DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

for the year ended December 31, 2011

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, 2011 through December 41, 2011. 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.

Dave Yost
Auditor of State

December 4, 2012

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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

To the 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, 2011, 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, 2011, and the changes in its financial position 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 August 17, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

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statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bastin & Company, LLC

Cincinnati, Ohio
August 17, 2012

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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, 2011. Please review it in conjunction with the basic financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- Total assets exceed liabilities as of December 31, 2011 by $13,950,929, an increase of $3,037,671 from December 31, 2010.

- The Authority's restricted and unrestricted cash and investment balances at December 31, 2011 totaled $7,655,367, a decrease of $1.32 million from December 31, 2010. The balance is mainly related to the release of the Austin Center reserve funds.

- The Authority's debt balances had a net decrease of $2.66 million, as the Authority was making full annual debt service payments on all projects in the portfolio and the Austin Center debts were retired with the land sale (although the Authority did issue one new bond issue out of the regional bond fund).

- The Authority had operating revenues of $7,500,912 and operating expenses of $3,513,993 ($2,218,497 depreciation) resulting in an operating income of $3,986,919 for 2011.

- The Authority sold the remaining portion of the Long Farm property to the City of Miamisburg during 2011, which removed $4.5 million in assets.

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 as a result of the year's activities?". As the net assets increased by $3.0 million, the answer is 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's 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 8 through 11 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 12 through 31 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 2011 compared to 2010.

Net Assets (in thousands)

	2010	2011	Change
Current Assets and Other Assets	$28,968	$27,919	($1,049)
Capital Assets	94,959	94,558	(401)
Total Assets	123,927	122,477	(1,450)
Current Liabilities	6,450	5,757	(693)
Long-Term Liabilities	106,564	102,769	(3,795)
Total Liabilities	113,014	108,526	(4,488)
Net Assets:			
Invested in Capital Assets	3,302	8,003	4,701
Restricted for Bond Fund Program Reserve	5,000	5,000	-
Unrestricted	2,611	948	(1,663)
Total Net Assets	$10,913	$13,951	$3,038

For 2011, total net assets of the Authority increased by $3.04 million in large part to the payoff of the Austin related debt and capitalization of the assets related to the STEM school construction.

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 $1.7 million in 2011. The Authority's unrestricted balance should be relatively small as the Authority does not maintain a full-time staff or have a significant amount of continuing funding sources. The Authority's ability to continue in the future is contingent upon its ability to finance projects in the coming years. The Authority has several financing projects in line for 2011 that will help support the operations.

The investment in capital assets, net of related debt, increased by $4.7 million as a result of the STEM school construction progress along with the debt related to the Long Farm and TID being paid off. 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 table looks at the change in the Authority's revenues and expenses from 2010 to 2011.

Statement of Activities (in thousands)

	2010	2011	Change
Fees charged	$1,507	$1,223	($284)
Operating lease revenue	4,453	5,391	938
Property financing leases	1,050	860	(190)
Other revenue	421	27	(394)
Total operating revenue	7,431	7,501	70
Operating expense	706	1,295	589
Depreciation expense	2,198	2,218	20
Total operating expenses	2,904	3,513	609
Capital grants, contributions and land sales	573	4,038	3,465
Interest income	213	211	(2)
Interest expenses	(4,617)	(5,199)	(582)
Total nonoperating revenues and expenses	(3,831)	(950)	2,881
Change in Net Assets	696	3,038	2,342
Beginning Net Assets	10,217	10,913	696
Ending Net Assets	$10,913	$13,951	$3,038

For 2011, operating revenues remained relatively constant compared to 2010. Operating expenses increased as the Authority had more activity during 2011 as a result of those projects.

Capital grants, contributions and land sales were up for the current year as the Authority received net proceeds on the sale of the land.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Authority's capital assets changes from December 31, 2010 to December 31, 2011 are reflected in the table below:

Class	2010 (in thousands)	2011 (in thousands)	Percentage Change
Land	$12,715	$8,183	(36)%
Construction in Progress	-	6,350	100%
Buildings & Improvements	87,964	87,964	0%
Furniture and Equipment	7	7	0%
Total at Historical Cost	100,686	102,504	2%
Accumulated Depreciation	(5,727)	(7,946)	39%
Capital Assets, Net	$94,959	$94,558	(1)%

The Authority's capital assets decreased slightly due to the depreciation expense on the CareSource Management Group facility, and the Main Street Garage Project and Austin Center land sale offsetting the construction in progress on the STEM project. See note 3 of the financial statements for more information.

