



Dave Yost • Auditor of State

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Dayton-Montgomery County Port Authority
Montgomery County
8 North Main Street
Dayton, Ohio 45402

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Dayton-Montgomery County Port Authority, Montgomery County, Ohio (the Port Authority), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Port Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Port Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Dayton-Montgomery County Port Authority, Montgomery County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 20, 2014

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)**

Our discussion and analysis of the Dayton-Montgomery County Port Authority's (the "Port Authority") financial performance provides an overview of the Port Authority's financial activities for the fiscal year ended December 31, 2013. Please review it in conjunction with the basic financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- Total assets were less than liabilities as of December 31, 2013 with the net position of the Port Authority being a deficit of (\$5,003,285). This represents a negative change of \$5,830,743 from the previous year. Almost all of this reduction is due to how Project Walnut must be accounted for on the Port Authority's financial statements. The Port Authority has an outstanding State Infrastructure Bank (the "SIB") loan for this public improvements at this project, but does not report a capital asset since the project is not owned by the Port Authority. This accounting treatment results in a net position reduction of \$5,898,085 from the previous year. Montgomery County has entered into intergovernmental agreements with the Port Authority to repay the principal, interest and fees associated with SIB loan for Project Walnut as well as the SIB loan for the Austin Landing Garage, which is accounted for in the same manner.
- The Port Authority maintains restricted cash and investment balances at December 31, 2013 total \$5,848,646 in an agency fund. Of that amount, \$5,555,962 is maintained in the Regional Bond Fund trust accounts, as reserves for the Bond Fund.
- The Port Authority reflects debt balances of \$47.8 million in the agency fund for projects the Port Authority was involved in that are supported with a financing lease receivable. Although the Port Authority reports these debt balances, the Port Authority has no financial responsibility for payment on these debts except for receiving the respective lease payments through the respective bank trustee.
- The Port Authority had operating revenues of \$2,127,769 and operating expenses of \$1,731,786 resulting in an operating income of \$395,983 for 2013.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis
Basic Financial Statements
Statement of Net Position
Statement of Revenues, Expenses and Changes in Net Position
Statement of Cash Flows
Statement of Fiduciary Asset and Liabilities
Notes to the Basic Financial Statements

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

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)**

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

Our analysis of the Port Authority as a whole begins here. One of the most important questions asked about the Port Authority's finances is "Is the Port Authority as a whole better off or worse off as a result of the year's activities?" Although the net position decreased by \$5.8 million, the answer is still yes as the Port Authority still has over \$0.8 million in operating (non-restricted) cash which is an increase of \$358,778 from 2012. As stated above, the decrease in net position was caused by new SIB obligations, all of which is funded and guaranteed by Montgomery County.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Port Authority as a whole, other than activity reported on the fiduciary (agency fund) statement and about its activities in a way that helps answer the question above. These statements include all the assets and liabilities using the accrual basis of accounting.

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

Statement of Cash Flows

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

These financial statements report on all of the functions of the Port Authority that are principally supported by fees.

Statement of Fiduciary Assets and Liabilities

The Statement of Fiduciary Assets and Liabilities reports the restricted cash held in the regional bond fund and the amount of pledged lease payments due from companies with debt issued through the regional bond fund. It also reports other debt maintained through trustees that are conduit debt (see summary of significant accounting policies) in nature, but with the accounts actually in the Port Authority's name.

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

Notes to the Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 11 - 35 of this report.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)**

FINANCIAL ANALYSIS OF THE PORT AUTHORITY

As stated previously, the Statement of Net Position looks at the Port Authority as a whole without regard to the agency fund. The following table provides a summary of the Port Authority's net position for 2013 compared to 2012.

Net Position (in thousands)			
	2012	2013	Change
Current Assets	\$4,680	\$16,064	\$11,384
Restricted Assets	1,025	1,123	98
Capital Assets	29,416	28,729	(687)
Total Assets	<u>35,121</u>	<u>45,916</u>	<u>10,795</u>
Current Liabilities	1,033	6,284	5,251
Long Term and Other Liabilities	29,051	34,527	5,476
Total Liabilities	<u>30,084</u>	<u>40,811</u>	<u>10,727</u>
Deferred Inflow of Resources	4,210	10,108	5,898
Net position:			
Net Investment in Capital Assets	3,996	3,588	(408)
Restricted – National Composite Center		109	109
Unrestricted (Deficit)	(3,169)	(8,700)	(5,531)
Total Net Position	<u>\$827</u>	<u>(\$5,003)</u>	<u>(\$5,830)</u>

Un-restricted net position, which is the portion of net position that can be used to finance the day-to-day operations without constraints established by debt covenants or other legal requirements, decreased by \$5.53 million in 2013. A small part of the decrease can be attributed to operational deficiency (\$98,297) of the Patterson garage that the Port Authority operates. The Port Authority also recorded the \$5.9 million due on the SIB loan for Project Walnut in the City of Union. Although this loan is guaranteed and paid by Montgomery County, it directly impacts our net position by \$5.9 million. This project is also responsible for the increase in the current assets, along with an increased cash balance.

The following tables look at the change in the Port Authority's revenues and expenses from 2012 to 2013.

Changes in Net Position (in thousands)			
	2012	2013	Change
Fee revenue	\$1,640	\$1,816	\$176
Other revenue	59	312	253
Total operating revenue	<u>1,699</u>	<u>2,128</u>	<u>429</u>
Salaries and benefits	69	106	37
Operating expenses	710	712	2
Payments in lieu of real estate taxes	45	226	181
Depreciation	687	687	
Total Operating expense	<u>1,511</u>	<u>1,731</u>	<u>220</u>
Tax increment financing – City of Dayton	218	181	(37)
Capital Grants paid to Developers	(3,600)	(6,567)	(2,967)
Capital Grants from County		1,200	1,200
Interest income	1	1	
Interest expenses	(1,155)	(1,225)	(70)
Total non-operating revenues and expenses	<u>(4,536)</u>	<u>(6,410)</u>	<u>(1,874)</u>
Net transfers with agency fund	188	183	(5)
Change in Net Position	(4,160)	(5,830)	(1,670)
Beginning Net Position	4,987	827	(4,160)
Ending Net Position	<u>\$827</u>	<u>(\$5,003)</u>	<u>(\$5,830)</u>

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)**

The Port Authority saw activity increase on the project financing side with the Penn National Gaming, Malt Products and Fieldstone project administration fees resulting in additional project fees. Operating expenses were consistent with the prior year as the Port Authority spent the majority of operating expenses managing the Main Street and Patterson garages. The capital grants paid to developers for 2012 relate to the construction of the Austin Landing parking garage. For 2013, the capital grants are split between Project Walnut and the National Composite Center grants. For 2013, the Port Authority received two capital grants from Montgomery County. One was to provide a property development incentive for the Project Walnut acquisitions and the other was for the National Composite Center to continue project advancement within Montgomery County.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Port Authority reports as capital assets in the enterprise fund the two parking garages (Patterson and Main Street) where the Port Authority holds title and ownership, with an operating agreement in place. See note 3 for additional information on the Port Authority's capital assets.

Debt reported in the enterprise fund

The Port Authority has a long term liability due to the City of Dayton for the debt outstanding on the Main Street Garage. In 2013 the Port Authority paid \$857,224 of net garage revenue to the City for this debt, \$18,258 of this amount was applied to principal. The Port Authority's liability for this debt is limited to the net revenues generated from the Main Street Garage. The Port Authority also has two outstanding revenue bonds in relation to the Patterson Parking garage totaling \$3,320,000 at December 31, 2013. Debt service on one of the bonds is paid by the income on a guaranteed investment contract. The other bond is paid through tax increment financing revenue. The Port Authority in 2012 received a SIB loan \$3,610,000 for the Austin Landing Parking garage. During 2013, the Port Authority had drawn down \$5,898,085 on an authorized \$11M SIB loan for Walnut Project's obligations are guaranteed and paid by Montgomery County and City of Union. See Notes 4 and 10 for additional information on the Port Authority's debt related to the enterprise fund.

