TOLEDO-LUCAS COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

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

We have reviewed the *Independent Auditors' Report* of the Toledo-Lucas County Port Authority, Lucas County, prepared by Gilmore Jasion & Mahler, LTD, for the audit period January 1, 2011 through December 31, 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 Toledo-Lucas County Port Authority is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

February 28, 2013

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

This page intentionally left blank.

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
STATEMENT OF NET ASSETS	10 - 11
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	12
STATEMENT OF CASH FLOWS	13 - 14
NOTES TO FINANCIAL STATEMENTS	15 - 32
SCHEDULE OF NET ASSETS INFORMATION BY DIVISION	33
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION BY DIVISION	34
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	35
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	36
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED – CASH BASIS	37
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED – CASH BASIS	38
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE	39 - 40
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*	41 - 42
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	43 - 44
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	45
SCHEDULE OF STATUS OF PRIOR YEAR (2010) AUDIT FINDINGS	46

This page intentionally left blank.

GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

Board of Directors
Toledo-Lucas County Port Authority
Toledo, OH

We have audited the accompanying statement of net assets of the Toledo-Lucas County Port Authority (the "Port Authority") as of December 31, 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Port Authority as of December 31, 2011, and the changes in its net assets 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 December 13, 2012 on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should 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 – 9 be presented to supplement the basic financial statements. Such information, although not a 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 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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations;* the accompanying schedule of passenger facility charges collected and expended – cash basis on page 37 is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration; and the supplementary information on pages 33 – 34, which is presented for purposes of additional analysis, are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Gilmore, Jasion & Mahler, LTD

December 13, 2012

The discussion and analysis of the Toledo-Lucas County Port Authority's financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2011. This information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

The following financial highlights for 2011 are as follows:

- Total Net Assets increased $24,160,589 to $210,724,225 from the year ended December 31, 2010.
- Operating Revenue decreased approximately $1.3 million from 2010. Operating Expenses increased approximately $552 thousand, therefore, decreasing net assets by $1.85 million.
- An operating loss of $6.26 million was reported, however this included about $8.1 million of depreciation and amortization expense. These amounts have increased over the previous year, due to an increase in the acquisition of capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

The following tables provide a summary of the Authority's financial position and operations for 2011 and 2010, respectively.

Condensed Statements of Net Assets

	December 31, 2011	December 31, 2010	Change Amount	%
Assets:				
Current assets	$30,236,769	$23,927,995	$6,308,774	26.4%
Capital Assets, Net	213,547,386	186,971,169	26,576,217	14.2%
Other Noncurrent Assets	22,718,382	19,213,625	3,504,757	18.2%
Total assets	$266,502,537	$230,112,789	$36,389,748	15.8%
Liabilities and Net Assets:				
Liabilities:				
Current liabilities	$11,533,449	$8,124,749	$3,408,700	42.0%
Long-term debt outstanding	44,244,863	35,424,404	8,820,459	24.9%
Total liabilities	55,778,312	43,549,153	12,229,159	28.1%
Net Assets:				
Invested in capital assets-net of related debt	163,461,679	148,189,695	15,271,984	10.3%
Restricted	26,112,345	21,386,144	4,726,201	22.1%
Unrestricted	21,150,201	16,987,797	4,162,404	24.5%
Total net assets	210,724,225	186,563,636	24,160,589	13.0%
Total Liabilities and Net Assets	$266,502,537	$230,112,789	$36,389,748	15.8%

- Current assets increased over 26% or $6.3 million due to increases in cash and investments. The Authority had $2.9 million in unexpended grant receipts at the end of the year.
- Capital assets increased approximately $26.5 million due mainly to capital investments financed with grants received in 2011 and capital assets received as a result of the BAX termination agreement.
- Due to the issuance of long term debt, and increased accounts payable there was a net increase in total liabilities of $13.8 million.

The Port's assets exceeded liabilities by approximately $210.7 million at December 31, 2011, a significant increase of about $24.2 million from the net assets as of December 31, 2010. This was due to the receipt of approximately $21.7 million in grants and the receipt of assets from the BAX termination agreement. The largest portion of the Authority's net assets represents its investment in capital assets, less related debt outstanding used to acquire those assets. The Authority uses these capital assets to provide services to its tenants, passengers and customers of the Airport and Seaport. Therefore these assets are not available for future spending. The Authority uses operating and nonoperating revenue to repay the debt associated with these capital assets.

Changes in Net Assets - The following table shows the changes in revenues and expenses for the Authority between 2011 and 2010:

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	December 31, 2011	December 31, 2010	Change Amount	%
Operating revenues				
Airport related	$ 6,596,550	$ 8,084,400	$ (1,487,850)	-18.4%
Seaport, Financing, Admin and other	4,175,111	3,996,419	178,692	4.5%
Total operating revenues	10,771,661	12,080,819	(1,309,158)	-10.8%
Operating expenses				
Airport related	11,120,132	10,971,220	148,912	1.4%
Seaport, Financing, Admin and other	5,913,275	5,509,770	403,505	7.3%
Total operating expenses	17,033,407	16,480,990	552,417	3.4%
Operating loss	(6,261,746)	(4,400,171)	(1,861,575)	42.3%
Nonoperating revenues (expenses)				
Proceeds of property tax levy	2,507,458	2,497,583	9,875	0.4%
Grant revenue	21,951,869	28,849,364	(6,897,495)	-23.9%
Interest income from investments	955,429	949,167	6,262	0.7%
Passenger facility charges	689,670	782,543	(92,873)	-11.9%
Other income (expense)	(357,775)	563,867	(921,642)	-163.5%
Interest expense	(2,543,025)	(2,529,871)	(13,154)	0.5%
Impairment loss - land	(3,699,776)	0	(3,699,776)	
BAX revenue	14,945,512	0	14,945,512	
Grant pass through	(4,027,027)	(7,500,000)	3,472,973	-46.3%
Total nonoperating revenues (expenses)	30,422,335	23,612,653	6,809,682	28.8%
Income (loss) before contributions	24,160,589	19,212,482	4,948,107	25.8%
Changes in Net Assets	24,160,589	19,212,482	4,948,107	25.8%
Total net assets-beginning of year	186,563,636	167,351,154	19,212,482	11.5%
Total net assets-end of year	$ 210,724,225	$186,563,636	$ 24,160,589	13.0%

- Although 2011 reported a net operating loss of approximately $6.26 million including $8.1 million of depreciation and amortization expense, non-operating revenues exceeded non-operating expenses by approximately $30.4 million. Grants received in 2011 accounted for $21.7 million of this amount.