Debt

The Authority's long term debt obligations decreased by $2,655,909 during 2011. The Authority has other long term obligations due to the City of Dayton in relation to the Main Street Garage project, which decreased by $645,351 as the net revenues during 2011 were paid to the City. The Authority started repaying the obligation during 2009. For more information on the Authority's debt balances see note 6 of the financial statements.

ECONOMIC FACTORS

After several years of slowing economics for the community, Montgomery County has started to see the reversal in development. The southern portion of the County is benefiting from the newly opened Austin Interchange with the development of Austin Landings and Motoman Enterprises. The County has also seen expansion in areas such as Butler Township along the I70/I75 corridor and the City of Huber Heights is working on expansions along their respective interchanges.

After seeing the unemployment rate for 2009 reach 11.6 percent in the County, the rate has gone down to 8.3 percent at the end of 2011 and presently, in April 2012, at 8.5 percent.

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, 2011

ASSETS:	
CURRENT ASSETS:	
Cash and investments	$ 656,111
Intergovernmental receivable	1,698,778
Accounts receivable	13,500
Total current assets	2,368,389
CAPITAL ASSETS:	
Land and land improvements	8,183,604
Construction in progress	6,349,886
Buildings and improvements	87,963,821
Office equipment	6,518
Total	102,503,829
Less: Accumulated depreciation	(7,945,474)
Total capital assets, net	94,558,355
RESTRICTED AND OTHER ASSETS:	
Restricted cash and investments	6,999,256
Financing lease receivable - Relizon	8,747,931
Financing lease receivable - Burrows	4,956,667
Debt issuance costs	4,814,598
Other assets	31,407
Total restricted and other assets	25,549,859
TOTAL ASSETS	$ 122,476,603

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	$	338,642
Contracts payable		1,698,778
Interest payable		196,152
Current portion of long term debt:		
Relizon project State Loan Revenue Note		303,780
Relizon project Development Revenue Bonds, Series 2001		340,000
Parking garage project Development Mortgage Revenue Bond, Series 2001		160,000
Parking garage project Development Revenue Bond, Series 2004A		90,000
STEM Taxable Development Revenue Bonds, 2011A		205,000
Burrows project DOD State Loan		660,000
CareSource project Development Revenue Bonds Series 2007A		885,000
CareSource project Development Revenue Bonds Series 2007B		480,000
CareSource project Taxable State Loan Revenue Bonds		400,000
TOTAL CURRENT LIABILITIES:		5,757,352
OTHER LIABILITIES - including amounts related to restricted assets:		
Revenue bonds, notes and loans:		
Relizon project State Loan Revenue Note		3,379,151
Relizon project Development Revenue Bonds, Series 2001		4,725,000
Parking garage project Development Mortgage Revenue Bond, Series 2001		1,950,000
Parking garage project Development Revenue Bond, Series 2004A		1,630,000
STEM Taxable Development Revenue Bonds, 2011A		4,706,667
Burrows project DOD State Loan		4,350,000
CareSource project Development Revenue Bonds Series 2007A		37,935,000
CareSource project Development Revenue Bonds Series 2007B		13,795,000
CareSource project Taxable State Loan Revenue Bonds		6,366,667
Project financing payable to City of Dayton		22,630,837
Bond Fund Program Loan		1,000,000
Reimbursable deposits		300,000
TOTAL LONG TERM LIABILITIES:		102,768,322
TOTAL LIABILITIES		108,525,674
NET ASSETS:		
Invested in capital assets, net of related debt		8,002,525
Restricted for Bond Fund Program Reserve		5,000,000
Unrestricted net assets		948,404
TOTAL NET ASSETS	$	13,950,929