Debt reported in the agency fund

As discussed in the highlights, the Port Authority's long term debt issuances maintained in the agency fund are \$47.8 million in non-recourse revenue bonds. The Port Authority only issues non-recourse obligations for which the company maintains the liability for repayment. For more information on the Port Authority's agency fund debt balances see notes 4 and 9 of the financial statements.

ECONOMIC FACTORS

After several years of slowing economics for the community, Montgomery County saw increased development activity in 2013. The southern portion of the County is benefiting from the newly opened Austin Interchange increasing taxable valuation by \$93 million because of developments including Austin Landing, Motoman Enterprises, Miamisburg Industrial Park, and Springboro's Tech Park. The County has also seen expansion in areas such as Butler Township along the I70/I75 corridor and the City of Huber Heights is working on expansions along their respective interchanges. The Port Authority's involvement in Project Walnut will also bring a significant amount of valuation increase to the northern portion of the County in the City of Union.

After seeing the unemployment rate for 2009 reach 11.6 percent in the County, the rate declined to 7.0 percent at the end of 2012 but increased slightly in 2013 to 7.1 percent.

Request for Information

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

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Assets:

Current Assets:

Cash and investments	\$829,335
Intergovernmental Receivable	14,840,406
Loan Receivable	389,926
Accounts Receivable	4,349
Total current assets	<u>16,064,016</u>

Restricted Assets:

Restricted cash and investments	498,582
Restricted cash and investments with trustee	624,660
Total restricted assets	<u>1,123,242</u>

Capital Assets:

Land and land improvements	5,943,337
Parking Garages	27,481,337
Total	<u>33,424,674</u>
Less: Accumulated Depreciation	(4,695,848)
Total capital assets, net	<u>28,728,826</u>

Total Assets

45,916,084

Liabilities:

Current Liabilities:

Accounts payable	5,807,746
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Current portion of long term debt:

Relizon project Development Revenue Bonds, Series 2001	180,000
Parking garage project Development Revenue Bond, Series 2004A	95,000
SIB Loan Payable - Austin Parking Garage	201,312
Total current liabilities	<u>6,284,058</u>

Long Term and Other Liabilities:

Accreted Interest on SIB Loan	54,150
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Revenue bonds, notes and loans:

Relizon project Development Revenue Bonds, Series 2001	1,600,000
Parking garage project Development Revenue Bond, Series 2004A	1,445,000
Main Street Garage	21,821,290
SIB Loan Payable - Austin Parking Garage	3,408,688
SIB Loan Payable - Project Walnut	5,898,085

Reimbursable deposits

Total long term and other liabilities	300,000
Total long term and other liabilities	<u>34,527,213</u>

Total Liabilities

40,811,271

Deferred Inflows of Resources:

Intergovernmental Grant	10,108,098
Total Deferred Inflows of Resources	<u>10,108,098</u>

Net Position:

Net Investment in Capital Assets	3,587,536
Restricted - National Composite Center	109,065
Unrestricted (Deficit)	(8,699,886)
Total Net Position	<u><u>(\$5,003,285)</u></u>

See accompanying notes to the financial statements.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013**

Operating Revenues:	
Port fees	\$582,420
Parking garage fees	1,233,624
Other revenues	311,725
Total Operating Revenues	<u>2,127,769</u>
Operating Expenses:	
Salaries and benefits	105,688
Operating expenses	221,858
Project related expenses	358,715
Professional Services	132,168
Payments in lieu of real estate taxes	226,321
Depreciation	687,036
Total Operating Expenses	<u>1,731,786</u>
Operating Income	<u>395,983</u>
Non-operating Revenues (Expenses):	
Tax increment financing provided by City of Dayton	181,456
Capital Grants to Developers	(6,566,640)
Capital Grants from County	1,200,000
Interest income	1,066
Interest and fiscal charges	(1,225,696)
Total Non-operating Revenues (Expenses)	<u>(6,409,814)</u>
Income (loss) Before Transfers	(6,013,831)
Transfers:	
Transfers in from Agency Fund	<u>183,088</u>
Change in Net Position:	(5,830,743)
Net Position Beginning of Year	827,458
Net Position End of Year	<u><u>(\$5,003,285)</u></u>

See accompanying notes to the financial statements.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash flows from operating activities:	
Cash received from customers	\$1,836,044
Cash payments to employees for services	(96,314)
Cash payments to supplier for goods and services	(661,534)
Cash received from other sources	307,376
Net cash provided by operating activities	<u>1,385,572</u>
Cash flows from capital related activities:	
Retirement of debt	(278,258)
Interest paid	(1,146,546)
Net cash used for capital financing activities	<u>(1,424,804)</u>
Cash flows from noncapital related activities:	
Transfer In from Agency Fund	183,088
Payment in Lieu of Taxes	181,456
Proceeds from SIB Loan - Project Walnut	1,155,777
Capital Grants	1,200,000
Capital Distributions to TID - Project Walnut	(1,155,777)
Capital Distributions to Property Owners - Project Walnut	(678,555)
Loan Proceeds Distributed to NCC	(391,000)
Net cash provided for capital financing activities	<u>494,989</u>
Cash flows from investing activities:	
Interest received	1,140
Net increase in cash and investments	<u>456,897</u>
Cash and cash equivalents at beginning of year	<u>1,495,680</u>
Cash and cash equivalents at end of year	<u><u>1,952,577</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	395,983
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	687,036
Changes in assets and liabilities:	
Increase in accounts receivable	(4,349)
Increase in accounts payable	306,902
Net cash provided by operating activities	<u><u>\$1,385,572</u></u>

See accompanying notes to the financial statements.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2013**

Assets:

Cash and Cash Equivalents in Restricted Accounts	\$5,848,646
Financing Leases Receivable	<u>60,106,837</u>
Total Assets	<u><u>65,955,483</u></u>

Liabilities:

Liabilities:

ODOD Loan Payable	1,000,000
Proceeds held for Bond Fund Reserves	3,304,861
Interest and Fees Payable	13,895,969
Revenue Bonds Payable	<u>47,754,653</u>
Total Liabilities	<u><u>\$65,955,483</u></u>

See accompanying notes to the basic financial statements.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

The Port Authority provides services that are enumerated in Sections 4582.31 of the Ohio Revised Code. The services include but are not limited to the power to finance, purchase, construct, reconstruct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all divisions and operations for which the Port Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and able to impose its will on the organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or to impose specific financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Port Authority itself is included in the financial reporting entity.

The purpose of the Port Authority is to facilitate economic and community development in the Dayton Region. The operating policy and practice of the Port Authority has been to be financially self-sustaining. To that end, the Port Authority's policy and practice, is, and has been from its inception, to limit its financial exposure to individual projects, by utilizing one or more of the following approaches: full financial, operating and legal indemnification by project beneficiary; bond issuances supported by financing leases and/or credit enhancement, wherein the beneficiary/tenant is responsible for all debt service and operating expenses; strict limitation of financial liability to individual project revenues; and guaranty of debt service by another unit of government, with all operating expenses the responsibility of the tenant/beneficiary. In conclusion, the Port Authority never takes credit risk on behalf of a conduit borrower and has no credit risk to Bond Fund borrowers, beyond resources previously pledged in 2004 to the Bond Fund reserves.