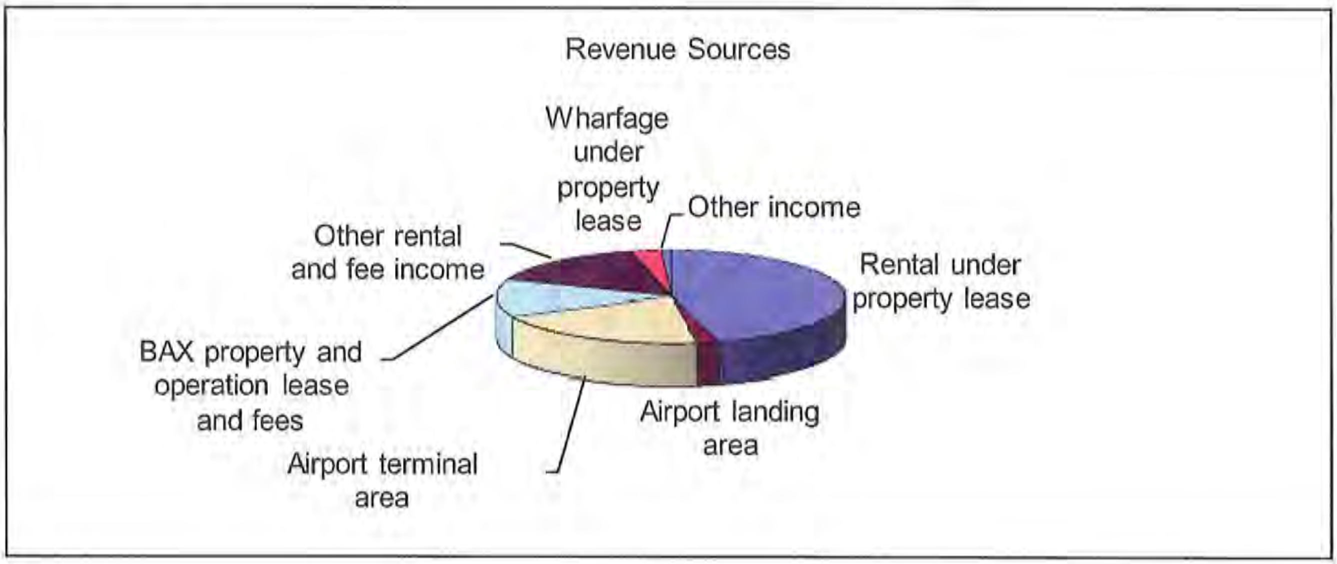
- Other nonoperating revenues included the BAX termination agreement of approximately $15 million, tax levy proceeds, interest earned, and airport passenger facility charges. Nonoperating expenses include grant pass through expenses, loss on land transfer and interest expense.

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

- Operating revenues for 2011 decreased approximately $1.3 million, with the most significant impact being the reduction of airport revenue. However, the Seaport revenues were up approximately $140 thousand.

- Operating expenses for 2011 increased by $552 thousand or 3.4%. While personnel expenses decreased, depreciation expense and repairs and maintenance increased.

Revenue Sources	2011	Percent of Total
Rental under property lease	$4,891,248	45.41%
Airport landing area	219,857	2.04%
Airport terminal area	2,216,998	20.58%
BAX property and operation lease and fees	1,369,233	12.71%
Other rental and fee income	1,672,186	15.52%
Wharfage under property lease	298,630	2.77%
Other income	103,509	0.97%
Total Revenue	$10,771,661	100.01%



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011 the Authority had $213,547,386 net of accumulated depreciation invested in land, buildings, equipment and vehicles. This amount represents a net increase, after $7.94 million depreciation expense, of approximately $26.6 million, due mainly to the receipt of grants utilized for capital assets and the addition of capital assets with the BAX termination agreement.

U.S. Department of Transportation Grants were used to purchase a material handler system at the seaport totaling $9.9 million. The F.A.A. provided $4.1 million that was used for Airport runway improvements. O.D.O.T. grants totaling over $3 million were used for land improvements at the seaport and road construction. Approximately $4.6 million awarded from Federal and State sources was used for land clean up and improvements at Port Facilities. Additional capital assets were acquired from the BAX termination agreement.

The following table shows fiscal year 2011 and 2010 balances:

Capital Assets at December 31, 2011

	2011	2010	Change
Land	$ 66,853,207	$ 63,432,052	$ 3,421,155
Construction in progress	2,282,596	10,195,362	(7,912,766)
Improvements	155,246,315	142,431,955	12,814,360
Property and equipment	59,742,612	49,733,501	10,009,111
Buildings & leasehold improvements	101,872,952	85,759,182	16,113,770
Furniture and fixtures	496,954	484,118	12,836
Total Cost	$ 386,494,636	$ 352,036,170	$ 34,458,466
Accumulated Depreciation	(172,947,250)	(165,065,001)	(7,882,249)
Net Value	$ 213,547,386	$ 186,971,169	$ 26,576,217

Debt

At December 31, 2011 the Authority had $50,085,704 in debt outstanding, $5,840,841 of which is due within one year. Outstanding debt in the amount of $26,505,000 pertains to Airport improvements, $14,370,000 is for the Parking Garages and $4,605,000 is for Chevron property purchase utilized by Midwest Terminals of Toledo. The remaining debt consisted of three notes payable for other projects and improvements.

The following table summarizes the Authority's debt outstanding as of December 31, 2011 and 2010 and should be read in conjunction with Note 4 to the audited financial statements for more detailed information on debt.

Outstanding Debt at December 31, 2011

	2011	2010
Revenue bonds payable	$45,480,000	$36,880,000
Long-term notes payable	4,605,704	1,741,981
Ohio Water Development Authority loan payable	-	159,494
	50,085,704	38,781,475

ECONOMIC FACTORS

The following statistics played a key role in the Authority's financial picture in 2011 compared to 2010:

- Cargo moving through the Port of Toledo was up over 6 % due to increases in petroleum, liquid bulk and general cargo.
- Passengers using Toledo Express were down 17% and air cargo was down 36%.
- Passengers using the AMTRAK station in Toledo remained about the same.
- Three bond issues in the amount $17.94 million were issued in 2011. Five SBA 504 loans were closed totaling $1.477 million and one 166 loan for $500,000 was closed.