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, 2011

OPERATING REVENUES:		
Port fees	$	163,436
Parking garage fees		1,059,693
Operating lease revenue		5,391,154
Property financing leases		860,051
Other revenues		26,578
Total Operating Revenues		7,500,912
OPERATING EXPENSES:		
Salaries and benefits		71,566
Operating expenses		314,487
Project related expenses		909,443
Depreciation and amortization		2,218,497
Total Operating Expenses		3,513,993
OPERATING INCOME		3,986,919
NONOPERATING REVENUES (EXPENSES):		
Tax increment financing provided by City of Dayton		217,741
Capital grants - State Infrastructure Bank		1,698,778
Capital grants - STEM		1,250,683
Gain on sale of assets		870,353
Interest income		211,710
Interest and fiscal charges		(5,198,513)
Total nonoperating revenues (expenses)		(949,248)
CHANGE IN NET ASSETS		3,037,671
Net assets beginning of year		10,913,258
Net assets end of year	$	13,950,929

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, 2011

Cash flows from operating activities:	
Cash received from customers	$ 7,460,835
Cash payments to employees for services	(71,566)
Cash payments to supplier for goods and services	(1,098,844)
Cash received from other sources	26,578
Net cash provided by operating activities	6,317,003
Cash flows from capital related activities:	
Retirement of debt	(8,301,260)
Interest paid on debt	(5,075,283)
Capital grants	1,250,683
Proceeds from sale of land	5,402,667
Return of land purchase option deposits	(2,871,995)
Financing lease principal payments received	1,181,858
Proceeds from sale of bonds	5,000,000
Tax increment property taxes	217,741
Acquisition and construction of capital assets	(4,651,108)
Net cash used for capital financing activities	(7,846,697)
Cash flows from investing activities:	
Interest received	211,710
Net Decrease in cash and investments	(1,317,984)
Cash and cash equivalents at beginning of year	8,973,351
Cash and cash equivalents at end of year	$ 7,655,367
Reconciliation of operating gain to net cash provided by operating activities	
Operating income	3,986,919
Adjustments to reconcile operating gain to net cash provided by operating activities	
Depreciation and amortization	2,218,497
Changes in assets and liabilities:	
Increase in accounts receivable	(13,500)
Increase in accounts payable	125,087
Net cash provided by operating activities	$ 6,317,003

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 GASB Statement No. 14, *"The Financial Reporting Entity,"* and GASB Statement No. 39, *"Determining Whether Certain Organizations are Component Units"* in that the financial statements include all organizations, activities, functions and component units for which the Authority (the primary government) is financially accountable. The Authority is financially accountable for an organization if it has (1) the ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on others, and (3) the entity's fiscal dependency on others.

Based on the foregoing, the Port Authority's financial reporting entity has no component units.

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 Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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 cost 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 leased 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 payments 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 account 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.

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 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;

- 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, 2011, the carrying amount of the Authority's deposits was $387,163 and the bank balance was $384,897. FDIC insurance covered $293,064 of the bank balance.

Investments

The Authority's investments as of December 31, 2011 were as follows:

	Fair Value	Maturity
U.S Government Money Market Funds	$3,268,204	0 days
CDC Funding Corporation Guaranteed Investment Contracts	4,000,000	5/15/2024
Total Investments	$7,268,204	

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.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's money market funds and guaranteed investment contracts are not rated.

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest in one issuer. As of December 31, 2011, of the Authority's total investments, 45 percent are in U.S. Government Money Market Funds and 55 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 are 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, 2011, was as follows:

	Balance 12/31/2010	Increases	Decreases	Balance 12/31/2011
Class				
Capital assets, not being depreciated				
Land	$12,715,918	$ -	($4,532,314)	$8,183,604
Construction in Progress	-	6,349,886	-	6,349,886
Capital Assets, being depreciated				
Buildings and improvements	87,963,821	-	-	87,963,821
Office equipment	6,518	-	-	6,518
Total at historical cost	100,686,257	6,349,886	(4,532,314)	102,503,829
Accumulated depreciation				
Buildings and improvements	(5,720,459)	(2,218,497)	-	(7,938,956)
Office equipment	(6,518)	-	-	(6,518)
Total accumulated depreciation	(5,726,977)	(2,218,497)	-	(7,945,474)
Net Capital Assets	$94,959,280	$4,131,389	($4,532,314)	$94,558,355

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 remaining monthly principal payments on the Taxable State Loan Revenue Note in varying monthly amounts ranging from $25,026 beginning on January 1, 2012 to $30,839 on March 1, 2017. A balloon payment of $2,000,000 is also due on March 1, 2017. The note carries interest at 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 remaining monthly principal payments on the Taxable Project Development Revenue Bonds in varying monthly amounts ranging from $25,000 beginning on January 1, 2012, 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:

Fiscal Year Ending December 30,	Amount
2012	$1,189,595
2013	1,176,452
2014	1,177,051
2015	1,163,607
2016	1,203,965
Thereafter	5,199,031
Total	11,109,701
Less: Amount Representing Interest	(2,361,770)
Net Present Value of Minimum Lease Payments	$8,747,931

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.