B. Basis of Accounting

The Port Authority's activities are financed and operated as a single enterprise fund, other than activity related to bond financings either through the bond fund issues or other trust activity that are fiduciary in nature and reported in an agency fund, such that the costs and expenses, of providing the services are recovered primarily through administrative fees. The enterprise fund measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, and accountability. The Port Authority's financial transactions are recorded on the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary (agency) fund reporting focuses on net position and changes in net position. As defined by GAAP, the fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and agency funds. The Port Authority maintains a fiduciary agency fund for its projects that are issued through the Regional Bond Fund, or other stand-alone issuances where the Port Authority has a financing lease receivable. Examples of such projects are Relizon, Burrows, Clopay, STEM School, Renegade, Materion Brush, White Castle, Connor and Fieldstone. The Port Authority's agency fund is custodial in nature and does not involve the measurement of results of operations.

C. Investments

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

D. Statement of Cash Flows

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

E. Capital Assets

The Port Authority defines capital assets as follows:

- Land assets will always be capitalized without regard to costs and not depreciated.
- Infrastructure assets will be capitalized if it has a life expectancy of five (5) years or greater and a designated value exceeding \$300,000
- Assets other than land or infrastructure will be capitalized if the asset has a useful life of two (2) years or more and a designated value exceeding \$5,000.

Capital assets are stated at historical cost. Donated capital assets are recorded as estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

- Parking Garages – 40 years
- Office Equipment – 3 years

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets and Related Liabilities

Bond indentures and other agreements require portions of debt proceeds as well as other resources of the Port Authority to be set aside for various purposes. These amounts are reported as restricted assets on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities. The liabilities that relate to the restricted assets are included in other liabilities in the same statement. The Port Authority also reports restricted cash for the balance maintaining in the Main Street Garage account (\$89,517). The City of Dayton is provided a monthly review of the Port Authority's expenses in that account. The Port Authority received \$300,000 from Development Projects, Inc. in September 2007 as a reserve for the Renegade project and reports a restricted assets and liability for the amount. The remaining \$109,065 balance is the restricted grant balance from Montgomery County for the National Composite Center.

G. Budgetary Accounting and Control

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

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

H. Operating Revenues and Expenses

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

I. Tax Increment Financing from the City of Dayton

As part of the financing agreement between the Port Authority and the City of Dayton related to the Taxable Project Development Mortgage Revenue Bonds for the Patterson Street Parking Garage Facility Project, the City of Dayton makes debt service payments on the bonds from service payments in lieu of taxes received from adjoining office building. The Port Authority recognizes as tax increment financing (non-operating) revenue, equal to the debt payment of the bonds made by the City of Dayton on behalf of the Port Authority within the enterprise fund.

J. Net Position

Total net position represents the difference between assets and liabilities. Net position - net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowing, or portion of a borrowing, used for the acquisition, construction or improvement on those assets. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Port Authority reported \$109,065 in restricted net position at December 31, 2013 related to the National Composite Center.

The Port Authority applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Activity

During the course of normal operations, the Port Authority has numerous transactions between activities. Interfund transactions are generally classified as follows:

Transfers are reported as "Transfers to" and "Transfers from" in the enterprise funds for activity occurring between the operating activity and the agency fund activities.

L. Loan Receivable

During 2013, the Port Authority provided the National Composite Center with an operational loan using proceeds from a grant Montgomery County provided to the Port Authority. The loan agreement between the Port Authority and National Composite Center provides for no repayment schedule or interest rate associated with the loan.

M. Conduit Debt

The Port Authority issues conduit debt on behalf of other entities, whether public entities or private companies, whether taxable or tax exempt. The Port Authority is contractually protected from liability related to these issues. For purposes of the financial statements, the various conduit debts of the Port Authority are classified in two different manners, depending on applicable accounting rules. First, a completely "off book" issuance where the Port Authority has issued the debt in name only on behalf of a private company, or organization. These are disclosed in Note 8. Second, bond issuances that involve a lease receivable where the company is completely responsible for making payments to a trustee for payment of principal, interest and related fees on the debt issued in the Port Authority's name. These are disclosed in Note 11 and reported within the Agency Fund statements.

N. Estimates

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

2. DEPOSITS AND INVESTMENTS

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

2. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure the Port Authority's deposits may not be returned. Protection of the Port Authority's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the institutions holding the assets. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Port Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amount equal to at least 105 percent

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

of the carrying value of all public deposits held by each institution that are not covered by FDIC. Obligations that may be pledged as collateral are limited to obligation of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At December 31, 2013, the carrying amount of the Port Authority's deposits was \$1,327,913 and the bank balance was \$1,328,420. FDIC insurance covered \$697,583 of the bank balance with the remaining balance collateralized by PNC Bank.

B. Investments

The Port Authority's investments as of December 31, 2013 reported in the enterprise fund were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
U.S Government Money Market Funds	\$624,664	AAAm	<60 days
Total Investments	<u>\$624,664</u>		

The Port Authority's investments as of December 31, 2013 reported in the agency fund were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
U.S Government Money Market Funds	\$1,848,646	AAAm	<60 days
CDC Funding Corporation Guaranteed Investment Contracts (GIC)	<u>4,000,000</u>	N/A	5/15/2024
Total Investments	<u>\$5,858,646</u>		

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

Concentration of Credit Risk – The Port Authority places no limit on the amount the Port Authority may invest in one issuer. As of December 31, 2013, of the Port Authority's total Enterprise Fund investments, 100 percent in U.S Government Money Market Funds and of the Port Authority's total Agency Fund investments, 31.61 percent are in U.S Government Money Market Funds and 68.39 percent are in Guaranteed Investment Contracts.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The CDC Funding Corporation Guaranteed Investment Contracts is considered a direct contractual investment and not considered securities exposed to custodial risk. The Port Authority has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investment to the Port Authority or qualified trustee.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2013, was as follows:

	Balance 12/31/2012	Increases	Decreases	Balance 12/31/2013
Cost:				
Land and Improvements	\$5,943,337			\$5,943,337
Parking Garages	27,481,337			27,481,337
Office equipment	6,518		(\$6,518)	
Total Cost	<u>33,431,192</u>		<u>(6,518)</u>	<u>33,424,674</u>
Accumulated depreciation:				
Parking Garages	(4,008,812)	(\$687,036)		(4,695,848)
Office equipment	(6,518)		6,518	
Total Accumulated depreciation	<u>(4,015,330)</u>	<u>(687,036)</u>	<u>6,518</u>	<u>(4,695,848)</u>
Net Capital Assets	<u>\$29,415,862</u>	<u>(\$687,036)</u>	<u>\$0</u>	<u>\$28,728,826</u>

The Port Authority reports a significant amount of capital assets within the enterprise fund. The parking garages in the name of the Port Authority will remain with the Port Authority after final payment on the respective debt obligation.

4. PROJECTS

A. Relizon (Workflow One) Company Headquarters Project (Agency Fund reported)

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

The Port Authority is to make monthly principal payments to the Taxable State Loan Revenue Note in varying monthly amounts ranging from \$26,363 beginning on February 1, 2014 to \$30,839 on February 1, 2017. A balloon payment of \$2,000,000 is also due on March 1, 2017. The note carried no interest through March 31, 2007. Effective April 1, 2008, the notes carried a rate of 2.5 percent. The note is secured by the property and rental payments to be received under the lease with Relizon (now Workflow One) as well as a residual value insurance contract covering balloon payments due on the debt as discussed below.

Annual debt service requirements to maturity for note are as follows:

Year	Annual Payments	
	Principal	Interest
2014	\$319,339	\$73,050
2015	327,414	64,974
2016	359,112	56,500
2017	2,061,824	8,526
Total	<u>\$3,067,689</u>	<u>\$203,050</u>

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

The Port Authority is to make monthly principal payments on the Taxable Project Development Revenue Bonds in varying monthly amounts ranging from \$30,000 beginning on January 1, 2013 to \$40,000 on January 1, 2017. A balloon payment of \$3,000,000 is also due on February 1, 2017. The bonds bear an interest rate of 8.75 percent and are secured by the property and rental payments to be received under the lease with Relizon as well as residual value insurance contract covering balloon payments due on the debt as discussed below.