REQUESTS FOR INFORMATION

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

Toledo-Lucas County Port Authority
Statement of Net Assets
December 31, 2011

ASSETS

Current Assets:		
Cash and cash equivalents	$	12,027,509
Cash - restricted		6,510,119
Investments		6,550,696
Interest receivable		28,045
Accounts receivable		4,965,929
Prepaid expenses and other assets		154,471
Total Current Assets		**30,236,769**
Noncurrent Assets:		
Nondepreciable capital assets		69,135,803
Depreciable capital assets, net of accumulated depreciation		144,411,583
Restricted:		
Investments		13,200,636
Amount due from lessee		126,321
Deferred bond issue costs		1,765,508
Loan Receivable		1,403,886
Lease receivable		3,222,031
Amount due from Northwest Bond Fund		3,000,000
Total Noncurrent Assets		**236,265,768**
Total Assets		**266,502,537**

(Continued)

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Net Assets, Continued
December 31, 2011

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$	4,986,384
Accrued payroll		319,407
Deferred income		14,548
Accrued interest payable		330,685
Deposits		41,584
Revenue bonds payable-current		2,400,000
Notes payable-current		3,440,841
Total Current Liabilities		**11,533,449**
Noncurrent Liabilities:		
Long-term notes payable		1,165,002
Revenue bonds payable		33,650,000
Ohio SIB Loan		9,429,861
Total Noncurrent Liabilities		**44,244,863**
Total Liabilities		**55,778,312**
Net Assets:		
Invested in capital assets, net of related debt		163,461,679
Restricted		26,112,345
Unrestricted		21,150,201
Total Net Assets	**$**	**210,724,225**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2011

Operating Revenues	
Rental under property lease	$ 4,891,248
Airport landing area	219,857
Airport terminal area	2,216,998
BAX operation lease and fees	1,369,233
Other rental and fee income	1,672,186
Wharfage under property lease	298,630
Other income	103,509
Total Operating Revenues	**10,771,661**
Operating Expenses	
Personnel services	4,399,482
Marketing	459,192
Contractual services	1,820,167
Utilities	751,341
Repairs and maintenance	1,075,434
Depreciation	7,941,863
Amortization	183,717
Rental	125,809
Other	276,402
Total Operating Expenses	**17,033,407**
Operating Loss	**(6,261,746)**
Nonoperating Revenues (Expenses)	
Proceeds of property tax levy	2,507,458
Intergovernmental grants	252,965
Grant revenue	21,698,904
Interest income from investments	955,429
Passenger facility charges	689,670
Gain on investment	2,104
Loss on disposal of assets	(196,078)
BAX revenue	14,945,512
Other nonoperating expenses	(114,390)
Interest expense	(2,543,025)
Rent expense	(49,411)
Impairment loss - land	(3,699,776)
Grant pass through	(4,027,027)
Total Nonoperating Revenues (Expenses)	**30,422,335**
Changes in Net Assets	**24,160,589**
Net assets at beginning of year	186,563,636
Net Assets at End of Year	**$ 210,724,225**

Toledo-Lucas County Port Authority
Statement of Cash Flows
For the Year Ended December 31, 2011

Cash flows from operating activities:	
Cash received from customers	10,696,715
Cash payments for goods and services	(3,321,237)
Cash payments to and on behalf of employees	(4,347,181)
Net cash provided by operating activities	**3,028,297**
Cash flows from noncapital financing activities:	
Intergovernmental grants	252,965
Proceeds of property tax levy	2,507,458
Net cash provided by noncapital financing activities	**2,760,423**
Cash flows from capital and related financing activities:	
Capital grants received	14,251,000
Passenger facility charges received	716,293
Acquisition and construction of capital assets	(27,870,978)
Defeasement of bonds	(3,293,000)
Interest paid on capital asset debt	(2,305,427)
Payment on issuance of debt	(388,991)
Bax termination agreement	8,440,161
Principal payments on long-term debt	(6,227,211)
Issuance of debt	17,531,440
Grant pass through	(4,027,027)
Net cash used by capital and related financing activities	**(3,173,740)**
Cash flows from investing activities:	
Interest on investments	977,195
Borrower disbursements	(114,390)
Purchase of securities	(3,749,000)
Proceeds from sale of securities	7,913,837
Net cash provided by investing activities	**5,027,642**
Net increase in cash and cash equivalents	**7,642,622**
Cash and cash equivalents at beginning of year	10,895,006
Cash and cash equivalents at end of year	**$18,537,628**

Supplemental disclosure for non cash transactions

Acquisition of capital assets from the BAX termination agreement and a grant from ODOT totalling $10,256,861.

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Cash Flows, Continued
For the Year Ended December 31, 2011

Reconciliation of operating loss to net cash	
Provided by operating activities:	
Operating loss	(6,261,746)
Adjustments to reconcile operating loss to cash provided by operating activities:	
Depreciation and amortization expense	8,125,580
Changes in assets and liabilities:	
Accounts receivable	(272,687)
Prepaid expenses and other assets	(5,401)
Accounts payable	1,392,399
Deferred income	17,958
Deposits	32,194
Total adjustments	**9,290,043**
Net cash provided by operating activities	**3,028,297**

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

The Authority is composed of four divisions, the Seaport Division, the Airport Division, the Development and Property Division and Administration Division. The Authority functions as a site purchasing and development agency, leasing developed areas at the Port of Toledo, Toledo Express Airport, Toledo Executive Airport and Dr. Martin Luther King, Jr. Plaza to private firms for operations. In 1973, the Authority assumed the operation and management of Toledo's airports from the City of Toledo under a lease, which previously expired in the year 2023 was extended for six years providing that, annually, the lease is automatically renewed for an additional year to allow a continuous minimum term of twenty one years. The Development and Property Division was formed during 2008 and is for the purpose of acquisition and remediation of property for economic development and reflects the revenue generated from the Authority's financing programs. The division administers a grant and loan program for qualifying neighborhood projects.

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

Basis of Accounting

The Authority operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. All transactions are accounted for in a single enterprise fund. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in all material respects. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989 unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements, in which case GASB prevails. The Authority has elected not to apply Financial Accounting Standards (FASB) after November 30, 1989. Governmental Accounting Standards Board (GASB) pronouncements are applied after this date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Use of Estimates

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

Cash and Investments

Investments are made in accordance with the Authority's investment policy, which conforms to statutes of the State of Ohio. Restricted cash and investments represent balances restricted by trust agreements and proceeds from the sale of property purchased with federal monies. Accordingly, these balances have been separately identified in the accompanying financial statements.

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are stated at cost, net of accumulated depreciation and amortization. Depreciation expense is provided using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the related lease. Maintenance and repairs are charged to expense and improvements are capitalized. Interest on funds used during construction, less interest earned on related investments if the asset is financed with the proceeds from restricted obligations, is capitalized as part of the cost of the asset.

Deferred Bond Issue Costs and Bond Discount

The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt.

Compensated Absences

Employees of the Authority are entitled to paid vacation days depending on job classification, length of service, and other factors. Accrued vacation, which is included with accrued payroll on the statement of net assets, decreased $47,954 from $236,773 at December 31, 2010 to $188,819 at December 31, 2011.

Net Assets

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

Revenues and Expenses

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Levy

A .4 mill real estate tax renewal levy passed by Lucas County voters in 2009 provides financial support for the various activities of the Authority. The levy expires in 2014. The Authority elected to collect the full .4 mill in 2011.

