 - 01

The results of the audit disclosed various adjustments that were required to correct the draft financial statements initially provided for audit.

Audit procedures disclosed that the draft financial statements prepared by the Authority had recognized the net affect of various entries in the recording of asset, liability, revenue and expense items instead of recognizing the gross impact on each of the related items. As a result, a reconstruction of all transactions was performed to record appropriate amounts.

The reconstruction disclosed various accounts required adjustments to reflect proper recording. The following reflects a summary of the adjustments that have been made to properly state the Authority's 2009 financial statements:

- Capital assets, net of depreciation were increased by $2,680,178
- Long-term liabilities were increased by $274,754
- Revenue items were increased by $879,146
- Expense items were decreased by $1,526,301

The presentation of materially correct financial statements is the responsibility of management. We recommend that the Authority implement control procedures to ensure that financial statements are properly presented.

Authority's Response

The Authority concurs with the condition and will take steps to ensure that financial statements are properly prepared and all entries related to the trust accounts are reported at gross as presented in the monthly bank statements.

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Status Explanation:
2008-01	Maintaining formal meeting minutes of the Board of Directors.	Yes	Condition corrected beginning in 2009

Mary Taylor, CPA
Auditor of State

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY

MONTGOMERY 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
NOVEMBER 4, 2010

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