Annual debt service requirements to maturity for bonds are as follows:

Year	Annual Payments	
	Principal	Interest
2014	\$395,000	\$366,734
2015	420,000	330,531
2016	470,000	311,709
2017	3,080,000	48,682
Total	<u>\$4,365,000</u>	<u>\$1,057,656</u>

The Port Authority entered into a lease agreement, dated May 18, 2001, with the Relizon Company for use of the office building facility. The timing and amount of payments due from Relizon under the lease are scheduled to meet the debt service requirements of the Port Authority and other costs and expenses incurred in connection with the project through March 1, 2017. The term of the lease provides for various options at the end of the lease, including Relizon's option to purchase the property, the continuation of the lease with the refinancing of the \$5,000,000 of balloon payments due on the related debts or the vacating of the property by Relizon. The Port Authority has acquired a residual value insurance policy to guarantee funding for balloon payment amounts when they become due should Relizon vacate the property at lease end. This lease was assigned to Workflow One as of January 21, 2011. Workflow One assigned the lease over to the CareSource Management Group on April 1, 2014.

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

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

Fiscal Year Ending December 31,	Total
2014	\$1,177,118
2015	1,163,676
2016	1,201,872
2017	5,234,377
Total	<u>\$8,777,043</u>

B. Patterson Street Parking Garage Facility Project (Enterprise Fund reported)

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

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

Land for the project was granted to the Port Authority by the City of Dayton with a value of \$1,725,000. The Port Authority issued \$3,225,000 in Taxable Project Development Mortgage Revenue Bonds, Series 2001, dated May 1, 2001 payable to the City of Dayton and a \$2,000,000 Project Development Revenue Bond Anticipation Note (BAN), Series 2001 dated May 16, 2001, which were reissued as \$2,235,000 Development Revenue Bond Series 2004A as described below.

On July 14, 2004 the Port Authority issued \$2,235,000 of twenty year Project Development Revenue Bonds, Series 2004A, to fund appropriate reserves, pay the cost of issuance and refund the Bond Anticipation Note. The Port Authority is to make semi-annual principal payments on the Project Development Revenue Bonds, Series 2004A, in semi-annual amounts ranging from \$45,000 on May 15, 2014 to \$305,000 on May 15, 2024. The bonds bear interest rates ranging from 5 to 6.125 percent.

Annual debt service requirements to maturity for bonds are as follows:

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$95,000	\$88,588
2015	100,000	83,713
2016	105,000	78,713
2017	110,000	73,338
2018	120,000	67,375
2019-2023	705,000	217,744
2024	305,000	9,341
Total	<u>\$1,540,000</u>	<u>\$618,812</u>

Principal payments on the Taxable Project Development Mortgage Revenue Bonds, Series 2001, are due on December 1, in varying amounts ranging from \$180,000 in 2014 to \$270,000 in 2021. Interest at a rate of 5.81 percent was effective until November 30, 2003. Thereafter, the interest rate is variable and was reset on December 1, 2003 and is to be reset every third year thereafter, based on the weighted average interest rate on all investment in the City of Dayton's investment portfolio on those dates. See previously described tax increment financing from the City of Dayton.

Annual debt service requirements to maturity for bonds are as follows:

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$180,000	\$10,458
2015	190,000	9,360
2016	205,000	8,249
2017	215,000	7,049
2018	225,000	5,792
2019-2021	765,000	9,126
Total	<u>\$1,780,000</u>	<u>\$50,034</u>

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

C. Burrows Paper Corporation Project (Agency Fund reported)

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

Principal payments on the Ohio Department of Development Taxable State Loan are due quarterly in varying amounts ranging from \$180,000 on March 1, 2014 to \$225,000 due June 1, 2018, and bear interest at 5.35 percent. The loan is secured by the rental payments to be received under the lease with Burrows Paper Corporation as discussed below.

Annual debt service requirements to maturity for bonds are as follows:

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$740,000	\$180,629
2015	780,000	140,237
2016	820,000	97,704
2017	860,000	53,032
2018	450,000	9,028
Total	<u>\$3,650,000</u>	<u>\$480,630</u>

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

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

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

<u>Fiscal Year Ending December 31,</u>	<u>Total</u>
2014	\$925,451
2015	923,022
2016	918,355
2017	911,451
2018	376,365
Total	<u>\$4,054,644</u>

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

D. Main Street Parking Garage (Enterprise Fund reported)

In conjunction with the CareSource Management Group project, during 2007 the Port Authority began construction of a seven story parking garage in downtown Dayton to be owned and operated by the Port Authority. CareSource Management Group agreed to rent 900 spaces for 20 years with an option to re-negotiate rental rates after 10 years. The number of spaces leased to Caresource has since increased to 1050.

As of December 31, 2013, \$24,495,798 of cost has been capitalized, including \$4,218,338 of land and \$20,277,460 of construction costs. Funding of \$20,100,000 under the financing arrangement has been provided by the City of Dayton as of December 31, 2013. The amount funded is reflected on the statement of net position as a payable to the City of Dayton less the amount repaid against the obligation plus accrued interest added to the principal. Construction of the garage was completed in December 2008.

During January 2008, the City of Dayton issued economic development revenue bonds and entered into a loan agreement with the Port Authority for the permanent funding of the project. The City of Dayton and Port Authority agreed to repay the loan from garage net revenues. For 2013, the Port Authority paid \$857,224 to the City of Dayton in net revenues. \$18,258 of this amount was applied towards principal payments.

The Port Authority is not paying the full principal payments to the City of Dayton in connection with the Main Street Garage Project. Per the loan agreement between the City of Dayton and Port Authority, dated January 10, 2008, the City of Dayton could declare all loan payments due in the event of default. During 2013, the City of Dayton has waived this covenant. If the City of Dayton rescinds the waiver of this covenant violation, then the full balance of the loan may be due at that time. The amount outstanding at December 31, 2013 is \$21,821,290.

The Port Authority's obligation for this payable is limited to its revenues from the garage, net of operating expenses.

E. Austin Landing Parking Garage (Partially conduit not reported on the financial statements, Partially Enterprise Fund reported)

The Port Authority received a loan from the State Infrastructure Bank for \$3,610,000 as a partial funding source to pay of the parking garage being constructed by RG Properties at the Austin Landing project. During 2012, the Port Authority received \$3,600,000 and provided the proceeds to RG Properties as a grant. The Port Authority has entered into an intergovernmental agreement with Montgomery County to provide the Port Authority all necessary funds to repay the SIB loan together with any interest. The Port Authority was also involved in the issuance of \$800,000 Recovery Zone Bonds and \$1,500,000 Recovery Zone Bond both purchased by PNC Bank and loaned to RG Properties in relation to the Parking Garage and retail development. These bonds are conduit in nature with RG Properties making payments directly to the bank.

Annual debt service requirements to maturity for the State Infrastructure Bank loan are as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$201,312	\$55,775
2015	411,728	102,172
2016	424,173	89,354
2017	436,993	76,148
2018	450,201	62,544
2019-2022	1,685,593	105,720
Total	<u>\$3,610,000</u>	<u>\$491,713</u>

F. Abbott Labs (Conduit not reported on financial statements)

During 2012, the Port Authority entered into agreements with Jobs Ohio and the Ohio Department of Development to assist Abbott Labs in a conduit capital lease structure. Abbott Labs constructed approximately a 246,000 square foot manufacturing facility located on 60 acres in Tipp City, Ohio. Total project costs were estimated at \$64 million. The Port Authority agreed to issue up to \$60,380,000 in conduit bonds for the project that were purchased by Abbott Labs itself. Abbott Labs have paid off the lease and retired the bond and this project is closed as of 2013.