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.

Remaining principal payments on the Taxable Project Development Mortgage Revenue Bonds, Series 2001, are due on December 1, in varying amounts ranging from $160,000 in 2012 to $270,000 in 2021. Interest at a rate of 5.81 percent was effective until November 30, 2003. Thereafter, the interest rate is variable and is reset every third year, based on the weighted average interest rate on all investment 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 the remaining principal payments on the Project Development Revenue Bonds, Series 2004A, in semi-annual amounts ranging from $90,000 on May 15, 2012, 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.

Remaining principal payments on the Ohio Department of Development Taxable State Loan are due quarterly in varying amounts ranging from $160,000 on March 1, 2012, 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:

Fiscal Year Ending December 30,	Amount
2012	$926,927
2013	928,975
2014	928,784
2015	926,356
2016	921,689
Thereafter	1,298,794
Total	5,931,525
Less: Amount Representing Interest	(974,858)
Net Present Value of Minimum Lease Payments	$4,956,667

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 by obtaining an initial loan of $2,475,000 from Montgomery County Transportation Improvement District.

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.

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 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 in order 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 in order for the Authority to make the debt service payment 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 and 2010 the amount was $736,000.

During 2010, the Authority sold approximately 23 acres of the available land as part of the Motoman project being constructed on the site and applied the proceeds to reduce the outstanding balance of the Series 2004B Bonds. The Authority sold the remaining acres on August 31, 2011. The proceeds were used to pay the remaining balance of the Series 2004B Bonds, the balance due to the TID and the balance due to the developer.

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.

On May 1, 2009, a Confirming and Indemnification Agreement was entered into to establish the resolution of the outstanding balances maintained in the various bond fund accounts for the above debts. The agreement assigned a portion of unused proceeds to transfer to a trustee for pre-payment of balances under the Series 2007A Bond issue upon reaching bond call criteria. A total of $3,655,000 of bonds due under the original Series 2007A agreement were retired in addition to regularly scheduled amounts.

Based on the Series 2007A Bond issue and the May 1, 2009 Confirming and Indemnification Agreement revised agreement, the Authority is to make remaining semi-monthly principal payments on the Adjustable Rate Development Revenue Bonds, Series 2007A, in varying monthly amounts ranging from $70,000 beginning on January 1, 2012, to $165,000 on November 1, 2028. A balloon payment of $16,345,000 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 remaining monthly principal payments on the Fixed Rate Development Revenue Bonds, Series 2007B, in varying monthly amounts ranging from $40,000 beginning on January 1, 2012, 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 remaining monthly principal payments on the Taxable State Loan Revenue Notes in monthly amounts of $33,333 beginning on January 1, 2012, through November 1, 2028. The notes 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.

Main Street Parking Garage

In conjunction with the CareSource Management Group project, during 2007 the Authority constructed 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.

Funding for construction of the garage was provided under an intergovernmental agreement with the City of Dayton, whereby the City issued economic development revenue bonds and entered into a loan agreement with the Authority. A total of $24,495,797 of costs has been capitalized, including $4,218,338 of land and $20,277,460 of construction costs. The City of Dayton and the Authority have agreed to repay the loan from garage net revenues. For 2011, the Port paid $645,351 to the City of Dayton in net revenues. The amount funded by the City of Dayton, less payments made to date, is reflected on the statement of net assets as a payable to the City of Dayton.