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

Budgetary Process

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

NOTE 2 – CASH AND INVESTMENTS

Bank Deposits

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

At year end the carrying amount of the Authority's deposits was $18,489,127 and the bank balance was $19,066,149. The Authority also had $750 cash on hand. Federal depository insurance covered $9,122,871 of the bank balance and $9,943,277 was uninsured. Of the remaining uninsured bank balance, the Authority was exposed to custodial risk as follows:

Uninsured and collateralized with securities held by the pledging institution's trust department not in the Authority's name:	$9,943,277

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments

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

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

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

			Investment Maturities (in Years)			
	Fair Value	Credit Rating	less than 1	1-3	3-5	more than 5
STAR Ohio	$47,749	AAAm [1]	$47,749	-	-	-
Money Market Fund	541,704	A-1+ [1]	541,704	-	-	-
CDC Funding Corp Guaranteed Investment Contract	1,867,000	N/A	-	-	-	1,867,000
Transamerica Life Insurance Guaranteed Investment Contract	981,000	N/A	-	-	-	981,000
Toledo-Lucas County Port Authority Bond	9,810,936	BBB [1]	-	-	-	9,810,936
			-			
Federal Home Loan Bank	2,261,902	AAA [1]	1,010,635	1,251,267	-	-
Federal Farm Credit Bank	1,254,047	AAA [1]	504,460	749,587	-	-
Federal National Mortgage Association	1,784,948	AAA [1]	250,530	1,534,418	-	-
Federal Home Loan Mortgage Corp	1,249,797	AAA [1]	250,487	999,310	-	-
Total Investments	$19,799,083		$2,605,565	$4,534,582	-	$12,658,936

[1] Standard & Poor's

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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

Concentration of Credit Risk - Concentration of credit risk exists when investments are concentrated in one issue. The Authority's investment policy allows investments of 100% in U.S. Agency or Treasury Obligations, and limits repurchase agreements and investments in STAR Ohio to 25% of total investments (25% limitation was eliminated in January of 2009) and investments in Port Authority Bonds to $200,000, unless the Authority's Board of Directors, by resolution, modifies the limits. The Authority's investments in U.S. Agencies represent approximately 33.2%, Money Market funds 2.7%, Toledo-Lucas County Port Authority Bond 49.7% and Guaranteed Investment Contracts 14.4%, respectively of the Authority's investment portfolio excluding STAR Ohio at year end.

Cash and investments per footnote	
Carrying amount of bank deposits	$ 18,489,127
Cash on hand	750
Investments	19,799,083
Total	$ 38,288,960
Cash and investments per statement of net assets	
Cash and cash equivalents	$ 18,537,628
Investments	6,550,696
Restricted investments	13,200,636
Total	$ 38,288,960

NOTE 3 – CAPITAL ASSETS

Capital assets consist of the following:

Historical Cost:

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Capital assets not being depreciated:				
Land	$ 63,432,052	$ 3,421,155	$ -	$ 66,853,207
Construction in Progress	10,195,362	$ -	(7,912,766)	2,282,596
Subtotal	73,627,414	3,421,155	(7,912,766)	69,135,803
Capital assets being depreciated:				
Improvements	142,431,955	12,820,512	(6,152)	155,246,315
Property and Equipment	49,733,501	10,068,727	(59,616)	59,742,612
Buildings and Leasehold Improvements	85,759,182	16,113,770	-	101,872,952
Furniture and Fixtures	484,118	12,836	-	496,954
Subtotal	278,408,756	39,015,845	(65,768)	317,358,833
Total Cost	$ 352,036,170	$ 42,437,000	$ (7,978,534)	$ 386,494,636

Accumulated Depreciation:

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Capital assets being depreciated:				
Land Improvements	$ (91,327,683)	$ (3,815,358)	$ -	$ (95,143,041)
Property and Equipment	(28,870,471)	(1,751,103)	59,615	(30,561,959)
Buildings and Leasehold Improvements	(44,532,995)	(2,353,177)	-	(46,886,172)
Furniture and Fixtures	(333,852)	(22,226)	-	(356,078)
Total Depreciation	$ (165,065,001)	$ (7,941,864)	$ 59,615	$ (172,947,250)
Net Value:	$ 186,971,169	$ 34,495,136	$ (7,918,919)	$ 213,547,386
Depreciation Expense charged to operating expense		$ 7,941,863		

Depreciation has been determined using the straight-line method over the estimated useful lives of the property and equipment ranging between 5 and 40 years. During 2011, approximately $21.7 million of Federal, state and local grant funding was utilized to purchase and acquire capital assets.

NOTE 4 – LEASE RECEIVABLE

The Authority issued $3,100,000 of tax-exempt bonds from the Northwest Ohio Bond Fund in 2005 to Truckland Ohio Holdings, Inc for the construction of a new facility in Toledo to expand its truck cab manufacturing business. Truckland ceased its intended use and subsequently stopped using the facility thereby affecting the tax-exempt status resulting in a tax issue which has been resolved.

The Authority, in February of 2011, issued a revenue note in the amount of $3,100,000 for the purpose of providing funds necessary to defease the 2005 tax-exempt bonds. As a result, Port obtained a senior security in the property and acquired the property through foreclosure proceedings in August 2011. In September 2011, the Authority entered into a lease agreement with the City of Toledo, accounted for as a capital lease, under which the City was to make monthly payments to Port amounting to $26,142 for 15 years, with two five-year option terms. A lease receivable amounting to $3,300,000 was established. At December 31, 2011, the outstanding balance of the lease receivable was $3,222,031.

NOTE 5 – DEBT

A summary of Long Term Debt Activity for the year ended December 31, 2011 follows:

	Series	Maturity Date	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
Revenue Bonds:							
Northwest Ohio Development:							
Taxable:							
7.25% Chevron	2008A	2028	$4,725,000	$ -	$ (120,000)	$4,605,000	$ 130,000
5.50% Parking Garage Project	2011C	2026	-	4,940,000	-	4,940,000	-
Tax Exempt:							
6.38% BAX	2004C	2032	9,810,000	-	-	9,810,000	-
Other:							
6.25-6.375% BAX	2004-1	2013	18,830,000	-	(2,135,000)	16,695,000	2,270,000
5.55% * Airport Improvement Refunding	1998	2020	3,515,000	-	(3,515,000)	-	-
State of Ohio Tax Exempt	2011-1	2031	-	9,430,000	-	9,430,000	-
Total Revenue Bonds			36,880,000	14,370,000	(5,770,000)	45,480,000	2,400,000
Notes Payable:							
3.00% Airport ODOT Note	2009	2011	1,741,981	-	(297,717)	1,444,264	306,572
1.80% HuntingtonTruckland Note	2011	2011	-	3,100,000	-	3,100,000	3,100,000
Dept. of Energy Note	2011	2012	-	61,440	-	61,440	34,269
Total Notes Payable			1,741,981	3,161,440	(297,717)	4,605,704	3,440,841
Ohio Water Development Authority Loans (OWDA):							
7.50% Water Pollution Control Plant		2011	159,494	-	(159,494)	-	-
Total			$ 38,781,475	$ 17,531,440	$ (6,227,211)	$ 50,085,704	$ 5,840,841

NOTE 5 - DEBT (Continued)