G. Connor Group (Agency Fund reported)

During 2012, the Port Authority borrowed on behalf of The Connor Group, A Real Estate Investment Firm, LLC \$8,350,000 in State Economic Development Revenue Bonds. The bonds are being used to finance a portion of the costs of constructing, equipping and furnishing an approximately 39,000 square foot office facility located in Miami Township, Ohio just south of the City of Dayton. The Connor Group entered into a financing lease with the Port Authority to service the respective debt obligations on this project. The initial principal payment will start in September 2014 and terminate in May 2027.

Annual debt service requirements to maturity for bonds are as follows:

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$125,000	\$351,953
2015	510,000	338,728
2016	535,000	316,810
2017	555,000	293,944
2018	580,000	270,076
2019-2023	3,290,000	956,647
2024-2027	2,755,000	222,763
Total	<u>\$8,350,000</u>	<u>\$2,750,921</u>

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

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DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

Year	Total
2014	\$536,942
2015	866,691
2016	868,667
2017	866,336
2018	864,606
2019-2023	4,301,218
2024-2027	2,918,806
Total	\$11,223,266

H. White Castle (Partially conduit not reported on the financial statements, Partially Agency Fund reported)

On October 31, 2012, the Port Authority borrowed on behalf of White Castle Distributing LLC \$9,850,000 in State Economic Development Revenue Bonds at approximately a 2.85% interest rate with a final maturity of December 1, 2027. The Port Authority received a \$2,000,000 State of Ohio 166 loan at a 3% interest rate with a final maturity of November 15, 2027. The loan is conduit in nature with White Castle making payments directly to the State. The proceeds from the bonds and loans are being used to finance a portion of the costs of acquisition and constructing, of an approximately 74,000 square foot frozen food manufacturing facility located in Vandalia, Ohio just north of the City of Dayton. White Castle entered into a financing lease with the Port Authority to service the respective debt obligations on this project. The initial principal payment will start in June 2014 and terminate in December 2027.

Annual debt service requirements to maturity for bonds are as follows:

Year	Annual Payments	
	Principal	Interest
2014	\$600,000	\$256,314
2015	605,000	273,019
2016	615,000	265,769
2017	620,000	256,731
2018	630,000	245,838
2019-2023	3,510,000	882,513
2024-2027	3,220,000	241,719
Total	\$9,800,000	\$2,421,903

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

Year	Total
2014	\$851,432
2015	898,341
2016	899,728
2017	894,317
2018	892,034
2019-2023	4,451,175
2024-2027	3,478,429
Total	\$12,365,456

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

I. Sherman Dixie (Conduit not reported on financial statements)

In 2005, the Port Authority issued \$3,500,000 Facilities Revenue Bonds and loaned the proceeds to Sherman-Dixie, a concrete products manufacturer who purchased a plant in Dayton and proposed to use the fund to renovate and update the facility. The bonds have a twenty year term and payable as a bullet payment with the final payment in December 2025.

J. STEM School (Agency Fund reported)

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

The Port Authority is to make monthly principal payments on the Bonds, Series 2011A, in varying monthly amounts ranging from \$115,000 beginning on May 15, 2014 to \$1,425,000 on November 15, 2025. The bonds bear an interest rate of 5.5 percent and are secured by the property and rental payments to be received under the lease with the Dayton Regional STEM Schools through November 15, 2025. The Port Authority is receiving an interest subsidy of 5.41 percent from the U.S Treasury.

Annual debt service requirements to maturity for bonds are as follows:

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$230,000	\$244,338
2015	230,000	231,688
2016	235,000	219,038
2017	260,000	205,700
2018	260,000	191,400
2019-2023	1,405,000	735,213
2024-2025	1,880,000	181,913
Total	<u>\$4,500,000</u>	<u>\$2,009,290</u>

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

<u>Year</u>	<u>Total</u>
2014	\$553,611
2015	485,459
2016	481,332
2017	486,236
2018	470,324
2019-2023	2,215,490
2024-2025	1,014,233
Total	<u>\$5,706,685</u>

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

K. Renegade (Agency Fund reported)

On September 1, 2007 the Port Authority issued Development Revenue Bonds from the Regional Bond Fund for acquisition and construction of facility guaranteed by Maverick. The Port Authority is to make monthly principal payments on the Bonds in varying monthly amounts ranging from \$80,000 beginning in May 15, 2014 to \$125,000 on May 15, 2022. The bonds were issued at a 5.125% interest rate with a final maturity on May 15, 2022 and secured by the property and rental payments to be received under the lease with Renegade through May 1, 2022.

Annual debt service requirements to maturity for bonds are as follows:

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$165,000	\$87,125
2015	175,000	78,541
2016	185,000	69,444
2017	195,000	59,834
2018	205,000	49,712
2019-2022	815,000	85,972
Total	<u>\$1,740,000</u>	<u>\$430,628</u>

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

<u>Year</u>	<u>Total</u>
2014	\$260,249
2015	260,948
2016	261,095
2017	264,690
2018	269,732
2019-2022	843,959
Total	<u>\$2,160,673</u>

L. Clopay (Agency Fund reported)

On October 25, 2006 the Port Authority issued a \$1,500,000 Taxable Development Revenue Bond at 6.25% interest rate from the Regional Bond fund for acquisition/rehabilitation of former Panasonic facility for expansion and consolidation of Clopay manufacturing capacity. The final maturity on the bond is November 15, 2021. The Port Authority also received an Ohio Enterprise Bond Fund loan of \$7,790,000 at approximately 5.89% interest rate with a final maturity of December 1, 2021. The Port Authority also received a State of Ohio 166 loan of \$5,000,000 at 3% interest rate for the project with a final maturity of October 15, 2021. The various bonds/loans secured by the property and rental payments to be received under the lease with Clopay through November 15, 2021 and further are guaranteed by Griffin Corporation.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$100,000	\$62,500
2015	105,000	56,250
2016	115,000	49,531
2017	120,000	42,188
2018	130,000	34,531
2019-2021	457,500	51,406
Total	<u>\$1,027,500</u>	<u>\$296,406</u>

Annual debt service requirements to maturity for taxable bonds are as follows:

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$525,000	\$295,089
2015	555,000	263,504
2016	590,000	230,078
2017	630,000	194,444
2018	660,000	156,748
2019-2021	2,241,667	221,096
Total	<u>\$5,201,667</u>	<u>\$1,360,959</u>

Annual debt service requirements to maturity for loans are as follows:

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$344,683	\$85,220
2015	355,166	74,736
2016	365,969	63,934
2017	377,100	52,802
2018	388,570	41,332
2019-2021	1,166,309	51,726
Total	<u>\$2,997,797</u>	<u>\$369,750</u>

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

<u>Year</u>	<u>Total</u>
2014	\$1,130,305
2015	1,427,632
2016	1,429,966
2017	1,427,681
2018	1,421,266
2019-2021	4,377,890
Total	<u>\$11,214,740</u>

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

M. Dayton Legal Blank (Agency Fund reported)

On May 3, 2006, the Port Authority issued \$2,095,000 Development Revenue Bonds for the acquisition of two high speed, 10 color Zeikon presses. The bonds were issued at 4.75% interest rate with a final maturity of November 15, 2015. During the year, Dayton Legal Blank was unable to pay the required debt service and their required reserve was used to make the debt service payments. The principal and interest payments of \$210,985 were paid from Regional Bond Fund reserves during 2012. During January 2013, \$811,220 of the Regional Bond Fund reserves were used to retire the remaining Development Revenue Bonds and accrued interest.