STEM School

During 2011, the Authority issued $5,000,000 of Taxable Development Revenue Bonds (Dayton Regional Bond Fund) Series 2011A (Dayton Regional STEM School) (the “Dayton Bonds”). The proceeds of the Bonds were used for the acquisition, construction, equipping, improvement, and installation of “port authority facilities” as defined in Sections 4582.01 and 4582.22, Ohio Revised Code, and consistent with the intended purposes pursuant to Section 54F of the Internal Revenue Code, consisting of a school facility to be owned by the Authority and leased to the Dayton Regional STEM Schools, Inc., located in Kettering, Ohio.

The Port Authority is to make remaining monthly principal payments on the Bonds, in varying monthly amounts ranging from $19,167 due on February 15, 2012, to $26,000 due on October 1, 2025, with a balloon payment of $1,295,000 due on November 1, 2025. The bonds bear an interest rate of 5.5 percent and are secured by the property and rental payments to be received under the lease with the Dayton Regional STEM Schools through November 15, 2025. The Port Authority is receiving an interest subsidy of 5.41 percent from the U.S. Treasury.

Austin Landing Parking Garage

The Port Authority received a loan from the State Infrastructure Bank for $3,869,668 as a partial funding source to pay for the parking garage being constructed by RG Properties at the Austin Landing project. The Port Authority has received $1,698,778 as of December 31, 2011, and provided the proceeds to RG Properties as a grant. The loan is being secured by the County Commission with full repayment of principal and interest with no recourse back to the Port Authority.

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 purposes, 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 at $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, 2011 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, 2011, no amounts of this line of credit have been utilized.

6. DEBT

For the year ended December 31, 2011, changes in Authority's debt were as follows:

	Balance at 1/1/2011	Additions	Deletions	Balance at 12/31/2011	Due Within One Year
Relizon Project:					
State Loan Revenue Note	$3,979,218	$ -	($296,287)	$3,682,931	$303,780
Development Revenue Bonds, Series 2001	5,365,000	-	(300,000)	5,065,000	340,000
Parking Garage Project					
Development Mortgage Revenue Bonds, Series 2001	2,265,000	-	(155,000)	2,110,000	160,000
Development Revenue Bonds Series 2004	1,800,000	-	(80,000)	1,720,000	90,000
Burrows Project					
Ohio DOD State Loan	5,640,000	-	(630,000)	5,010,000	660,000
Austin Center Project					
Montgomery County TID Loan	3,397,812	-	(3,397,812)	-	-
Development Revenue Bonds, Series 2004B	1,008,477	-	(1,008,477)	-	-
CareSource Project					
Development Revenue Bonds, Series, 2007A	39,660,000	-	(840,000)	38,820,000	885,000
Development Revenue Bonds, Series, 2007B	14,735,000	-	(460,000)	14,275,000	480,000
Taxable State Loan Revenue Bonds	7,166,667	-	(400,000)	6,766,667	400,000
STEM School Project					
Development Revenue Bonds, Series 2011A	-	5,000,000	(88,333)	4,911,667	205,000
Total	$85,017,174	$5,000,000	($7,655,909)	$82,361,265	$3,523,780

Amortization of the above debt, including interest, is scheduled as follows (for variable rate obligations the interest payment amounts are estimated):

	Relizon Project			
	State Loan Revenue Note		2001 Series Revenue Bonds	
Year Ending December 31,	Principal	Interest	Principal	Interest
2012	$ 303,780	$ 97,118	$ 340,000	$ 430,135
2013	311,462	88,659	360,000	399,000
2014	319,339	79,986	395,000	366,734
2015	327,414	71,093	420,000	330,531
2016	359,113	57,961	470,000	311,709
2017-2018	2,061,823	8,526	3,080,000	48,682
Total	$ 3,682,931	$ 403,343	$ 5,065,000	$ 1,886,791

	Burrows Project		Parking Garage Project	
	DOD State Loan		2001 Series Revenue Bonds	
Year Ending December 31,	Principal	Interest	Principal	Interest
2012	$ 660,000	$ 254,994	$ 160,000	$ 58,447
2013	700,000	218,882	170,000	54,015
2014	740,000	180,629	180,000	49,306
2015	780,000	140,237	190,000	44,320
2016	820,000	97,704	205,000	39,057
2017-2021	1,310,000	62,060	1,205,000	104,015
Total	$ 5,010,000	$ 954,506	$ 2,110,000	$ 349,160