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

	2012	2013	2014	2015	2016
Notes Payable					
Airport ODOT Note	$ 306,572	$ 315,838	$ 325,384	$ 335,220	$ 161,250
Huntington Note	3,100,000	-	-	-	-
Dept. of Energy Note	34,269	27,171	-	-	-
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Taxable-Port Authority	130,000	140,000	150,000	165,000	175,000
BAX	2,270,000	4,615,000	325,000	345,000	370,000
Tax Exempt-BAX	-	-	325,000	345,000	370,000
Tax Exemp-Garage	-	225,000	235,000	255,000	270,000
State of Ohio Tax Exempt	-	375,000	390,000	400,000	405,000
Total	$ 5,840,841	$ 5,698,009	$ 1,750,384	$ 1,845,220	$ 1,751,250

	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	Total
Notes Payable						
Airport ODOT Note	$ -	$ -	$ -	$ -	$ -	$ 1,444,264
Huntington Note	-	-	-	-	-	3,100,000
Dept. of Energy Note	-	-	-	-	-	61,440
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	1,115,000	1,625,000	1,105,000	-	-	4,605,000
BAX	2,240,000	2,180,000	2,720,000	1,630,000	-	16,695,000
Tax Exempt-BAX	2,240,000	2,180,000	2,720,000	1,630,000	-	9,810,000
Tax Exemp-Garage	1,610,000	2,345,000	-	-	-	4,940,000
State of Ohio Tax Exempt	2,195,000	2,570,000	3,095,000	-	-	9,430,000
Total	$ 9,400,000	$ 10,900,000	$ 9,640,000	$ 3,260,000	$ -	$ 50,085,704

NOTE 5 - DEBT (Continued)

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

	2012	2013	2014	2015	2016
Notes Payable					
Airport ODOT Note	$ 41,350	$ 32,083	$ 22,538	$ 12,703	$ 2,571
Huntington Note	28,678	-	-	-	-
Dept. of Energy Note	3,072	-	-	-	-
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Taxable-Port Authority	331,506	321,900	311,569	300,512	288,369
BAX	1,020,856	875,231	620,288	599,250	576,937
Tax Exempt-BAX	625,388	625,388	620,288	599,250	576,937
Tax Exempt-Garage	217,182	239,365	228,217	216,458	203,718
State of Ohio Tax Exempt	287,719	316,053	299,978	292,128	283,878
Total	$ 2,555,751	$ 2,410,020	$ 2,102,878	$ 2,020,301	$ 1,932,410

	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	Total
Notes Payable						
Airport ODOT Note	$ -	$ -	$ -	$ -	$ -	$ 111,245
Huntington Note	-	-	-	-	-	28,678
Dept. of Energy Note						3,072
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	1,224,161	743,306	98,056	-	-	3,619,379
BAX	2,492,148	1,760,773	1,018,245	93,712	-	9,057,440
Tax Exempt-BAX	2,492,148	1,760,773	1,018,245	93,712	-	8,412,129
Tax Exemp- Garage	800,905	350,225	-	-	-	2,256,070
State of Ohio Tax Exempt	1,253,233	884,503	359,960	-	-	3,977,452
Total	$ 8,262,595	$ 5,499,580	$ 2,494,506	$ 187,424	$ -	$ 27,465,465

A. <u>Port Authority-Chevron Property</u>

The Authority issued and is the borrower on $4,780,000 of taxable revenue bonds from the Northwest Ohio Bond Fund for the purchase of the former Chevron Property in 2008. A lease was signed with Midwest Terminals requiring lease payments equal to the amount of debt.

B. <u>Airport Improvement Revenue Bonds and Note</u>

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

NOTE 5 - DEBT (Continued)

B. Airport Improvement Revenue Bonds and Note (Continued)

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

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

The lease agreement between the Authority and BAX was amended in March 1994 to reflect the issuance of the new debt. As amended, the initial term of the lease expires October 31, 2013. Lease payments will be sufficient to satisfy the debt service requirements on the bonds during the initial lease term. Throughout the initial lease term, BAX had various options including extending the lease or purchasing the facility. In the event of BAX terminating the lease at the end of the initial lease term, the Authority had agreed to pay the remaining bond financing payments from revenues other than those derived from property tax levies. The lessee was obligated under the terms of the lease to bear all costs incurred in the use, operation and maintenance of the leased premises.

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

In July 2004, the Authority refunded the Airport Improvement Revenue Bonds, which bonds were used to finance the construction and equipping of an air cargo distribution facility currently leased to Burlington Air Express Inc. (now know as BAX Global, Inc.) The Authority issued two series of refunding bonds totaling $28,480,000. The first series, 2004-1 totaled $18,670,000 and were payable from existing rent payments under the BAX Global lease and a supplemental annual payment of approximately $400,000 to be provided by the Authority, commencing in 2008 through 2013. The average interest rates were reduced from approximately 7.45% to approximately 6.25%-6.37%. The second series, 2004-C of bonds totaled $9,810,000 and were issued by the Northwest Ohio Bond Fund. These bonds were scheduled to mature on November 15, 2032 with an interest rate of 6.38%. The Authority had pledged its net non-tax revenues as security for the second series of bonds beginning in 2014, which is the period subsequent to the scheduled expiration in 2013 of the BAX Global lease.

The BAX Global lease was terminated in October 2011. Provisions in the termination agreement provided funding by BAX Global for the defeasance of the 2004-1 bonds, which occurred in March 2012. In addition to the defeased 2004-1 bonds, the series 2004-C bonds were defeased by the Authority and financed by issuing series 2012-A bonds in the amount of $9,470,000.

NOTE 5 - DEBT (Continued)

C. Ohio Department of Transportation State Infrastructure Bank

The Authority incurred additional debt during 2009 in the form of a promissory note with the State of Ohio in the amount of $1,743,068 for the purpose of constructing a car rental facility at Toledo Express Airport. This loan is scheduled to be paid back by August of 2015 with an interest rate of 3%. A car rental fee has been assessed as a source to provide principal and interest payments. As of December 31, 2011, $1,444,264 is the remaining outstanding debt.

D. Toledo Parking Garage Project

In October 2011, the Authority purchased parking facilities from the City of Toledo. This project was financed by issuing $4,940,000 of taxable development revenue bonds within the Northwest Ohio Bond Fund. In addition, bonds were issued from the SIB GRF Bond Fund Program in the amount of $9,430,000. Both issuances have a term which ends in 2031.

NOTE 6 - RETIREMENT PLAN

The following information was provided by the Ohio Public Employees Retirement System (OPERS) to assist the Authority in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers" and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pension."

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

NOTE 6 – RETIRMENT PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800)-222-7377.

The Ohio Revised Code provides statutory authority for members and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate was 10%. The 2011 employer contribution rate for local government employer units was 14% of covered payroll. The Authority's contributions to OPERS for the years ending December 31, 2011, 2010, and 2009 were $427,004, $454,683 and $471,830, respectively, which were equal to the required contributions for each year.