N. Materion Brush (Agency Fund reported)

On April 9, 2011, the Port Authority issued a \$2,000,000 Taxable Development Revenue Bond, at an interest rate of 4.9%, with a 10 year maturity. At the same time, the Toledo Lucas County Port Authority (TLCPA) issued an \$8,000,000 bond of the same type, on the same terms. \$2,000,000 of the TLCPA issuance was then used to purchase (Dayton) Port Authority's issuance. The remaining proceeds of the TLCPA issuance, and the proceeds of the Port Authority issuance, \$8,000,000 in total, were then lent on identical terms, parri passu, to Materion Brush for an expansion and upgrade of its operating capacity. The Port Authority is to make monthly principal payments on the Bonds in varying monthly amounts ranging from \$80,000 beginning in May 15, 2014 to \$310,000 on May 15, 2021. The Bonds are secured by the property and rental payments to be received under the lease with Materion Brush through May 1, 2021.

Annual debt service requirements to maturity for bonds are as follows:

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$160,000	\$78,155
2015	170,000	70,193
2016	180,000	61,740
2017	190,000	52,798
2018	195,000	43,488
2019-2021	740,000	64,558
Total	<u>\$1,635,000</u>	<u>\$370,932</u>

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

<u>Year</u>	<u>Total</u>
2014	\$256,365
2015	256,635
2016	256,309
2017	254,553
2018	249,874
2019-2021	601,125
Total	<u>\$1,874,861</u>

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

O. Penn National Gaming (Conduit not reported on financial statements)

During 2013, the Port Authority entered into agreement with Penn National Gaming to finance the construction, installation and equipping of a racing and video lottery terminal, including a one (1) mile thoroughbred horse race track. The Port Authority agreed to issue up to \$55 million in conduit bonds for the project that will be purchased by Penn National Gaming or its assignee. Penn National Gaming had only deposited and withdrawn amount necessary for legal and port fees by the end of 2013 with the trustee. Penn National Gaming or its subsidiaries will deposit the necessary funds required to reimburse construction expenses as needed.

P. Malt Products (Conduit not reported on financial statements)

During 2013, the Port Authority entered into agreement with Malt Products to assist with the construction of a 30,000 square foot facility on 42 acres within Montgomery County through a conduit capital lease structure. The Port Authority agreed to issue up to \$11 million in conduit bonds for the project that will be purchased by a subsidiary of Malt Products. Malt Products had only deposited and withdrawn amount necessary for port fees by the end of 2013 with the trustee. Malt Products or its subsidiaries will deposit the necessary funds required to reimburse construction expenses as needed.

Q. Fieldstone (Agency Fund reported)

On December 20, 2013, the Port Authority issued Development Revenue Bonds from the Regional Bond Fund for acquisition and construction of an extend care facility in Tipp City using tax incremental financing (TIF) revenues from Tipp City with a secondary pledge from the Granger company being the guarantor of minimum service payments on the TIF bond through a letter of credit with PNC. The bonds were issued at a 4.25% interest rate with a final maturity on November 15, 2042.

Annual debt service requirements to maturity for bonds are as follows:

Year	Annual Payments	
	Principal	Interest
2014		\$118,580
2015	\$20,000	60,138
2016	25,000	59,288
2017	30,000	58,119
2018	30,000	56,844
2019-2023	160,000	264,988
2024-2028	210,000	226,206
2029-2033	265,000	176,588
2034-2038	340,000	113,581
2039-2042	340,000	33,363
Total	\$1,420,000	\$1,167,695

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

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

4. PROJECTS (Continued)

<u>Year</u>	<u>Total</u>
2014	\$128,195
2015	90,750
2016	94,750
2017	98,375
2018	96,875
2019-2023	471,750
2024-2028	476,125
2029-2033	472,750
2034-2038	473,625
2039-2042	326,274
Total	<u>\$2,729,469</u>

R. National Composite Center (Enterprise fund reported)

Montgomery County requested that the Port Authority assist the County and National Composite Center in providing grant funding to help the National Composite Center further project development that substantially benefits the County and State of Ohio. During 2013, Montgomery County granted \$500,000 to the Port Authority to distribute to the National Composite Center as requested. As December 31, 2013, there was \$109,065 restricted cash and cash equivalents remaining on the Port Authority's statements for this grant. The National Composite Center received \$389,926 during the year that constitutes a loan receivable under the terms of the agreement. There is no repayment schedule or interest rate in the agreement. There is additional wording within the agreement that could make the loan forgivable if certain economic development aspects are reached with the National Composite Center's work plan. The remaining \$1,009 is related to expenses associated with the bank.

S. Project Walnut (Enterprise fund reported)

The Port Authority, Montgomery County Transportation Improvement District (the "TID") are working together with the City of Union and Montgomery County on the logistic park (referred to locally as Project Walnut) to provide infrastructure needs to support a larger manufacturing facility. The Port Authority applied to the State Infrastructure Bank (the "SIB") for a loan to provide local funding for the Project. The TID is the construction agent handling the infrastructure improvements and submits the project invoices to the Port Authority for approval and submission to the SIB. The loan is guaranteed through an intergovernmental agreement with the City of Union to provide tax increment financing revenues to cover the debt service payments. As of December 31, 2013, \$5,898,085 of the authorized \$13,200,000 loan was drawn down. The repayment schedule will be determined once the loan is considered final by the State of Ohio.

5. DEFINED BENEFIT PENSION PLAN

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

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-8025 or 800-222-7377.

For the year ended December 31, 2013, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Port Authority's contribution rate for 2013 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Port Authority's total required contributions for the years ended December 31, 2013, 2012, and 2011 were \$11,200, \$5,808, and \$4,998 respectively. The full amount has been contributed for 2013, 2012, and 2011.

6. OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPERS' Post-Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For the 2013 year, 1% was used to fund health care (2012 was 4%) or .07143 of actual contributions. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Port Authority's actual contributions for 2013, 2012, and 2011 that were used to fund OPEB were \$800, \$2,403, and \$3,234 respectively.

7. RISK MANAGEMENT

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

8. CONDUIT DEBT (NOT INCLUDED IN FINANCIAL STATEMENTS)

The following table provides the latest available information for the Port Authority's conduit (non-recourse full indemnification) debt outstanding:

Issue Name	Issue		Maturity Date	12/31/2013 Balance
	Amount	Date		
Sherman Dixie	\$3,500,000	10/31/2005	12/01/2025	\$3,500,000
Austin Landing Recovery Zone Bonds (parking garage)	800,000	12/13/2010	12/01/2020	683,333
Austin Landing Recovery Zone Bonds (retail)	1,500,000	12/13/2010	12/01/2020	1,281,250
White Castle 166 loan	2,000,000	10/31/2012	11/15/2027	2,000,000
Penn National Gaming*	74,000	12/23/2013	11/01/2023	74,000
Malt Products*	58,000	08/1/2013	8/01/2023	58,000

*As described in the project descriptions these projects are funded by the respective company as the construction continues. The amounts issued and maturity dates will increase during 2014 as the additional amounts are deposited and withdrawn.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

9. AGENCY FUND

A. Financing Leases Receivable

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

B. Regional Bond Fund

The Port Authority has established a Bond Fund Program to provide long-term, fixed interest rate financing for qualified industrial, commercial and public projects. The primary objective of the Bond Fund program is to further economic development efforts in the Dayton region. The Bond Fund Program is designed to provide a secondary source of repayment and credit enhancement for debt issued through the Bond Fund but does not represent a liability to the Port Authority and is reported as an agency fund on the Port Authority's financial statements.

The State of Ohio Department of Development (ODOD) awarded the Port Authority a grant of \$4,000,000 during 2000 to establish the Bond Fund Program. Amounts held in the Port Authority's Bond Fund Program Reserve are included in restricted assets and as a liability on the accompanying statement of fiduciary assets and liabilities, due to the nature of the grant that restricts the use of the funds solely to the Bond Fund Program activities. Under the Program, debt service requirements on each bond issue are to be secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financed facilities, as well a lien on related assets. In addition, all borrowers are required to provide a letter of credit or cash as additional security for the related bonds. As of December 31, 2013, the Port Authority had used \$1,022,205 for principal and interest payments on the Dayton Legal Blank obligation.