	Parking Garage Project		CareSource Project	
	2004A Series Revenue Bonds		2007A Series Revenue Bonds	
Year Ending December 31,	Principal	Interest	Principal	Interest
2012	$ 90,000	$ 97,587	$ 885,000	$ 109,979
2013	90,000	93,088	925,000	107,393
2014	95,000	88,587	970,000	104,672
2015	100,000	83,712	1,020,000	101,813
2016	105,000	78,713	1,075,000	98,822
2017-2021	625,000	297,053	6,220,000	443,681
2022-2026	615,000	70,744	7,945,000	342,836
2027-2028	-	-	19,780,000	99,030
Total	$ 1,720,000	$ 809,484	$ 38,820,000	$ 1,408,226

	CareSource Project			
	2007B Series Revenue Bonds		Chapter 166 Revenue Bonds	
Year Ending December 31,	Principal	Interest	Principal	Interest
2012	$ 480,000	$ 892,494	$ 400,000	$ 65,833
2013	525,000	861,063	400,000	66,833
2014	540,000	826,937	400,000	115,667
2015	600,000	790,893	400,000	108,667
2016	625,000	732,528	400,000	99,667
2017-2021	3,805,000	3,090,968	2,000,000	483,190
2022-2026	5,220,000	1,673,601	2,000,000	306,667
2027-2028	2,480,000	160,576	766,667	30,677
Total	$ 14,275,000	$ 9,029,060	$ 6,766,667	$ 1,277,201

	STEM School Taxable Revenue Bonds		Total	
Year Ending December 31,	Principal	Interest	Principal	Interest
2012	$ 205,000	$ 245,369	$ 3,523,780	$ 2,251,956
2013	225,833	255,819	3,707,295	2,144,752
2014	230,000	243,283	3,869,339	2,055,801
2015	230,000	230,633	4,067,414	1,901,899
2016	237,500	217,960	4,296,613	1,734,121
2017-2021	1,337,500	878,694	21,644,323	5,416,869
2022-2026	2,445,834	418,092	18,225,834	2,811,940
2027-2028	-	-	23,026,667	290,283
Total	$ 4,911,667	$ 2,489,850	$ 82,361,265	$ 18,607,621

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-8025 or 800-222-7377.

For the year ended December 31, 2011, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Authority's contribution rate for 2011 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Authority's total required contributions for the years ended December 31, 2011, 2010, and 2009 were $4,998, $3,431, and $4,096 respectively. The full amount has been contributed for 2011, 2010, and 2009.

8. OTHER POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides the statutory authority requiring public employees to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post-Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For the 2011 year, 4.5% was used to fund health care. The OPERS

Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Port's actual contributions for 2011, 2010, and 2009 that were used to fund OPEB were $3,234, $2,009, and $2,772, respectively.

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 issues debt to provide financial assistance to entities for the acquisition and construction of facilities deemed to be in the public interest. The Authority is not obligated in any manner for repayment of the debt. Accordingly, a liability is not reported in the accompanying financial statements. However, the issuance of such conduit debt supports the Authority's purpose and drives local economic development.

Debt outstanding from the Authority's Program Bond Fund, with an original issue amount of $8,095,000, is approximately $6,360,000.

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, 2011, and have issued our report thereon dated August 17, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective internal controls 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

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The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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
August 17, 2012

FINDING NUMBER 2011-01

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

The following reflects a summary of the significant adjustments that have been made to properly state the Authority's 2011 financial statements:

- Transactions involving a $2,000,000 issuance of conduit debt were removed from the activities of the Authority.

- Adjustments of $156,250 were made to properly record capitalized interest as part of the debt issuance transaction related to the STEM School Project

- Adjustments of $53,025 were made for parking garage fees that were incorrectly excluded from parking garage revenues.

- Adjustments of $72,726 were made to depreciation expense for calculation errors in the computation of 2011 amounts.

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 will continue to evaluate each debt issuance in more detail to determine the applicability of inclusion within the financial statements or being reported strictly as a note disclosure item and the proper recording of the transaction. The Authority's finance department will also more closely review depreciation calculations and journal entries to ensure items are correctly computed and recorded.

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Status Explanation:
2010-01	Audit adjustments.	No	Conditions applicable to 2011 are included as finding 2011-01.

Dave Yost · 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
DECEMBER 18, 2012

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