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 TP Plan and the CO Plan. To qualify for post-employment health care coverage, age-and-service retirees under the TP Plan and the CO Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of post-retirement health care benefits. OPERS' Post-employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post- employment health care benefits. The portion of employer contributions allocated to health care for members in the TP Plan was 4% for calendar year 2011. The portion of employer contributions allocated to health care for members in the CO Plan was 6.05%. The Authority's contribution to fund post-employment benefits for 2011 was $121,995.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 7 - OPERATING LEASES

The Authority has entered into a number of noncancelable operating lease agreements with various companies to lease certain of its facilities for periods from five to forty years. In addition, the Authority has entered into noncancelable operating lease agreements whose proceeds are pledged for the debt service of certain bonds.

Property under lease at December 31, 2011 consists of the following:

	Dr. Martin Luther King Plaza	Seaport Leases	Total
Capitalized Interest	$ -	$ -	$ -
Facilities and Equipment	-	-	-
Land	-	10,584,857	10,584,857
Construction in Progress	-	-	-
Improvements	-	22,187,311	22,187,311
Property and Equipment	28,941	13,241,019	13,269,960
Building and Leasehold Improvements	8,343,133	9,831,141	18,174,274
Total Cost	8,372,074	55,844,328	64,216,402
Less: Accumulated Depreciation	(4,063,763)	(15,906,845)	(19,970,608)
	$ 4,308,311	$ 39,937,483	$ 44,245,794

The minimum future rentals to be received under the lease agreements, excluding those which have been pledged solely for the debt service of related bonds, are as follows:

Years	Administration	Dr. Martin Luther King Plaza	Development & Seaport Leases	Total
2012	$ 126,321	$ 339,120	$ 1,180,158	$ 1,645,599
2013	-	339,120	881,491	1,220,611
2014	-	339,120	881,491	1,220,611
2015	-	339,120	806,131	1,145,251
2016	-	129,638	781,131	910,769
2017-2021	-	-	3,618,843	3,618,843
2022-2026	-	-	2,553,284	2,553,284
2027-2031	-	-	-	-
Totals	$ 126,321	$ 1,486,118	$ 10,702,529	$ 12,314,968

NOTE 7 - OPERATING LEASES (Continued)

The BAX lease agreement, scheduled to expire in 2013, was not renewed by BAX management. A lease termination agreement was executed in October 2011. This resulted in a cash payment to the Authority of $1,862,161 along with the contribution of capital assets valued at $7,215,513. In addition, BAX made a cash payment of $6,578,000 to the trustee for the purpose of defeasing the BAX bonds. These amounts are stated in the Changes in Net Assets under Nonoperating Revenues net of a refund of $710,169 for funds previously contributed to the Authority from BAX for improvements.

The Authority has entered into a number of noncancelable operating leases with companies that provide services at the Airport. The most significant of these agreements is the parking lot operator and the car rental agencies.

Under the agreement covering the car rental agencies, revenues are based on percentages of gross receipts. During 2011 the Authority received $498,450. The agreement with the parking lot operator provides them with a management fee of $98,550 per year with the remainder of all collected receipts remitted to the Authority which totaled $369,517 for the year 2011.

NOTE 8 - CONDUIT DEBT

From time to time the Authority has issued revenue bonds to provide financial assistance to private-sector, governmental and non-profit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the obligations, ownership of the acquired facilities transfers to the entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2011, there were fifty six series of Revenue Bonds outstanding. The original issue amounts for the series issued after July 1, 1995 was $628,784,900 of which $278,399,611 remained outstanding at December 31, 2011. The aggregate principal amount issued for the twelve series issued prior to July 1, 1995 could not be determined; however, their original issue amounts totaled $197,725,000.

NOTE 9 – AMOUNT DUE FROM LESSEE

On June 2, 2003, the United States transferred ownership of property occupied by Teledyne Technologies to the Authority for $10. A lease agreement between the Authority and Teledyne Technologies was entered into on August 23, 2001 and commenced on the date the property was transferred to the Authority (June 2, 2003). Lease payments are due in the amount of $65,000 per year with periodic increases based upon the consumer price index. The original lease term is five years with options to extend the lease for four additional periods of five years. On March 26, 2008 Teledyne exercised the first five year option period thereby extending the lease through May 30, 2013. Teledyne has the option to purchase the property for $450,000. The option price is considered a bargain purchase and, under the provision of Financial Accounting Board Standard No. 13, "Accounting for Leases", the lease is being accounted for as a direct financing lease. The present value of the bargain purchase option and the lease payments during the original lease term are recorded as amount due from lessee in the statement of net assets at December 31, 2011. All costs, expenses, and obligations relating to the property are to be paid by Teledyne.

NOTE 9 – AMOUNT DUE FROM LESSEE (Continued)

During 2010, Port Authority entered into an agreement with Owens Corning to lease and provide capital improvements in the amount of $500,000 to the hanger previously occupied to Dana Corp. The lease is for ten years with two ten year options at an annual rate of $102,000 with an annual CPI adjustment. Owens Corning will pay additional payments, including interest, to Port Authority over ten years to fully cover the cost of improvements.

NOTE 10 – RISK MANAGEMENT

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

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

The Authority has a self-insured plan for employee health insurance coverage. The Port pays a portion of the employees' costs of medical services. Related expense in 2011 was $695,583.

NOTE 11 - CONTINGENCIES

A. Guarantees

In 2010 the Authority entered into an inter creditor agreement with Xunlight Corp. which is the borrower on a $3 million debt issue from the Northwest Ohio Bond Fund. This debt is backed by a $2,000,000 letter of credit with Huntington Bank and a guarantee in the form of an inter creditor agreement with the Authority in the amount of $1,000,000 million in the event of a default on the debt.

B. Litigation

In the normal course of operations, the Authority may be subject to litigation, claims, and unasserted possible claims. As of December 31, 2011, the Authority was involved in several such matters. The outcome of such matters cannot presently be determined.

C. Grants

The Port Authority received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the Port Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial positions of the Port Authority at December 31, 2011.

NOTE 12 - SUBSEQUENT EVENTS

Sale of Truckland Property

In April of 2012 the City of Toledo exercised its option to purchase the former Truckland property from the Authority for the remaining payments called for in the lease agreement, plus a $200,000 purchase fee. The sales proceeds were used to retire the capital lease, resulting in a loss of $196,078. This loss on disposal of property was recognized as of December 31, 2011.

US-23/Salisbury Interchange Project

In 1998 the Authority participated in a multi agency project involving a new interchange on I-475 between 20A and Salisbury/Dussel Drive which was subsequently modified to an improvement at the I-475 Salisbury/Dussel Drive Interchange. Land purchases necessary for the project were titled in The Authority's name and the funds collected from the participating agencies were booked by the Authority. It was determined in 2008 that one of the participating agencies, The Lucas County Engineer's office, would take over the project's administration including obtaining control of the remaining funds and acquire title to the parcels of land involving the project. The remaining funds have been transferred. The legal title work transferring the parcels of land was completed in 2012. In 2011, the Authority recognized an impairment loss amounting to $3.7 million to reduce the value of the property to its fair value of $0.