During 2003, the Port Authority obtained an additional \$2,000,000 grant/loan from ODOD to further increase the funds of the Bond Fund Program. The terms of the grant/loan allow the Port Authority to use the funds for the Bond Fund Program and for any purpose approved by the Board for economic development purposes.

The conditional grant/loan was initially for a 20-year term, with 25 percent of the interest earned on the fund remitted back to ODOD through December 2017 and then, beginning 2018 and continuing through December 2022, 100 percent of the interest earned was required to be remitted back to ODOD. In addition to the interest repayment requirements, the Port Authority was to make a \$1,000,000 repayment of principal on December 31, 2022. During May 2004 the terms were renegotiated whereby the Port Authority is to make annual interest payments beginning of \$25,000 over the 20 years on the loan portion and a final repayment in 2024 totaling \$1,500,000, representing the original \$1,000,000 of loan principal and \$500,000 in accumulated interest if the funds are not in reserves. As of December 31, 2013 the Port Authority has accrued interest payments owed to ODOD totaling \$25,000.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

9. AGENCY FUND (Continued)

In addition, the Port Authority has obtained a \$5,000,000 letter of credit with a commercial bank for additional reserves. As of December 31, 2013, no amounts of this line of credit have been utilized. The letter of credit is to be accessed only in the event the other reserves of the Regional Bond Fund have been exhausted.

For agency fund projects, the table below reflects bond principal balance, as well as the gross lease receivable (which includes interest expenses and other fees reported on the Statement of Fiduciary Assets and Liabilities of \$13,895,969.)

	Bond Balance At 12/31/2013	Lease Receivable at 12/31/2013
Bond Fund Projects:		
STEM	\$4,500,000	\$5,706,685
Materion Brush	1,635,000	1,874,861
Renegade	1,740,000	2,160,673
Clopay Revenue Bonds	1,027,500	1,291,790
Fieldstone	1,420,000	2,729,469
Subtotal Bond Fund Projects	<u>10,322,500</u>	<u>13,763,478</u>
Other Agency Projects:		
Clopay Taxable Bonds	5,201,667	6,540,109
Clopay 166 State Loan	2,997,797	3,382,841
Relizon State Note	3,067,689	3,285,255
2001 Relizon Bond	4,365,000	5,491,788
Burrows State Loan	3,650,000	4,054,644
Connor Group	8,350,000	11,223,266
White Castle	9,800,000	12,365,456
Subtotal Other Trust Projects	<u>37,432,153</u>	<u>46,343,359</u>
Total	<u>\$47,754,653</u>	<u>\$60,106,837</u>

The Port Authority has \$5,848,646 in restricted cash and cash equivalents maintained in the regional bond fund. Of that amount, \$1,543,785 is related to the projects listed above which is used to reduce the lease receivable due from the companies.

10. PROJECT RELATED DEBT OBLIGATIONS

For the year ended December 31, 2013, changes in Port Authority's project related debt were as follows:

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

10. PROJECT RELATED DEBT OBLIGATIONS (Continued)

	<u>Balance at 1/1/2013</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at 12/31/2013</u>	<u>Due Within One Year</u>
Patterson Parking Garage					
Taxable Development					
Mortgage Revenue Bonds, Series 2001 (variable)	\$1,950,000		(\$170,000)	\$1,780,000	\$180,000
Development Revenue Bonds Series 2004 5.0-6.125%	1,630,000		(90,000)	1,540,000	95,000
Main Street Parking Garage					
City of Dayton	21,839,548		(18,258)	21,821,290	
Austin Landing Parking Garage					
SIB Loan	3,610,000			3,610,000	201,312
Project Walnut					
SIB Loan		\$5,898,085		5,898,085	
Total Debt Obligations	<u>\$29,029,548</u>	<u>\$5,898,085</u>	<u>(\$278,258)</u>	<u>\$34,649,375</u>	<u>\$476,312</u>

11. FINANCING LEASES

For the year ended December 31, 2013, changes in Port Authority's financing leases were as follows:

	<u>Balance at 1/1/2013</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at 12/31/2013</u>
STEM	\$6,205,216		\$498,531	\$5,706,685
Materion Brush	2,129,749		254,888	1,874,861
Renegade	2,452,411		291,738	2,160,673
Clopay Revenue Bonds	1,466,380		174,590	1,291,790
Fieldstone Revenue Bonds		\$2,782,444	52,975	2,729,469
Clopay Taxable Bonds	7,381,495		841,386	6,540,109
Clopay 166 State Loan	3,836,212		453,371	3,382,841
Relizon State Note	3,685,376		400,121	3,285,255
2001 Relizon Bond	6,168,766		676,978	5,491,788
Burrows State Loan	4,973,452		918,808	4,054,644
Connor Group	11,594,001		370,735	11,223,266
White Castle	12,576,814		211,358	12,365,456
	<u>\$62,469,872</u>	<u>\$2,782,444</u>	<u>\$5,145,479</u>	<u>\$60,106,837</u>

12. TRANSFERS

Following is a summary of transfers in and out for all funds for 2013:

<u>Fund</u>	<u>Enterprise</u>	<u>Agency</u>
Transfer-In from Agency Fund for Debt Service Payment	\$183,088	
Transfer-Out to Enterprise Fund for Debt Service Payment		(\$183,088)
Total All Funds	<u>\$183,088</u>	<u>(\$183,088)</u>

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

13. RELATED PARTY DISCLOSURE

A. City of Dayton

The Port Authority has board members selected by the City of Dayton who have authority to authorize various bond issuances of the Port Authority. In prior years, the Port Authority has approved bond issuances in relation to the City of Dayton for the Patterson and Main Street parking garages. The City of Dayton has issued bond debt through their investment portfolio and required payment from the Port Authority. The Port Authority makes monthly payments to the City of Dayton of the net revenues for the Main Street garage.

B. Montgomery County

The Port Authority has board members selected by Montgomery County who have authority to authorize various financial transaction involving Montgomery County and the Port Authority. During the current year, the Port Authority issued bonds in relation to Project Walnut and Montgomery County has guaranteed the debt payments by providing an intergovernmental receivable to the Port Authority. In the previous year, Montgomery County has guaranteed payments for the Austin Landing Parking Garage.

14. NONCOMPLIANCE

The Port Authority did not certify expenditures in accordance with requirements of Ohio Rev. Code Section 5705.41(D)

Ohio Rev. Code Section 135.14 (B) and Section V of the Investment and Depository Policy for the Port Authority does not allow the Port Authority to invest in guaranteed investment contract (GIC).

15. SUBSEQUENT EVENT

In January 2014, a \$2M bond fund approval for the City of Union Prologis deal; however, no debt has been issued. In April 2014, the Port approved and issued \$9M for the YMCA refinancing project of two outstanding bond issues. The bonds were issued as a conduit financing.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Dayton-Montgomery County Port Authority
Montgomery County
8 North Main Street
Dayton, Ohio 45402

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the aggregate remaining fund information of Dayton-Montgomery County Port Authority, Montgomery County, (the Port Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated November 20, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Port Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Port Authority's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Port Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-002 and 2013-003.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Port Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 20, 2014

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

MATERIAL WEAKNESS

The Port Authority prepared its annual financial statements in accordance with generally accepted accounting principles (GAAP). Following errors noted in the statement of net position and statement of revenues, expenses and changes in net position were determined to be material to the financial statements and have been adjusted in the accompanying statements:

1. Restricted Net Position was understated and Unrestricted Net Position was overstated by \$109,065 in the enterprise fund.
2. Intergovernmental Receivable and Accounts Payable were understated by \$4,732,308 in the enterprise fund.
3. Port Authority reported an intergovernmental receivable and an accounts payable of \$4,732,308 on the cash flow statement under Proceeds from SIB Loan – Project Walnut and Capital Distributions to TID – Project Walnut.

Additionally, following errors noted in the financial statements were determined to be immaterial and did not require adjustment to correctly present the Port Authority's financial statements:

1. The Port Authority reported parking garage revenue net rather than gross; thus understating revenues and expenses by \$22,007 in the enterprise fund.
2. Cash and Cash Equivalents in Restricted Accounts and Revenue Bonds Payable were overstated by \$223,925 in the agency fund.
3. Lease Receivables were overstated and Intergovernmental Receivables were understated by \$2,729,469 in the agency fund due to the improper classification of the receivable related to the Fieldstone Projects.
4. ODOD Loan Payable was understated by \$500,000 in the agency fund.
5. Cash and Cash Equivalents with Fiscal Agent were understated by \$500,000 in the agency fund.

Procedures should be developed and implemented to verify that the Port Authority's financial statements accurately present its activities. Failure to do so could result in material misstatements in the financial statements going unnoticed.

Official's Response:

For the items requiring adjustment above. 1. Relates to funds being held in the Port Authority's account for the National Composite Center. The restriction was missed and similar items will be evaluated in future periods for any such pass through funds. 2 and 3 relate to funds the Port Authority received on January 2, 2014 and were not reported as a receivable and payable since the funds were not available to the Port Authority until 2014. After review of the agreement, the recognition requirements were satisfied and should have been recognized on the 2013 report.

For the items deemed immaterial and not adjusted. 1. The Port Authority has reported parking garage revenue at gross in 2014 correcting this issue. 2. Cash was overstated in the agency fund as the same bank account was reported in both the enterprise and agency statements. The Port Authority will reconcile total cash balances in future years to verify cash is reported correctly. 3. The receivable from the Fieldstone project was misclassified on the agency project. The Port Authority will evaluate the end revenue source to determine whether a project's revenue stream should be a lease or intergovernmental receivable. 4 and 5, the Port Authority will correct the amount of the ODOD loan in future reporting periods.

FINDING NUMBER 2013-002

NONCOMPLIANCE

Ohio Rev. Code § 5705.28 (B)(2)(a) states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

Further **Ohio Rev. Code § 5705.28 (B) (2)(b)** states that except for this section and sections 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44, and 5705.45 of the Revised Code, a taxing unit that does not levy a tax is not a taxing unit for purposes of Chapter 5705 of the Revised Code. Documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Ohio Rev. Code §5705.41(D)(1) states that except as otherwise provided in division (D)(2) of this section and section 5705.44 of the Revised Code, make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. If no certificate is furnished as required, upon receipt by the taxing authority of the subdivision or taxing unit of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, such taxing authority may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution or ordinance shall be passed within thirty days after the taxing authority receives such certificate; provided that, if the amount involved is less than one hundred dollars in the case of counties or three thousand dollars in the case of all other subdivisions or taxing units, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

The Port Authority approved the 2013 budget on May 10, 2013. The Port Authority disbursed \$4,016,983 from the enterprise fund which exceeded budgeted expenses of \$601,776 by \$3,415,207. Additionally, the Port Authority did not utilize purchase orders, blanket purchase orders, super blanket certificates or then and now certificates in accordance with Ohio Rev. Code Section 5705.41(D).

The Port Authority should establish and implement policies and procedures to verify that purchase orders are utilized properly for all purchases and that operating budgets are approved in a timely manner to verify that the Port Authority has appropriate time to adapt to any anticipated changes in the ensuing fiscal year. The Port Authority should establish procedures to verify actual expenses do not exceed budgetary expenses during the year.

**FINDING NUMBER 2013-002
(Continued)**

Failure to properly certify the availability of funds could result in misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. The Treasurer should certify that the funds are or will be available prior to the obligation by the Port Authority to improve controls over disbursements and to help reduce the possibility that purchases would exceed budgetary spending limitations. When prior certification is not possible, "then and now" certification should be used. The Port Authority should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Port Authority incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should also post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

Official's Response:

The Port Authority's budget that was approved in May 2013 was completed by the required date and including information for the Port Authority's operating fund and information related to the operation aspects of the Patterson Parking Garage. For GAAP reporting purposes, these two activities along with activity related to the Main Street Garage, Austin Parking Garage, National Composite Center and Project Walnut are also considered enterprise activities. The finding results from those activities that are reclassified on our GAAP Financial statements as enterprise. For cash reporting purposes all the funds related to these four activities merely pass through our books. While we have operating or other responsibilities for these activities we do not include them for our budgetary process. The finding amount of \$3,415,207 is related those activities expenses. Further, these disbursements were offset by an equal amount of revenues that was also not budgeted

FINDING NUMBER 2013-003

NONCOMPLIANCE

Ohio Rev Code § 135.14 (B) states that the treasurer or governing board may invest or deposit any part or all of the interim moneys. The following classifications of obligations shall be eligible for such investment or deposit:

- (1) United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.

Nothing in the classification of eligible obligations set forth in division (B)(1) of this section or in the classifications of eligible obligations set forth in divisions (B)(2) to (7) of this section shall be construed to authorize any investment in stripped principal or interest obligations of such eligible obligations.

- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

**FINDING NUMBER 2013-003
(Continued)**

- (3) Interim deposits in the eligible institutions applying for interim moneys as provided in section 135.08 of the Revised Code. The award of interim deposits shall be made in accordance with section 135.09 of the Revised Code and the treasurer or the governing board shall determine the periods for which such interim deposits are to be made and shall award such interim deposits for such periods, provided that any eligible institution receiving an interim deposit award may, upon notification that the award has been made, decline to accept the interim deposit in which event the award shall be made as though the institution had not applied for such interim deposit.
- (4) Bonds and other obligations of this state;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (B)(1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code;
- (6) The Ohio subdivision's fund as provided in section 135.45 of the Revised Code;
- (7) Up to twenty-five per cent of interim moneys available for investment in either of the following:
 - (a) Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Revised Code and that has assets exceeding five hundred million dollars, to which notes all of the following apply:
 - (i) The notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services.
 - (ii) The aggregate value of the notes does not exceed ten per cent of the aggregate value of the outstanding commercial paper of the issuing corporation.
 - (iii) The notes mature not later than one hundred eighty days after purchase.
 - (b) Bankers acceptances of banks that are insured by the federal deposit insurance corporation and to which both of the following apply:
 - (i) The obligations are eligible for purchase by the Federal Reserve System.
 - (ii) The obligations mature not later than one hundred eighty days after purchase.

During 2013, the Port Authority had a \$4,000,000 Guaranteed Investment Contract (GIC) invested through a private company. The GICs were not backed by the full faith and credit of the United States or otherwise listed as an allowable investment.

The Port Authority should establish and implement policies and procedure to verify that the Port Authority only invests in allowable investments to reduce the risk of loss of public funds in high risk investments.

Official's Response:

The Port Authority received this citation for the first time for fiscal year 2012 which was released on May 2, 2014. The Port Authority amended its investment policy to include Guaranteed Investment Contracts as an eligible investment after we received the original citation. The updated policy will be filed with the State Auditor's office and provided to our banking institutions by December 31, 2014. The Port has been invested in the Guaranteed Investment Contract since July 14, 2004 and it is considered to be a qualified investment by Port.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Financial Statement Misstatements	No	Repeated as finding 2013-001
2012-002	Ohio Rev Code § 5705.28(B)(2) – Port Authority following budgetary law	No	Repeated as finding 2013-002
2012-003	Ohio Rev. Code § 135.14(B) – Eligible investments	No	Repeated as finding 2013-003

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Dave Yost • Auditor of State

DAYTON-MONTGOMERY COUNTY PORT AUTHORITY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2014**