NOTE 13 - SEGMENT INFORMATION

Significant financial data for the airport division, which meets the requirements for segment reporting under GASB 34, is as follows for the year ended December 31, 2011:

Current Assets	$	8,638,807
Capital Assets		135,164,195
Other Assets		9,036,212
Total Assets		152,839,214
Current Liabilities		4,294,165
Noncurrent Liabilities		25,372,831
Total Liabilities		29,666,996
Invested in Capital Assets, Net of Related Debt		107,214,792
Restricted		22,357,869
Unrestricted		(6,400,443)
Total Net Assets	$	123,172,218
Statement of Revenues, Expenses, and Changes in Net Assets		
Operating Revenues	$	6,596,550
Depreciation and Amortization		6,155,666
Other Operating Expenses		4,964,466
Operating Loss		(4,523,582)
Nonoperating revenues (expenses):		
Grants		4,955,772
Investment Income		815,862
Interest Expense		(2,174,458)
Other Nonoperating Revenues (Expenses)		575,280
Transfers net		2,969,055
BAX termination agreement		14,945,512
Change in Net Assets		17,563,441
Beginning Net Assets		105,608,777
Ending Net Assets	$	123,172,218
Statement of Cash Flows		
Net Cash Provided (Used) by:		
Operating Activities		2,582,857
Noncapital Finance		252,965
Capital and Related Financing		3,227,698
Investing		1,419,503
Cash at Beginning of Year		2,216,414
Cash at End of Year	$	9,699,437

Toledo-Lucas County Port Authority
Schedule of Net Assets Information by Division
December 31, 2011

	Administration	Seaport	Airport	Development & Property	Total
ASSETS					
Current Assets:					
Cash	$ 3,957,258	$ -	$ 3,189,318	$ 4,880,933	$ 12,027,509
Cash - restricted	-	-	6,510,119	-	6,510,119
Investments	-	6,550,696	-	-	6,550,696
Interest receivable	-	28,045	-	-	28,045
Accounts receivable	66,762	2,151,113	837,008	1,911,046	4,965,929
Due (to) from other divisions	(134,047)	886,280	(1,897,638)	1,145,405	-
Prepaid expenses and other assets	60,132	26,117	-	68,222	154,471
Total Current Assets	3,950,105	9,642,251	8,638,807	8,005,606	30,236,769
Noncurrent Assets:					
Nondepreciable capital assets	435,000	17,584,859	40,994,201	10,121,743	69,135,803
Depreciable capital assets, Net of accumulated depreciation	66,489	29,159,396	94,169,994	21,015,704	144,411,583
Restricted:					
Investments	-	-	12,658,932	541,704	13,200,636
Amount due from lessee	-	-	-	126,321	126,321
Deferred bond issuance cost	-	-	1,376,517	388,991	1,765,508
Loans Receivable	328,116	-	359,385	716,385	1,403,886
Amount due from Northwest Bond Fund	-	3,000,000	-	-	3,000,000
Lease receivable	-	-	-	3,222,031	3,222,031
Interdivisional receivables (payables)	-	7,106,003	(5,358,622)	(1,747,381)	-
Total Noncurrent Assets	829,605	56,850,258	144,200,407	34,385,498	236,265,768
Total Assets	**4,779,710**	**66,492,509**	**152,839,214**	**42,391,104**	**266,502,537**
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts payable	$ 105,224	$ 1,511,187	$ 1,133,204	$ 2,236,769	$ 4,986,384
Accrued payroll	60,309	3,926	224,839	30,333	319,407
Deferred income	-	-	14,548	-	14,548
Accrued interest payable	-	-	330,685	-	330,685
Deposits	-	7,500	14,317	19,767	41,584
Notes payable-current	-	-	306,572	3,134,269	3,440,841
Revenue bonds payable-current	-	-	2,270,000	130,000	2,400,000
Total Current Liabilities	165,533	1,522,613	4,294,165	5,551,138	11,533,449
Long-term notes payable	-	-	1,137,831	27,171	1,165,002
Revenue bonds payable	-	-	24,235,000	9,415,000	33,650,000
Ohio SIB	-	-	-	9,429,861	9,429,861
Total Noncurrent Liabilities	-	-	25,372,831	18,872,032	44,244,863
Total Liabilities	**165,533**	**1,522,613**	**29,666,996**	**24,423,170**	**55,778,312**
Net Assets:					
Invested in capital assets, net of related debt	501,489	46,744,255	107,214,792	9,001,143	163,461,679
Restricted	-	-	22,357,869	3,754,476	26,112,345
Unrestricted	4,112,688	18,225,641	(6,400,443)	5,212,315	21,150,201
Total Net Assets (Deficit)	**$ 4,614,177**	**$ 64,969,896**	**$ 123,172,218**	**$ 17,967,934**	**$ 210,724,225**

Toledo-Lucas County Port Authority
Schedule of Revenues, Expenses and Changes in Net Assets Information by Division
For the Period Ended December 31, 2011

	Administration	Seaport	Airport	Development & Property	Total
Operating Revenues					
Rental under property leases	$ -	$ 1,278,415	$ 2,248,742	$ 1,364,091	$ 4,891,248
Airport landing area	-	-	219,857	-	219,857
Airport terminal area	-	-	2,216,998	-	2,216,998
BAX Global	-	-	1,369,233	-	1,369,233
Other rental and fee income	-	-	476,140	1,196,046	1,672,186
Wharfage under property lease	-	298,630	-	-	298,630
Other income	-	33,245	65,580	4,684	103,509
Total Operating Revenues	-	1,610,290	6,596,550	2,564,821	10,771,661
Operating Expenses					
Personal services	1,094,335	204,305	2,284,383	816,459	4,399,482
Marketing	61,791	59,380	221,269	116,752	459,192
Contractual services	(310,298)	391,882	825,575	913,008	1,820,167
Utilities	20,038	10,132	607,211	113,960	751,341
Repairs and maintenance	-	60,350	934,917	80,167	1,075,434
Depreciation	13,141	1,263,763	5,983,671	681,288	7,941,863
Amortization	-	-	171,995	11,722	183,717
Rental expense	125,809	-	-	-	125,809
Loan receivable expense	-	-	-	-	-
Other operating expenses	-	6,809	91,111	178,482	276,402
Total operating expenses	1,004,816	1,996,621	11,120,132	2,911,838	17,033,407
Operating Income (Loss)	(1,004,816)	(386,331)	(4,523,582)	(347,017)	(6,261,746)
Nonoperating Revenues (Expenses)					
Proceeds of property tax levy	2,507,458	-	-	-	2,507,458
Intergovernmental grants	-	-	252,965	-	252,965
Grant revenue	-	8,917,287	4,702,807	8,078,810	21,698,904
Interest income from investments	-	51,651	815,862	87,916	955,429
Passenger facility charges	-	-	689,670	-	689,670
Gain on investment	-	2,104	-	-	2,104
Loss on disposal of assets			-	(196,078)	(196,078)
Borrower disbursements	-	-	(114,390)	-	(114,390)
Interest expense	-	-	(2,174,458)	(368,567)	(2,543,025)
Rent expense				(49,411)	(49,411)
Impairment loss - land				(3,699,776)	(3,699,776)
Grant pass through				(4,027,027)	(4,027,027)
Termination agreement with BAX			14,945,512		14,945,512
Total Nonoperating Revenues (Expenses)	2,507,458	8,971,042	19,117,968	(174,133)	30,422,335
Income (Loss) Before Contributions	1,502,642	8,584,711	14,594,386	(521,150)	24,160,589
Interdivisional transfers in	-	-	3,769,055	-	3,769,055
Interdivisional transfers out	(2,969,055)	-	(800,000)	-	(3,769,055)
Change in Net Assets	(1,466,413)	8,584,711	17,563,441	(521,150)	24,160,589
Net assets (deficit) at beginning of year	6,080,590	56,385,185	105,608,777	18,489,084	186,563,636
Net Assets (Deficit) at End of Year	$ 4,614,177	$ 64,969,896	$ 123,172,218	$ 17,967,934	$ 210,724,225

TOLEDO LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Grantor/Pass - Through Grantor Program Titles	CFDA Number	Grant Expenditures
U.S. Department of Transportation		
Airport Improvement Program	20.106	$ 4,092,757
Federal Highway Administration DERG Grant	20.205	12,735
Maritime Administration - AARA Marad Grant	20.205	3,945,402
Federal Highway Administration AARA ODOT-St. Lawrence Drive	20.205	793,607
Federal Highway Administration AARA ODOT-Cargo Rail Loop	20.205	2,247,742
		6,999,486
U.S. Department of Housing and Urban Development		
HUD B05SPOH0220	14.251	3,350
HUD B10SPOH0353	14.251	349,874
		353,224
U.S Department of Energy		
DOE Revolving Loans - ARRA	81.128	716,385
DOE Environmental Mgmt.- EECBG - ARRA	81.128	2,083,469
DOE Environmental Mgmt.- EECBG - ARRA (City of Toledo)	81.128	2,304,794
		5,104,648
U.S. Department of Defense		
Office of Economic Adjustment - Special Assistance - Teledyne Site	12.600	744,440
U.S. Department of Homeland Security		
FEMA-FY 09 Port Security Grant	97.056	204,740
FEMA-FY 09 Port Security Grant-Kraft	97.056	37,647
		242,387
U.S. Environmental Protection Agency		
Brownfields Assessment and Cleanup - ARRA		
Jeep Site (City of Toledo)	66.818	312,432
		$ 17,849,374

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Note 1–Basis of presentation

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

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
FOR EACH QUARTER DURING THE YEAR ENDED DECEMBER 31, 2011

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Totals
PFC Fees Collected	$ 75,156	$ 92,740	$ 78,545	$ 61,414	$ 307,856
Interest Income	816	925	936	839	3,516
PFC Fees Expended*					
Net Increase (Decrease) in Cash	75,972	93,665	79,481	62,253	311,372
Cash at Beginning of Period	1,380,071	1,456,043	1,549,708	1,629,189	1,380,071
Cash at End of Period	$ 1,456,043	$ 1,549,708	$ 1,629,189	$ 1,691,443	$ 1,691,443

*No fees were transferred from the PFC account.

At December 31, 2011, expenditures amounting to approximately $1.3 million had been made by the Port Authority, which will be reimbursed from PFC Cash in the future.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
YEAR ENDED DECEMBER 31, 2011

General

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

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

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

The Toledo-Lucas County Port Authority ("Port Authority"), for its operation at Toledo Express Airport, had been granted FAA approval to collect PFC fees for application #4 from December 1, 2003 to December 1, 2007, at the rates of $4.50 for each enplaned passenger. Starting in December 2007, the Airport began to collect PFC fees for application #5, at the same rates, which continued through December 1, 2011. Starting in December 2011, the Airport began to collect PFC fees for application #6, at the same rates, which will continue through December 1, 2018. The PFC amounts collected are maintained in a separate Port Authority bank account.

Basis of Accounting

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

GJ&M
GILMORE, JASION & MAHLER, LTD

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

Board of Directors
Toledo-Lucas County Port Authority
Toledo, OH

Compliance

We have audited the compliance of Toledo-Lucas County Port Authority ("Port Authority") with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2011. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of Port Authority's management. Our responsibility is to express an opinion on Port Authority's compliance based on our audit.

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

In our opinion, Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Port Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program. In planning and performing our audit, we considered Port Authority's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over compliance.

WWW.GJMLTD.COM
1715 Indian Wood Circle, Suite 100, Maumee, Ohio 43537-4055
Phone 419.794.2000 Fax 419.794.2090
An Independently Owned Member
MCGLADREY ALLIANCE
McGladrey

A *deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of the passenger facility charge program. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Gilmore, Jasion & Mahler, LTD

December 13, 2012

GILMORE, JASION & MAHLER, LTD

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*

Board of Directors
Toledo-Lucas County Port Authority
Toledo, Ohio

We have audited the financial statements of Toledo-Lucas County Port Authority ("Port Authority") as of and for the year ended December 31, 2011, and have issued our report thereon dated December 13, 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 Port Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Port Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port 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 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.

WWW.GJMLTD.COM
1715 Indian Wood Circle, Suite 100, Maumee, Ohio 43537-4055
Phone 419.794.2000 Fax 419.794.2090

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Port 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*.

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

Gilmore, Jasion & Mahler, LTD

December 13, 2012

GILMORE, JASION & MAHLER, LTD

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

Board of Directors
Toledo-Lucas County Port Authority
Toledo, Ohio

Compliance

We have audited the compliance of Toledo-Lucas County Port Authority ("Port Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. Port Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Port Authority's management. Our responsibility is to express an opinion on Port Authority's compliance based on our audit.

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

In our opinion, Port Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of Port Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Port Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Port Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Gilmore, Jasion & Mahler, LTD

December 13, 2012

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs

CFDA Number	Name of Federal Program
20.205	Federal Hwy Administration – Highway Planning and Construction
66.818	EPA – Brownfields Assessment and Cleanup Cooperative Agreements
81.128	Dept of Energy – Energy Efficiency and Conservation Block Grant Program
12.600	Office of Economic Adjustment - Special Assistance - Teledyne Site

Dollar threshold used to distinguish between type A and type B programs	$535,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF STATUS OF PRIOR YEAR (2010) AUDIT FINDINGS
For the Year Ended December 31, 2011

None.

TOLEDO-LUCAS COUNTY PORT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 12, 2013

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov