

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER SUPPLEMENTARY INFORMATION  
AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2017**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Toledo-Lucas County Port Authority, Lucas County, prepared by Gilmore Jasion & Mahler, LTD, for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Toledo-Lucas County Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 2, 2018

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## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT .....	1 - 3
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	4 - 11
STATEMENT OF NET POSITION.....	12 - 13
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION.....	14
STATEMENT OF CASH FLOWS.....	15 - 16
NOTES TO FINANCIAL STATEMENTS.....	17 - 43
SCHEDULE OF NET POSITION INFORMATION BY DIVISION.....	44
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION BY DIVISION.....	45
SCHEDULE OF THE AUTHORITY’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY .....	46
SCHEDULE OF AUTHORITY CONTRIBUTIONS .....	47
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	48
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	49
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED – CASH BASIS .....	50
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED – CASH BASIS .....	51
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE .....	52 - 53
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	54 - 55
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE .....	56 - 57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	58
SCHEDULE OF STATUS OF PRIOR YEAR (2016) AUDIT FINDINGS .....	59

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Toledo-Lucas County Port Authority, which consists of the statement of net position as of December 31, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Toledo-Lucas County Port Authority as of December 31, 2017, and the changes in its net position and its cash flows for the year then ended in accordance with 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 that management's discussion and analysis on pages 4 - 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Toledo-Lucas County Port Authority's financial statements. The accompanying schedule of expenditures of federal awards on page 48 is presented for purposes of additional analysis, as required by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the accompanying schedule of passenger facility charges collected and expended – cash basis on page 50 is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration; and the supplementary information on pages 44 – 47, which includes the schedule of net position information by division and the schedule of revenues, expenses, and changes in net position information by division, schedule of the authority's proportionate share of the net pension liability, and schedule of authority contributions are presented for purposes of additional analysis, and are not required parts of the financial statements.

The schedule of expenditures of federal awards, the schedule of passenger facility charges collected and expended – cash basis, and the supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the Toledo-Lucas County Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Toledo-Lucas County Port Authority's 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 Toledo-Lucas County Port Authority's internal control over financial reporting and compliance.

*Gilmore Jasion Mahler, LTD*

Maumee, Ohio  
June 29, 2018

## **TOLEDO-LUCAS COUNTY PORT AUTHORITY**

### ***Management's Discussion and Analysis For the Year Ended December 31, 2017***

The discussion and analysis of the Toledo-Lucas County Port Authority's ("Authority's") financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2017. This information should be read in conjunction with the basic financial statements included in this report.

#### **FINANCIAL HIGHLIGHTS**

The following financial highlights for 2017 are as follows:

- Total Net Position for the year ended December 31, 2017 decreased \$1,935,135 to \$213,940,545, which was primarily driven by the transfer of ownership of a roadway constructed by the Authority and turned over to Lucas County to maintain.
- Total operating revenue increased \$2,336,110 in comparison to 2016, which was the best revenue performing year since 2009.
- Total operating expenses were up slightly by 4.4% attributed to several factors including contractual services, personnel and repairs and maintenance.

#### **FINANCIAL DRIVERS**

The following statistics played a key role in the Authority's financial picture in 2017 compared to 2016:

- Cargo moving through the Port of Toledo increased 15.9%. General cargo, iron ore, dry bulk and petroleum increased during 2017, while coal and grain decreased.
- Passengers using Toledo Express Airport were up 9.1%, resulting in increased terminal area related revenues.
- The addition of the Overland Industrial Park in 2017 contributed to a 45.6% increase in facilities revenue from 2016.
- Parking revenue from the Authority's three downtown parking garages increased 18.6%, primarily driven by the rise in reserved parking patrons.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

***Management's Discussion and Analysis  
For the Year Ended December 31, 2017***

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

The following table provides a summary of the Authority's financial position as of December 31, 2017 and 2016, respectively.

**Condensed Statements of Net Position**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>Change</b>	
			<b>Amount</b>	<b>%</b>
<b>Assets:</b>				
Current assets	\$ 27,677,464	\$ 30,543,492	\$ (2,866,028)	-9.4%
Capital assets, net	225,155,989	224,579,278	576,711	0.3
Other noncurrent assets	30,236,850	16,549,992	13,686,858	82.7
Deferred outflows-pension	1,666,900	1,325,582	341,318	25.7
Total assets & deferred outflows	<u>\$ 284,737,203</u>	<u>\$ 272,998,344</u>	<u>\$ 11,738,859</u>	4.3
<b>Liabilities, Deferred Inflows and Net Position:</b>				
<b>Liabilities:</b>				
Current liabilities (includes long term debt due within one year)	\$ 7,985,923	\$ 7,659,016	\$ 326,907	4.3
Noncurrent liabilities	62,742,158	49,400,995	13,341,163	27.0
Deferred inflows-pension	68,577	62,653	5,924	9.5
Total liabilities & deferred inflows	<u>70,796,658</u>	<u>57,122,664</u>	<u>13,673,994</u>	23.9
<b>Net Position:</b>				
Net investment in capital assets	164,153,306	176,705,766	(12,552,460)	(7.1)
Restricted	8,041,280	13,527,593	(5,486,313)	(40.6)
Unrestricted	41,745,959	25,642,321	16,103,638	62.8
Total Net Position	<u>213,940,545</u>	<u>215,875,680</u>	<u>(1,935,135)</u>	(0.9)
Total liabilities, deferred inflows, and net position	<u>\$ 284,737,203</u>	<u>\$ 272,998,344</u>	<u>\$ 11,738,859</u>	4.3%

- Current Assets decreased by 9.4%, primarily due to the 2016B bond issuance which increased restricted cash in 2016 and was spent on the Overland Industrial Parkway project during 2017.
- Other Noncurrent Assets increased by 82.7% due to increases in both loans and lease receivables. The Northwest Ohio Improvement Fund, LLC served as an intermediary on the Overland Industrial Parkway Two project with \$8,730,000 in new loans that increased both loans receivable and notes payable (noncurrent liabilities). The Authority also provided an additional \$4.5 million in funding for tenant improvement on the Dana facility, resulting in increased lease receivables. See Note 4 for more details.
- Noncurrent Liabilities increased 27.0% due to: the \$8.730,000 notes payable on the Overland Industrial Parkway project discussed above; and \$6,250,000 in additional JobsOhio notes payable drawn for additional expansion on the Dana Corporation facility on Overland Parkway.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**Changes in Net Position** - The following table shows the changes in revenues and expenses for the Authority between 2017 and 2016:

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>Change Amount</b>	<b>%</b>
Operating revenues				
Airport related	\$ 3,267,367	\$ 3,650,216	\$ (382,849)	-10.5%
Seaport, Financing, Admin and other	11,782,810	9,063,851	2,718,959	30.0
<b>Total operating revenues</b>	<u>15,050,177</u>	<u>12,714,067</u>	<u>2,336,110</u>	18.4
Operating expenses				
Airport related	10,034,268	10,031,472	2,796	0.0
Seaport, Financing, Admin and other	10,302,807	9,448,235	854,572	9.0
<b>Total operating expenses</b>	<u>20,337,075</u>	<u>19,479,707</u>	<u>857,368</u>	4.4
<b>Operating loss</b>	<u>(5,286,898)</u>	<u>(6,765,640)</u>	<u>1,478,742</u>	(21.9)
<b>Nonoperating revenues (expenses)</b>				
Proceeds of property tax levy	2,310,000	2,348,941	(38,941)	(1.7)
Grants	2,910,818	2,532,760	378,058	14.9
Interest income from investments	767,752	380,886	386,866	101.6
Passenger facility charges	635,795	476,917	158,878	33.3
Other expense	(715,872)	(3,090,946)	2,375,074	(76.8)
Interest expense	(2,011,249)	(1,466,378)	(544,871)	37.2
Grant pass through	(545,481)	(1,059,563)	514,082	(48.5)
<b>Total nonoperating revenues</b>	<u>3,351,763</u>	<u>122,617</u>	<u>3,229,146</u>	2,633.5
<b>Changes in Net Position</b>	<u>(1,935,135)</u>	<u>(6,643,023)</u>	<u>4,707,888</u>	(70.9)
Total Net Position-beginning of year	215,875,680	222,518,703	(6,643,023)	(3.0)
Total Net Position end of year	<u>\$ 213,940,545</u>	<u>\$ 215,875,680</u>	<u>\$ (1,935,135)</u>	-0.9%

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

***Management's Discussion and Analysis  
For the Year Ended December 31, 2017***

It is important to note the following in regard to the Authority's change in net position:

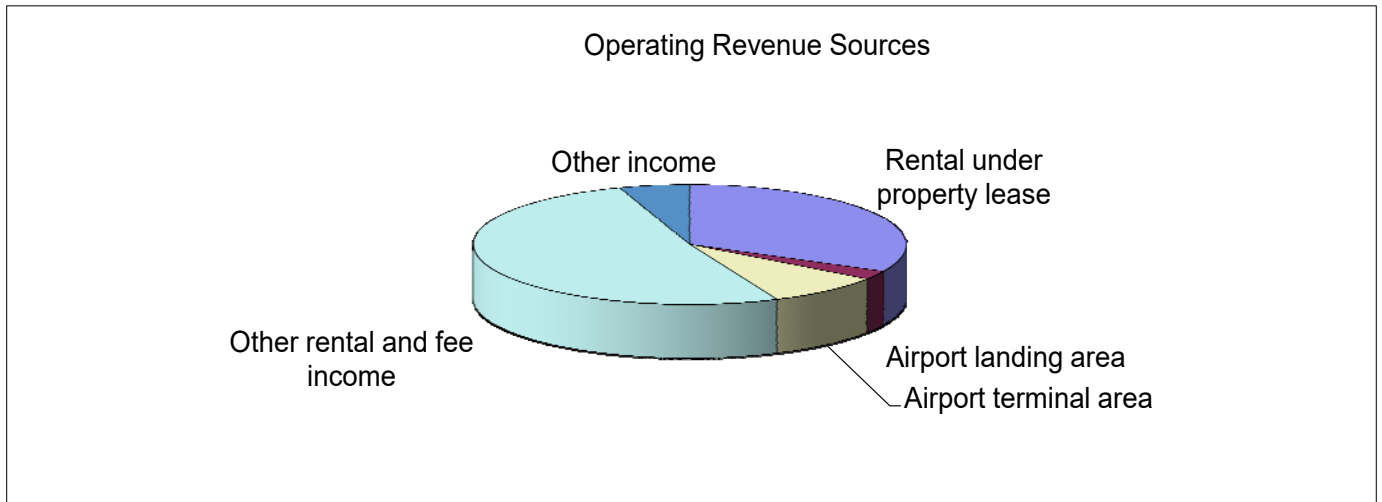
- Although 2017 reported a net operating loss of approximately \$5.3 million, including \$8.7 million of depreciation expense, non-operating revenues exceeded nonoperating expenses by approximately \$3.4 million due to grant revenue of approximately \$2.9 million. Nonoperating expenses include: interest, and expenses attributed to the grants received. Other nonoperating revenues included tax levy proceeds, interest earned, and airport passenger facility charges.
- Operating revenues consist primarily of fees for services, rents and charges for the use of Port Authority facilities, airport landing fees, operating grants and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.
- Interest expense on outstanding bonds and notes payable and loss on disposal of assets accounted for the majority of nonoperating expenses for 2017. The Authority constructed a road to provide access to land owned by the Authority designated for industrial development. Upon completion, the road was turned over to Lucas County to maintain, which resulted in \$1.6 million loss on disposal of assets.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

The following is a summary of the Authority's 2017 operating revenue sources:

<b>Operating Revenue Sources</b>	<b>2017</b>	<b>Percent of Total</b>
Rental under property lease	\$ 4,882,143	32.44 %
Airport landing area	355,074	2.36
Airport terminal area	1,298,609	8.63
Other rental and fee income	7,726,541	51.34
Other income	787,810	5.23
Total Operating Revenue	<u>\$ 15,050,177</u>	<u>100.00 %</u>



**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2017, the Authority reported \$225,155,989 of capital assets net of accumulated depreciation which was invested in land, buildings, equipment and vehicles. This amount represents a slight net increase of approximately \$577,000, after depreciation expense of approximately \$8.7 million. Note 3 to the financial statements provides more detailed capital asset information.

The following table shows fiscal year 2017 and 2016 balances:

**Capital Assets at December 31**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 68,659,431	\$ 68,632,935	\$ 26,496
Construction in progress	12,291,470	7,577,623	4,713,847
Improvements	209,189,963	207,216,433	1,973,530
Property and equipment	29,883,518	41,069,398	(11,185,880)
Buildings & leasehold improvements	95,261,311	93,846,846	1,414,465
Furniture and fixtures	<u>523,546</u>	<u>529,092</u>	<u>(5,546)</u>
Total Cost	415,809,239	418,872,327	(3,063,088)
Accumulated Depreciation	<u>(190,653,250)</u>	<u>(194,293,049)</u>	<u>3,639,799</u>
Net Value	<u>\$ 225,155,989</u>	<u>\$ 224,579,278</u>	<u>\$ 576,711</u>



**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**Debt**

At December 31, 2017 the Authority had \$61,002,683 in debt outstanding, \$2,465,851 of which is due within one year. Outstanding debt in the amount of \$7,712,527 pertains to Airport improvements and \$53,290,156 for Seaport and Development improvements and projects.

The following table summarizes the Authority's debt outstanding as of December 31, 2017 and 2016. Note 5 of the audited financial statements provides more detailed debt information.

**Outstanding Debt at December 31,**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenue bonds payable	\$ 30,890,000	\$ 32,275,000	\$ (1,385,000)
Long-term notes payable	30,112,683	15,598,512	14,514,171
Long-term debt	<u>61,002,683</u>	<u>47,873,512</u>	<u>13,129,171</u>
Current portion	<u>(2,465,851)</u>	<u>(1,767,156)</u>	<u>(698,695)</u>
Long-term debt less current portion	<u>\$ 58,536,832</u>	<u>\$ 46,106,356</u>	<u>\$ 12,430,476</u>

**REQUESTS FOR INFORMATION**

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

**Toledo-Lucas County Port Authority**  
**Statement of Net Position**  
**December 31, 2017**

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**ASSETS AND DEFERRED OUTFLOWS**

**Current Assets:**

Cash and cash equivalents	\$	14,809,975
Restricted cash		1,056,862
Investments		8,881,665
Interest receivable		7,459
Accounts receivable		2,037,993
Loans receivable		228,561
Lease receivable		484,934
Prepaid expenses and other assets		170,015
<b>Total Current Assets</b>		<b><u>27,677,464</u></b>

**Noncurrent Assets:**

Nondepreciable capital assets		80,950,901
Depreciable capital assets, net of accumulated depreciation		144,205,088
Restricted investments		2,006,380
Loans receivable		19,676,663
Lease receivable		5,235,494
Deposits		318,313
Amt due from NW Ohio Bond Fund		3,000,000
<b>Total Noncurrent Assets</b>		<b><u>255,392,839</u></b>

<b>Total Assets</b>		<b><u>283,070,303</u></b>
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**Deferred Outflows of Resources:**

Deferred outflows-pension		1,666,900
<b>Total Deferred Outflows of Resources</b>		<b><u>1,666,900</u></b>

<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$</b>	<b><u>284,737,203</u></b>
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(Continued)

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority  
Statement of Net Position, Continued  
December 31, 2017**

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**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

<b>Current Liabilities:</b>	
Accounts payable and other	\$ 2,235,813
Accrued payroll	592,750
Deposits	1,067,252
Accrued interest	191,025
Revenue bonds payable - current	1,310,000
Note payable - current	730,851
Ohio SIB bond - current	425,000
Advances	1,433,232
<b>Total Current Liabilities</b>	<b><u>7,985,923</u></b>
 <b>Noncurrent Liabilities:</b>	
Revenue bonds payable	22,135,000
Notes payable	29,381,832
Ohio SIB bond	7,020,000
Net pension liability	4,205,326
<b>Total Noncurrent Liabilities</b>	<b><u>62,742,158</u></b>
<b>Total Liabilities</b>	<b>70,728,081</b>
 <b>Deferred Inflows of Resources:</b>	
Deferred inflows-pension	68,577
<b>Total Deferred Inflows of Resources</b>	<b><u>68,577</u></b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>70,796,658</b>
 <b>Net Position:</b>	
Net investment in capital assets	164,153,306
Restricted	8,041,280
Unrestricted	41,745,959
<b>Total Net Position</b>	<b><u>213,940,545</u></b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b><u>\$ 284,737,203</u></b>

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2017**

<b>Operating Revenues</b>	
Rental under property leases	\$ 4,882,143
Airport landing area	355,074
Airport terminal area	1,298,609
Other rental and fee income	7,726,541
Other income	787,810
<b>Total Operating Revenues</b>	<b>15,050,177</b>
<b>Operating Expenses</b>	
Personnel	4,222,208
Marketing	329,560
Contractual services	4,524,383
Utilities	898,768
Repairs and maintenance	1,488,484
Depreciation	8,748,786
Other operating expenses	124,886
<b>Total Operating Expenses</b>	<b>20,337,075</b>
<b>Operating Loss</b>	<b>(5,286,898)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Proceeds of property tax levy	2,310,000
Interest income from investments	767,752
Passenger facility charges	635,795
Grants	2,910,818
Non-operating revenue	2,645,926
Interest expense	(2,011,249)
Other nonoperating expenses	(1,660,995)
Loss on investments	(3,216)
Loss on disposal of assets	(1,697,587)
Grant pass through	(545,481)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>3,351,763</b>
<b>Total Change in Net Position</b>	<b>(1,935,135)</b>
Net Position beginning of year	215,875,680
<b>Net Position at End of Year</b>	<b>\$ 213,940,545</b>

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

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<u>Cash flows from operating activities:</u>	
Cash received from customers	\$ 1,705,102
Cash payments for goods and services	(8,269,836)
Cash payments to and on behalf of employees	(3,638,768)
Net cash used in operating activities	<u>(10,203,502)</u>
 <u>Cash flows from noncapital financing activities:</u>	
Intergovernmental grants	984,930
Proceeds of property tax levy	2,310,000
Net cash provided by noncapital financing activities	<u>3,294,930</u>
 <u>Cash flows from capital and related financing activities:</u>	
Capital grants received	2,957,065
Passenger and Customer facility charges received	658,258
Acquisition and construction of capital assets	(4,860,360)
Acquisition of assets under capital lease	(4,500,000)
Construction of roadway donated to the County	(1,662,724)
Interest paid on capital asset debt	(2,008,037)
Principal payments on long-term debt	(1,850,829)
Issuance of debt	14,980,000
Grant pass through	(545,481)
Net cash provided by capital and related financing activities	<u>3,167,892</u>
 <u>Cash flows from investing activities:</u>	
Interest on investments	762,751
Purchase of securities	(3,697,311)
Proceeds on securities	2,814,899
Net cash used in investing activities	<u>(119,661)</u>
Net (decrease) in cash and cash equivalents	(3,860,341)
Cash and cash equivalents at beginning of year	19,727,178
Cash and cash equivalents at end of year	<u>\$ 15,866,837</u>

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority  
Statement of Cash Flows, Continued  
For the Year Ended December 31, 2017**

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Reconciliation of operating loss to net cash

Used in operating activities:

Operating loss	\$	<b>(5,286,898)</b>
Adjustments to reconcile operating loss to cash used in operating activities:		
Depreciation expense		8,748,786
Changes in assets, liabilities and deferrals:		
Loans receivable		(9,638,040)
Leases receivable		(4,015,929)
Accounts receivable		(220,995)
Prepaid expenses and other assets		9,281
Net pension and related deferred outflows and inflows		575,294
Accrued payroll		8,146
Accounts payable		(903,757)
Deposits		1,012,952
Advances		(492,342)
Total adjustments		<u><b>(4,916,604)</b></u>
Net cash used in operating activities	<b>\$</b>	<u><b>(10,203,502)</b></u>

See accompanying notes to the financial statements.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

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

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

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government.” A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability are the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority purchased garages from the City of Toledo in 2012; the garages are operated by Downtown Toledo Development Corporation (“DTDC”), which is considered a blended component unit. In 2011, the Northwest Ohio Improvement Fund, LLC (“NOIF”) was established to provide financing through loans, equity and other financial services to businesses and real estate development projects located in low-income communities in Northwest Ohio. In 2015, NOIF was the intermediary related to the Promedica Downtown project involving new market tax credits. In 2017, NOIF was the intermediary related to the Overland Industrial Parkway project also involving new market tax credits. The activities of NOIF are directed by the Authority and the Authority is the primary beneficiary of NOIF, therefore, NOIF is considered a blended component unit. In 2016, ARG Services, Inc. (“ARG”) was incorporated to assist the Authority by managing, operating, supervising and otherwise working with or doing work related to port authority facilities. The activities of ARG are directed by the Authority and the Authority is the primary beneficiary of ARG, therefore, ARG is considered a blended component unit.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

The Authority operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. All transactions are accounted for in a single enterprise fund. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in all material respects. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus

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

Use of Estimates

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

Cash and Investments

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

In accordance with GASB Statement No. 72, "*Fair Value Measurement*", the Authority reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit, repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2017, which approximates fair value.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Investments (continued)

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Capital Assets

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. For the Authority, deferred outflows of resources are reported for components associated with the net pension liability explained in Note 6.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. For the Authority, deferred inflows of resources are reported for components associated with the net pension liability explained in Note 6.

Compensated Absences

Employees of the Authority are entitled to paid vacation days depending on job classification, length of service, and other factors. Accrued vacation, which is included with accrued payroll on the statement of net position, increased \$41,687 from \$320,772 at December 31, 2016 to \$362,459 at December 31, 2017.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position

Net position represents the difference between assets and deferred outflows of resources, reduced by and liabilities and deferred inflows of resources. Net position invested in net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The restricted component of net position consists of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements. The restricted component of net position also includes cash received from the sale of land, unspent grant monies and passenger facility charges, which are restricted per the Federal Aviation Administration. The restricted component also includes cash received from other entities for Authority programs.

Revenues and Expenses

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

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

Property Tax Levy

A \$.4 mill real estate tax renewal levy passed by Lucas County voters in 2012 provides financial support for the various activities of the Authority. The levy expires in 2019. The Authority elected to collect the full \$.4 mill in 2017.

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

Budgetary Process

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

Change in Accounting Principles

For year 2017, the Authority has implemented GASB Statement No. 82, "Pension Issues". This Statement provides guidance for the presentation of covered payroll of pension contributions. The implementation of GASB Statement No. 82 did not have a material effect on the financial statements of the Authority.

**NOTE 2 – CASH AND INVESTMENTS**

Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of Authority cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the FDIC. Financial institutions participating in the Ohio Pooled Collateral System (OPCS), a centralized collateral system monitored by the Ohio Treasurer of State, must pledge eligible securities equal to at least 102% of the carrying value of all public deposits held by each institution. Financial institutions choosing not to participate in the OPCS must pledge eligible securities equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the Authority's deposits was \$15,866,087 and the bank balance was \$15,977,011. The Authority also had \$750 cash on hand. Federal depository insurance covered \$7,702,133 of the bank balance and \$8,274,878 was uninsured. Of the remaining uninsured bank balance, the Authority was exposed to custodial risk as follows:

Uninsured and collateralized with securities held by the pledging institution's trust department not in the Authority's name:	\$6,104,660
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Investments

The Authority has established an investment policy with priorities and guidelines based on Section 135.14 of the Ohio Revised Code. The following is a partial listing of authorized investments:

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

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2017**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

7. Investments of proceeds of revenue bonds as may be permitted by a trust agreement or resolution;
8. The Ohio Subdivision’s Fund (STAR Ohio);
9. Overnight or term repurchase agreements consisting of an agreement to repurchase any of the securities listed in 1. or 2. above;
10. Commercial paper notes issued by companies incorporated under the laws of the United States;
11. Certificates of deposit from any eligible institution mentioned in Section 135.32 of the Ohio Revised Code; and
12. Issuance of the Authority’s debt as well as obligations within the Northwest Ohio Bond Fund or other political subdivision or port authority bond funds as permitted by law.

The Authority’s investments at December 31, 2017 were as follows:

Investment Maturities (in Years)

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Less than 1</u>	<u>1-3</u>	<u>3-5</u>
United States Treasury Bill	\$ 1,072,983	AA+ <sup>1</sup>	\$ 289,374	\$ 705,154	\$ 78,455
Federal Home Loan Banks	1,423,921	AA+ <sup>1</sup>	399,486	926,202	98,233
Federal Farm Credit Bank	915,338	AA+ <sup>1</sup>	39,935	875,403	-
Federal National Mortgage Association	1,273,141	AA+ <sup>1</sup>	99,774	1,074,202	99,165
Federal Home Loan Mortgage Corporation	933,840	AA+ <sup>1</sup>	44,979	741,288	147,573
Huntington Money Market Fund	751,793	NR	751,793	-	-
Bank NY Mellon Money Market Fund	85,435	A-1+ <sup>1</sup>	85,435	-	-
KeyBank Money Market Fund	37,672	NR	37,672	-	-
State Bank Money Market Fund	227,493	NR	227,493	-	-
ING US FDG LLC Commercial Paper	1,429,170	Aa3 <sup>2</sup>	1,429,170	-	-
Credit Suisse First Boston Commercial Paper	491,775	A1 <sup>2</sup>	491,775	-	-
Ally Bank FDIC Insured CD	249,252		249,252	-	-
BMW Bank North America FDIC Insured CD	250,000		-	250,000	-
Capital One Bank USA NA FDIC Insured CD	497,349		248,531	248,818	-
Connectone Bank FDIC Insured CD	249,695		249,695	-	-
Goldman Sachs Bank FDIC Insured CD	250,006		250,006	-	-
Investors BK/Short Hills FDIC Insured CD	249,727		249,727	-	-
Isreal Discount BK of NY FDIC Insured CD	249,727		249,727	-	-
Wells Fargo Bank NA FDIC Insured CD	249,728		249,728	-	-
Total Investments	<u>\$ 10,888,045</u>		<u>\$ 5,643,552</u>	<u>\$ 4,821,067</u>	<u>\$ 423,426</u>

<sup>1</sup> Standard & Poor’s

<sup>2</sup> Moody’s

<sup>NR</sup> Not rated

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

The Authority’s investments in federal agency securities, negotiable certificates of deposit, commercial paper and mutual funds are valued using significant other observable inputs valued by pricing sources used by the Authority’s investment managers (Level 2 inputs).

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

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

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

*Concentration of Credit Risk* - Concentration of credit risk exists when investments are concentrated in one issue. The Authority’s investment policy allows for various types of investments with various safeguard limits, and cannot be changed unless the Authority’s Board of Directors, by resolution, modifies the limits. The Authority’s investments in U.S. Agencies represent 52%, Money Market funds 10% and other 38% of the Authority’s investment portfolio excluding STAR Ohio at year end.

Cash and investments per footnote

Carrying amount of bank deposits	\$15,866,087
Cash on hand	750
Investments	<u>10,888,045</u>
Total	<u>\$ 26,754,882</u>

Cash and investments per statement of net position

Cash and cash equivalents	\$ 14,809,975
Restricted cash	1,056,862
Investments	8,881,665
Restricted investments	<u>2,006,380</u>
Total	<u>\$ 26,754,882</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2017**

**NOTE 3 – CAPITAL ASSETS**

Capital assets consist of the following:

*Historical Cost:*

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$ 68,632,935	\$ 26,496	\$ -	\$ 68,659,431
Construction in Progress	7,577,623	7,543,219	(2,829,372)	12,291,470
Subtotal	76,210,558	7,569,715	(2,829,372)	80,950,901
<i>Capital assets being depreciated:</i>				
Land Improvements	207,216,433	1,973,530	-	209,189,963
Property and Equipment	41,069,398	1,255,399	(12,441,279)	29,883,518
Buildings and Leasehold Improvements	93,846,846	1,521,193	(106,728)	95,261,311
Furniture and Fixtures	529,092	-	(5,546)	523,546
Subtotal	342,661,769	4,750,122	(12,553,553)	334,858,338
Total Cost	\$ 418,872,327	\$ 12,319,837	\$ (15,382,925)	\$ 415,809,239

*Accumulated Depreciation:*

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets being depreciated:</i>				
Land Improvements	\$ (121,605,124)	\$ (4,460,122)	\$ -	\$ (126,065,246)
Property and Equipment	(27,974,554)	(1,045,843)	12,276,311	(16,744,086)
Buildings and Leasehold Improvements	(44,218,288)	(3,237,435)	106,728	(47,348,995)
Furniture and Fixtures	(495,083)	(5,386)	5,546	(494,923)
Total Depreciation	\$ (194,293,049)	\$ (8,748,786)	\$ 12,388,585	\$ (190,653,250)
<i>Net Value:</i>	\$ 224,579,278	\$ 3,571,051	\$ (2,994,340)	\$ 225,155,989

Depreciation Expense charged to operating expense

\$ 8,748,786

Depreciation has been determined using the straight-line method over the estimated useful lives of the property and equipment ranging between 5 and 40 years. During 2017, approximately \$2.9 million of Federal, state and local grant funding was utilized to purchase and acquire Port Authority capital assets.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2017**

**NOTE 4 – LOANS AND CAPITAL LEASE RECEIVABLE**

A summary of loans and capital lease receivable at December 31 follows:

	Balance December 31, 2016	Additions	Payments	Change in Discount	Bad Debt	Balance December 31, 2017	Due Within One Year
ESID Loan Receivable	\$ 1,614,098	0	\$ (127,252)	\$ 0	\$ 0	\$ 1,486,846	\$ 128,528
NOIF Loan Receivable	7,760,000	8,730,000	0	0	0	16,490,000	0
Various Loans Receivable	893,086	1,150,000	(114,708)	0	0	1,928,378	100,033
<b>Total Loans Receivable</b>	<b>\$ 10,267,184</b>	<b>\$9,880,000</b>	<b>\$ (241,960)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 19,905,224</b>	<b>\$ 228,561</b>
<b>Capital Lease Receivable</b>	<b>\$ 1,704,498</b>	<b>\$4,500,000</b>	<b>\$ (484,070)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,720,428</b>	<b>\$ 484,934</b>

Loans Receivable

Loans receivable at the end of 2017 includes six loans in which the Northwest Ohio Improvement Fund, LLC (“NOIF”) entered into: two in 2015 with ProMedica Downtown Campus Landlord, LLC for a total of \$7,760,000 and four in 2017 with NMTC Leveraged XXXI, LLC for a total of \$8,730,000. These loans are directly related to the conduit debt that was incurred by NOIF; at the time NOIF served as an intermediary in the Promedica project and the Overland Industrial Parkway project financing. These structures were created to facilitate the use of new market tax credits; the exposure for the notes is minimal due to the pass-through structure of the agreements in place. The loans are interest only for the first seven years, and then bear interest rates of 2.58% on the 2015 loans and 3.70% on the 2017 loans. On the 2015 loans, from 2023 through 2045, quarterly payments of principal and interest are required in an amount to fully amortize the loan over the remaining term, which mature on December 23, 2045. On the 2017 loans, from 2024 through 2047, monthly payments of principal and interest are required in an amount to fully amortize the loans over the remaining term, which mature on June 29, 2047. The Authority is not a guarantor of this debt.

In 2016, the Authority loaned funds to the Northwest Ohio Advanced Energy Improvement District (“ESID”). This loan totaled \$1,740,087 and has an interest rate of 1% requiring semiannual payments of \$71,538 with a maturity in 2028. These funds are related to the debt from the Ohio Development Services Agency (“ODSA”) found in Note 5. As of December 31, 2017, the balance remaining on the note was \$1,486,846.

In addition, the Authority has loaned amounts totaling \$2,733,840 under various loan programs, at interest rates ranging from zero to 6%, with maturities ranging from 2018 through 2033. The total loan receivable amount of \$1,928,378 shown in the table above is net of a discount of \$118,185 for financial statement presentation in the Statement of Net Position. The discount represents the net present value calculation performed on the loans that are not charged interest. Future principal payments in years after 2017 for these loans receivable are as follows:

<u>December 31,</u>	<u>Discounted</u>	<u>Undiscounted</u>
2018	\$228,561	\$228,561
2019	230,106	230,106
2020	233,475	233,475
2021	215,612	215,612
2022	196,679	196,679
Thereafter	<u>18,800,791</u>	<u>18,918,976</u>
Total	<u>\$19,905,224</u>	<u>\$20,023,409</u>

**NOTE 4 – LOANS AND CAPITAL LEASE RECEIVABLE (Continued)**

Capital Lease Receivable

On June 2, 2003, the United States transferred ownership of property occupied by Teledyne Technologies to the Authority for \$10. A lease agreement between the Authority and Teledyne Technologies was entered into on August 23, 2001 and commenced on the date the property was transferred to the Authority (June 2, 2003). Lease payments are due in the amount of \$65,000 per year with periodic increases based upon the consumer price index. The original lease term is five years with options to extend the lease for four additional periods of five years. On November 13, 2017 Teledyne exercised the third five-year option period thereby extending the lease through May 31, 2023. Teledyne has the option to purchase the property for \$450,000. The option price is considered a bargain purchase and, under the provision of GASB 62, the lease is being accounted for as a direct financing lease. The present value of the bargain purchase option and the lease payments during the original lease term are recorded as amount due from lessee in the statement of net position at December 31, 2017. All costs, expenses, and obligations relating to the property are to be paid by Teledyne.

On May 6, 2005, the Authority and Nagle Holdings, Ltd. entered into an agreement for the lease of approximately 14.374 acres of vacant land near Toledo Executive Airport, on which Nagle Holdings constructed a facility in conjunction with its trucking business. On March 22, 2016, a first amendment to the lease agreement was signed in which the Authority allows Nagle Holdings to purchase the leased premises for \$100 upon expiration of the lease, which occurs February 28, 2021. In addition, lease payments of \$91,200 are due the next five years. The option price is considered a bargain purchase and, under the provision of GASB 62, the amended lease is being accounted for as a direct financing lease. The present value of the bargain purchase option and the lease payments during the remaining terms of the lease are recorded as amount due from lessee in the statement of net position at December 31, 2017.

On May 13, 2008, the Authority and Midwest Terminals of Toledo, Inc. (“Midwest”) entered into an agreement for the lease of approximately 181 acres of land commonly known as “Ironville” for the development and management of logistics, maritime related businesses, and or other commercial or industrial uses. On August 1, 2014, a first amendment to the lease agreement was signed because of ongoing development at Ironville, in which the Authority would provide \$1.3 million in funding for additional capital improvements at the site. Commenced January 1, 2015 and ending December 31, 2022, Midwest shall pay the Authority \$15,772 a month, which amounts to \$189,264 annually as additional rent for these improvements. The present value of the lease payments during the remaining terms of the lease are recorded as amount due from lessee in the statement of net position at December 31, 2017.

On June 8, 2016, the Authority and Midwest entered into an agreement for the lease of a Waterless Pelican P Dual Tier-399 HP Street Sweeper in which the Authority owns. Midwest shall pay the Authority \$7,724 a month beginning September 1, 2016 through August 31, 2019, at which time Midwest will have the option to purchase the sweeper for \$100 if Midwest has met all the monthly payments. The present value of the bargain purchase option and the lease payments during the remaining terms of the lease are recorded as amount due from lessee in the statement of net position at December 31, 2017.



**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2017**

**NOTE 4 – LOANS AND CAPITAL LEASE RECEIVABLE (Continued)**

On October 26, 2016, the Authority and Dana Limited entered into an agreement for the lease of a 102,060-square foot building and parking areas located on real property commonly known as 3220 Jeep Parkway. On October 10, 2017, a first amendment to the lease agreement was signed to reflect the addition of expanded premises, in which the Authority would provide \$4.5 million in funding for tenant improvements at the site. Commencing June 1, 2017 and ending May 1, 2037, Dana Limited shall pay the Authority monthly payments consisting of principal and interest per the amortization schedule attached as exhibit E to the first amendment. The lease payments during the remaining terms of the lease are recorded as amount due from lessee in the statement of net position at December 31, 2017.

**NOTE 5 – DEBT**

A summary of Long Term Debt activity for the year ended December 31, 2017 follows:

	Series	Maturity Date	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Revenue Bonds:							
Northwest Ohio Development:							
Taxable:							
7.25%	Chevron	2008A 2028	\$ 3,845,000	\$ -	\$ (190,000)	\$ 3,655,000	\$ 205,000
4.90%	Parking Garage Project	2011C 2026	3,955,000	-	(285,000)	3,670,000	305,000
4.61%	Refunding Air Hub Project	2012A 2026	6,180,000	-	(415,000)	5,765,000	435,000
4.02%	Dana Facility	2016B 2028	10,435,000	-	(80,000)	10,355,000	365,000
Tax Exempt:							
Other:							
2.38%	State of Ohio Tax Exempt	2011-1 2031	7,860,000	-	(415,000)	7,445,000	425,000
Total Revenue Bonds			32,275,000	-	(1,385,000)	30,890,000	1,735,000
Notes Payable:							
1.00%	ODSA	2015 2028	2,002,252	-	(157,853)	1,844,399	159,436
2.25%	JobsOhio	2016 2027	2,500,000	6,250,000	(106,490)	8,643,510	342,814
2.50%	Lucas County Builds	2016 2028	750,000	-	(10,157)	739,843	30,982
4.83%	ESID Note Airport	2014 2028	840,180	-	(45,193)	794,987	47,247
3.00%	ESID Note Garages	2012 2026	548,829	-	(46,809)	502,020	48,224
3.42%	ESID Note Maritime	2012 2026	832,339	-	(69,720)	762,619	72,127
1.39%	ESID Note MLK	2011 2026	364,912	-	(29,607)	335,305	30,021
2.58%	NOIF-2015	2015 2045	7,760,000	-	-	7,760,000	-
3.67%	NOIF-2017	2017 2047	-	8,730,000	-	8,730,000	-
Total Notes Payable			15,598,512	14,980,000	(465,829)	30,112,683	730,851
Total			\$ 47,873,512	\$ 14,980,000	\$ (1,850,829)	\$ 61,002,683	\$ 2,465,851

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2017**

**NOTE 5 - DEBT (Continued)**

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

	2018	2019	2020	2021	2022	
<b>Notes Payable</b>						
ODSA	\$ 159,436	\$ 161,034	\$ 162,648	\$ 164,279	\$ 165,926	
JobsOhio	342,814	351,484	360,372	369,485	378,829	
Lucas County Builds	30,982	31,766	32,569	33,393	34,237	
ESID Note Airport	47,247	50,329	53,410	55,464	59,573	
ESID Note Garages	48,224	49,681	51,183	52,730	54,324	
ESID Note Maritime	72,127	74,616	77,191	79,855	82,611	
ESID Note MLK	30,021	30,441	30,866	31,298	31,736	
NOIF-2015	-	-	-	-	-	
NOIF-2017	-	-	-	-	-	
<b>Revenue Bonds Payable</b>						
Northwest Ohio Development Revenue Bonds						
Taxable Parking Garage Project	305,000	320,000	340,000	360,000	380,000	
Taxable Airport Hub Project	435,000	455,000	480,000	505,000	530,000	
Taxable Chevron	205,000	225,000	240,000	255,000	275,000	
Taxable Dana Facility	365,000	380,000	395,000	415,000	435,000	
<b>State of Ohio Tax Exempt</b>	425,000	440,000	450,000	465,000	480,000	
Total	\$ 2,465,851	\$ 2,569,351	\$ 2,673,239	\$ 2,786,504	\$ 2,907,236	
	2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	Total
<b>Notes Payable</b>						
ODSA	\$ 854,916	\$ 176,160	\$ -	\$ -	\$ -	\$ 1,844,399
JobsOhio	2,042,783	4,797,743	-	-	-	8,643,510
Lucas County Builds	184,619	392,277	-	-	-	739,843
ESID Note Airport	355,382	173,582	-	-	-	794,987
ESID Note Garages	245,878	-	-	-	-	502,020
ESID Note Maritime	376,219	-	-	-	-	762,619
ESID Note MLK	180,943	-	-	-	-	335,305
NOIF-2015	1,324,249	1,503,554	1,707,138	1,938,287	1,286,772	7,760,000
NOIF-2017	1,510,317	3,065,552	1,477,379	1,292,618	1,384,134	8,730,000
<b>Revenue Bonds Payable</b>						
Northwest Ohio Development Revenue Bonds						
Taxable Parking Garage Project	1,965,000	-	-	-	-	3,670,000
Taxable Airport Hub Project	3,360,000	-	-	-	-	5,765,000
Taxable Chevron	1,760,000	695,000	-	-	-	3,655,000
Taxable Dana Facility	2,510,000	5,855,000	-	-	-	10,355,000
<b>State of Ohio Tax Exempt</b>	2,660,000	2,525,000	-	-	-	7,445,000
Total	\$ 19,330,306	\$ 19,183,868	\$ 3,184,517	\$ 3,230,905	\$ 2,670,906	\$ 61,002,683

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2017**

**NOTE 5 - DEBT (Continued)**

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

	2018	2019	2020	2021	2022	
<b>Notes Payable</b>						
ODSA	\$ 13,535	\$ 12,336	\$ 11,125	\$ 9,902	\$ 8,667	
JobsOhio	212,177	203,508	194,620	185,506	176,163	
Lucas County Builds	18,143	17,359	16,556	15,732	14,888	
ESID Note Airport	37,852	35,520	33,065	30,436	27,707	
ESID Note Garages	14,702	13,244	11,742	10,196	8,602	
ESID Note Maritime	25,485	22,996	20,421	17,756	15,000	
ESID Note MLK	4,570	4,150	3,724	3,292	2,855	
NOIF-2015	197,709	197,709	197,709	197,709	197,709	
NOIF-2017	320,339	320,339	320,339	320,339	320,339	
<b>Revenue Bonds Payable</b>						
Northwest Ohio Development Revenue Bonds						
Taxable Parking Garage Project	176,155	161,088	145,163	128,135	110,373	
Taxable Airport Hub Project	260,811	240,527	219,231	196,847	173,336	
Taxable Chevron	261,363	246,138	229,463	211,881	193,031	
Taxable Dana Facility	412,109	397,328	381,814	365,703	348,802	
<b>State of Ohio Tax Exempt</b>	264,265	252,165	238,468	223,628	209,468	
Total	\$ 2,219,215	\$ 2,124,407	\$ 2,023,440	\$ 1,917,062	\$ 1,806,940	
	2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	Total
<b>Notes Payable</b>						
ODSA	\$ 24,371	\$ 992	\$ -	\$ -	\$ -	\$ 80,928
JobsOhio	732,175	124,002	-	-	-	1,828,151
Lucas County Builds	61,006	8,612	-	-	-	152,296
ESID Note Airport	91,133	7,392	-	-	-	263,105
ESID Note Garages	15,753	-	-	-	-	74,239
ESID Note Maritime	27,497	-	-	-	-	129,155
ESID Note MLK	6,916	-	-	-	-	25,507
NOIF-2015	910,198	730,892	527,308	296,159	53,895	3,506,997
NOIF-2017	1,354,154	1,039,223	629,131	378,119	119,529	5,121,851
<b>Revenue Bonds Payable</b>						
Northwest Ohio Development Revenue Bonds						
Taxable Parking Garage Project	239,855	-	-	-	-	960,769
Taxable Airport Hub Project	432,188	-	-	-	-	1,522,940
Taxable Chevron	623,138	25,194	-	-	-	1,790,208
Taxable Dana Facility	1,459,517	228,698	-	-	-	3,593,971
<b>State of Ohio Tax Exempt</b>	795,436	239,559	-	-	-	2,222,989
Total	\$ 6,773,337	\$ 2,404,564	\$ 1,156,439	\$ 674,278	\$ 173,424	\$ 21,273,106

**NOTE 5 - DEBT (Continued)**

A. Taxable Chevron

The Authority issued and is the borrower on \$4,780,000 of taxable revenue bonds from the Northwest Ohio Bond Fund for the purchase of the former Chevron Property in 2008. A lease was signed with Midwest requiring lease payments equal to the amount of debt. As of December 31, 2017, \$3,655,000 remains outstanding.

B. Taxable Airport Hub Project

The Authority issued bonds to refinance debt in 2012 for the air cargo hub facility. The series 2012A taxable bonds were issued by the Northwest Ohio Bond Fund in the amount of \$9,470,000. As of December 31, 2017, \$5,765,000 remains outstanding.

C. Port Authority Overland Property

JobsOhio

During construction of the 100,000-square foot warehousing facility on Overland Parkway that began in 2014, the Authority was in negotiations with JobsOhio. A loan, in the amount of \$2,500,000, was received in 2016 and will bear an interest rate of 0% for the first year, 3% for years two through six, and 4% for years seven through twelve, and matures in 2027. In May of 2016, it was announced that Dana Corporation would lease the warehousing facility. The announcement of a tenant and the expansion of the facility to approximately 300,000 square feet led to the further restructuring of the repayment terms of the currently outstanding \$2,500,000 loan. As a result of the expansion, the Authority's JobsOhio financing obligation was increased to a total of up to \$8,750,000, which was drawn during 2017. As of December 31, 2017, \$8,643,510 remains outstanding.

Taxable Dana Facility

As a result of the expansion of the Dana facility to approximately 300,000 square feet, the Authority issued and is borrower on \$10,470,000 of taxable revenue bonds from the Northwest Ohio Bond Fund. The issuance is comprised of two series. The series 2016B-1 of \$2,275,000 is the absorption of the original financing of the initial 100,000 square foot facility. The series 2016B-2 representing \$8,195,000 is the financing of the building expansion of approximately 200,000 square feet. As of December 31, 2017, \$10,355,000 in total remains outstanding.

Lucas County Builds

As part of the overall financing for the Dana facility on Overland Parkway, a loan was secured and funded in the amount of \$750,000 from the Lucas County Builds Fund in October of 2016. The term of the loan will expire on December 31, 2028 and the balance of the loan on December 31, 2017 was \$739,843.

The lease signed with Dana will fund payments due for the JobsOhio obligation, the Northwest Ohio Bond Fund 2016B series, and the Lucas County Builds loan.

**NOTE 5 - DEBT (Continued)**

D. Taxable Parking Garage Project

In October 2011, the Authority purchased parking facilities from the City of Toledo. This project was financed by issuing \$4,940,000 of taxable development revenue bonds within the Northwest Ohio Bond Fund. In addition, tax exempt bonds were issued from the SIB GRF Bond Fund Program in the amount of \$9,430,000. The total remaining balance for both bonds was \$11,115,000 as of December 31, 2017.

E. Northwest Ohio Advanced Energy Improvement District (ESID Notes Payable)

The Authority was the borrower of four Northwest Ohio Advanced Energy Improvement District (“ESID”) Notes for capital improvements to the garage facilities, headquarters building, airport terminal and the Martin Luther King terminal. As of December 31, 2017, \$2,394,931 remains outstanding.

G. ODSA

During 2015, the Authority borrowed funds from ODSA. These funds relate to the series 2013A bond issuance. This series was issued to the ESID, which is an entity the Authority created to assist with financing related to the BetterBuildings Northwest Ohio Energy Program. As funds for energy efficiency projects were expended, disbursement requests were submitted to ODSA for a 50% reimbursement to the Authority. All of the funds received from ODSA were provided to the ESID by the end of 2016. The loan from ODSA will be a liability to the Authority, as the loan with ODSA is with the Authority and not the ESID; however, the risk is minimal due to the agreements in place with the ESID. Following the 2016 disbursements to the ESID, the Authority shows a loan receivable from the ESID. As of December 31, 2017, the loan with ODSA has a balance of \$1,844,339. As of December 31, 2017, the loan receivable from the ESID has a balance of \$1,486,846. The difference between the two represents the amount owed by the Authority for the energy project completed at Toledo Express Airport.

H. NOIF

During 2015, NOIF entered into two loans totaling \$7,760,000, which relate to the receivables discussed previously in Note 4. NOIF serves as an intermediary between Finance Fund and ProMedica Downtown Landlord, LLC (“ProMedica”). Loan payments to NOIF are made by Promedica quarterly, and ten days following those payments, a payment is due from NOIF to Finance Fund in an amount less than that which was received. The risk to NOIF is minimal due to the pass-through structure of the arrangement. The Authority is not a guarantor of this debt. As of December 31, 2017, there remains a \$7,760,000 balance.

During 2017, NOIF entered into four loans totaling \$8,730,000, which relate to the receivables discussed previously in Note 4. NOIF serves as an intermediary between NMTC Leveraged XXXI, LLC and Overland Industrial Parkway Two, LLC (“Overland”). Loan payments to NOIF are made by Overland monthly, as are payments due from NOIF to NMTC in an amount less than that which was received. The risk to NOIF is minimal due to the pass-through structure of the arrangement. The Authority is not a guarantor of this debt. As of December 31, 2017, there remains a \$8,730,000 balance.

**NOTE 6 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability, reported on the statement of net position, represents a liability to employees for pensions. The Authority's net pension liability increased by \$910,687 to \$4,205,326, from 2016 to 2017. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created because of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the way pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers.

All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued payroll* on the accrual basis of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description – The Authority's employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. The Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2017 Statutory Maximum Contribution Rates</b>			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
<b>2017 Actual Contribution Rates</b>			
Employer:			
Pension	13.0%	17.1%	17.1%
Post-employment Health Care Benefits	1.0%	1.0%	1.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution was \$328,717 for 2017.



**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportionate Share of the Net Pension Liability	\$ 4,205,326
Proportion of the Net Pension Liability	0.0185189%
Change in Proportionate Share	-0.0005019%
Pension Expense	\$ 904,010

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$ 5,700
Net difference between projected and actual earnings on pension plan investments	626,269
Change in assumptions	667,017
Change in proportionate share and differences in employer contributions	39,197
Authority contributions subsequent to measurement date	<u>328,717</u>
Total Deferred Outflows of Resources	<u>\$ 1,666,900</u>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$ 25,028
Change in proportionate share and differences in employer contributions	<u>43,549</u>
Total Deferred Inflows of Resources	<u>\$ 68,577</u>

**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

The \$328,717 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>
2018	\$ 538,183
2019	528,942
2020	220,839
2021	<u>(18,358)</u>
Total	<u>\$1,269,606</u>

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Assumptions</b>	<b>December 31, 2016 Valuation</b>	<b>December 31, 2015 Valuation</b>
Wage inflation	3.25%	3.75%
Future salary increases, Including inflation	3.25% to 10.75%	4.25% to 10.05%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3%; Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple	Pre 1/7/2013 retirees: 3%; Post 1/7/2013 retirees: 3% simple through 2018, then 2.80% simple
Investment rate of return	7.50%	8.00%
Actuarial cost method	Individual entry age	Individual entry age
Mortality tables	RP-2014	RP-2000

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	<u>18.00%</u>	<u>4.92%</u>
Total	<u>100.00%</u>	<u>5.66%</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)**

***Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	\$6,424,660	\$4,205,326	\$2,356,005

**NOTE 7 – POST-EMPLOYMENT BENEFITS**

***GASB Statement No. 45***

Statement 45 of the Governmental Accounting Standards Board (GASB), Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pension, establishes standards for disclosure of information on post-employment benefits other than pension benefits by all State and Local government employers.

***A. Plan Description***

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

**NOTE 7 – POST-EMPLOYMENT BENEFITS (Continued)**

***A. Plan Description (continued)***

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

***B. Funding Policy***

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

Actual employer contributions for 2017, 2016 and 2015 which were used to fund post-employment benefits were \$26,571, \$52,134 and \$48,269, respectively.

**NOTE 8 - OPERATING LEASES**

The Authority has entered into a number of operating lease agreements with various companies to lease certain of its facilities for periods from five to forty years.

Property under lease at December 31, 2017 consists of the following:

	<b>Property and Development Division</b>	<b>Seaport Leases</b>	<b>Total</b>
Land	\$ 8,568,612	\$ 6,938,961	\$ 15,507,573
Improvements	7,325,240	18,258,044	25,583,284
Property and Equipment	32,815	13,636,320	13,669,135
Building and Leasehold Improvements	15,707,224	6,402,935	22,110,159
Total Cost	<u>31,633,891</u>	<u>45,236,260</u>	<u>76,870,151</u>
Less: Accumulated Depreciation	<u>(8,166,243)</u>	<u>(14,524,772)</u>	<u>(22,691,015)</u>
	<u>\$ 23,467,648</u>	<u>\$ 30,711,488</u>	<u>\$ 54,179,136</u>

The minimum future rentals to be received under the lease agreements are as follows:

<b>Years</b>	<b>Project &amp; Development Leases</b>	<b>Seaport Leases</b>	<b>Total</b>
2018	\$ 2,731,850	\$ 1,443,817	\$ 4,175,667
2019	2,574,376	1,443,817	4,018,193
2020	2,523,005	1,373,689	3,896,694
2021	2,261,298	1,428,364	3,689,662
2022	2,206,077	1,428,364	3,634,441
2023-2027	9,743,916	6,029,851	15,773,767
2028-2032	878,200	4,112,343	4,990,543
2033-2037	307,370	4,112,343	4,419,713
Totals	<u>\$ 23,226,092</u>	<u>\$ 21,372,588</u>	<u>\$ 44,598,680</u>

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

Under the agreement covering the car rental agencies, revenues are based on percentages of gross receipts. During 2017, the Authority received \$530,273. In 2017, the Authority had an agreement for management of the parking lot with the with Downtown Toledo Development Corp. that provided for operating expenses with the net revenue remitted to the Authority. The receipts for the parking lot totaled \$691,791 for the year 2017.

**NOTE 9 - CONDUIT DEBT**

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

As of December 31, 2017, there were forty-two series of revenue bonds outstanding issued after July 1, 1995. The original issue amounts for the series was \$277,587,570 of which \$217,719,814 remained outstanding at December 31, 2017. The principal amount for the one remaining series issued prior to July 1, 1995 was \$29,700,000, and the original issue amount was \$29,700,000.

**NOTE 10 – RISK MANAGEMENT**

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

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

The Authority has a self-insured plan for employee health insurance coverage. The Port pays a portion of the employees' costs of medical services. Related expense in 2017 was \$222,726.

**NOTE 11 – CONTINGENCIES**

A. Litigation

In the normal course of operations, the Authority may be subject to litigation, claims, and unasserted possible claims. As of December 31, 2017, the Authority was involved in several such matters. The outcome of such matters cannot presently be determined.

B. Grants

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

Any disallowed claims resulting from such audits would become a liability of the Port Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial positions of the Port Authority at December 31, 2017.

**NOTE 12 - TOLEDO PARKING GARAGE PROJECT**

The Authority acquired the off-street Parking Facilities from the City of Toledo that included Port Lawrence Parking Garage, Superior Street Parking Garage, and the Vistula Street Parking Garage. The Authority also entered into an agreement to acquire the City of Toledo's on-street parking equipment and the on-street parking franchise from the city. The Authority will operate, maintain and improve the on-street parking meters and provide enforcement services within the designated boundaries. To finance the acquisition, the Authority issued \$4,940,000 of taxable revenue bonds within the Northwest Ohio Bond Fund and issued \$9,430,000 of tax exempt bonds within the Ohio Department of Transportation's State Infrastructure Bank. In 2012, a management agreement was implemented that includes sharing the excess revenue generated from the Parking Facilities with the City of Toledo. Maintenance costs are financed from these same revenues.

The operation of the Parking Facilities is performed by the ParkSmart Division of Downtown Toledo Development Corporation ("DTDC"). DTDC is a non-profit organization formed for the purpose of furthering development and commercial activity in downtown Toledo. Management has determined that DTDC is a component unit of the Authority, and included its financial position and results of operations in the Authority's financial statements as a blended component unit.

Effective January 1, 2018, DTDC reorganized and the ParkSmart division was established as a separate legal entity. Management will assess the effect of this reorganization on the Authority's financial statements in 2018.

In 2017, revenues in the amount of \$5,135,104 were generated and \$4,593,080 of operating expenses (including debt service of \$1,217,914) were incurred. The revenue and operational expenses are reported under the Development & Property Division in the Schedule of Revenues, Expenses and Changes in Net Assets Information by Division. The Parking Facility asset and related debt are reported under the same division in the Schedule on Net Assets Information by Division. To obtain Downtown Parking Authority financial information, please send correspondence to 215 North St. Clair St. Toledo, OH 43604.



**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2017**

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**NOTE 13 - SEGMENT INFORMATION**

Significant financial data for the airport division, which meets the requirements for segment reporting under GASB 34, is as follows for the year ended December 31, 2017:

**Statement of Net Position**

Current Assets	\$ (8,339,564)
Capital Assets, net	128,471,521
Other Assets	(4,131,358)
Total Assets	<u>116,000,599</u>
Deferred Outflows of Resources	591,957
Current Liabilities	1,985,476
Noncurrent Liabilities	7,897,276
Total Liabilities	<u>9,882,752</u>
Deferred Inflows of Resources	24,345
Net Investment in	
Capital Assets	121,553,981
Restricted	5,010,834
Unrestricted	(19,879,356)
Total Net Position	<u><u>\$ 106,685,459</u></u>

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

Operating Revenues	\$ 3,267,367
Depreciation	5,732,194
Other Operating Expenses	4,302,074
Operating Loss	<u>(6,766,901)</u>
Nonoperating revenues (expenses):	
Grants	1,163,705
Investment Income	33,763
Interest Expense	(320,376)
Other Nonoperating Revenues	(1,024,221)
Change in Net Position	<u>(6,914,030)</u>
Beginning Net Position	<u>113,599,489</u>
Ending Net Position	<u><u>\$ 106,685,459</u></u>

**Statement of Cash Flows**

Net Cash Provided (Used) by:	
Operating Activities	\$ 3,102,140
Noncapital Finance	37,870
Capital and Related Financing	(2,627,934)
Investing	31,276
Cash at Beginning of Year	<u>4,120,712</u>
Cash at End of Year	<u><u>\$ 4,664,064</u></u>

**Toledo-Lucas County Port Authority**  
**Schedule of Net Position Information by Division**  
**December 31, 2017**

<b>ASSETS AND DEFERRED OUTFLOWS</b>	<b>Administration</b>	<b>Seaport</b>	<b>Airport</b>	<b>Development &amp; Property</b>	<b>Total</b>
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 6,953,077	\$ -	\$ 4,196,507	\$ 3,660,391	\$ 14,809,975
Restricted cash	-	-	467,557	589,305	1,056,862
Investments	5,520,450	2,606,434	-	754,781	8,881,665
Interest receivable	-	2,486	2,486	-	7,459
Accounts receivable	54,275	168,483	1,041,784	773,451	2,037,993
Due from (to) other funds	(1,220,817)	22,186,532	(14,147,212)	(6,818,503)	-
Loans receivable	51,929	-	16,346	160,286	228,561
Lease receivable	-	248,152	82,968	153,814	484,934
Prepaid expenses and other assets	92,262	4,088	-	73,665	170,015
<b>Total Current Assets</b>	<b>11,451,176</b>	<b>25,216,175</b>	<b>(8,339,564)</b>	<b>(650,323)</b>	<b>27,677,464</b>
<b>Noncurrent Assets:</b>					
Nondepreciable capital assets	35,146	13,976,061	40,913,209	26,026,485	80,950,901
Depreciable capital assets, net	136,703	23,898,692	87,558,312	32,611,381	144,205,088
Restricted investments	-	-	952,550	1,053,830	2,006,380
Loans receivable	727,011	-	-	18,949,652	19,676,663
Lease receivable	-	761,361	190,137	4,283,996	5,235,494
Deposits	-	-	84,577	233,736	318,313
Amt due from NW Ohio Bond Fund	-	3,000,000	-	-	3,000,000
Interdivisional receivables (payables)	-	7,106,004	(5,358,622)	(1,747,382)	-
<b>Total Noncurrent Assets</b>	<b>898,860</b>	<b>48,742,118</b>	<b>124,340,163</b>	<b>81,411,698</b>	<b>255,392,839</b>
<b>Total Assets</b>	<b>12,350,036</b>	<b>73,958,293</b>	<b>116,000,599</b>	<b>80,761,375</b>	<b>283,070,303</b>
<b>Deferred Outflows of Resources:</b>					
Deferred outflows-pension	699,999	78,249	591,957	296,695	1,666,900
<b>Total Deferred Outflows of Resources</b>	<b>699,999</b>	<b>78,249</b>	<b>591,957</b>	<b>296,695</b>	<b>1,666,900</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>13,050,035</b>	<b>74,036,542</b>	<b>116,592,556</b>	<b>81,058,070</b>	<b>284,737,203</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>					
<b>Current Liabilities:</b>					
Accounts payable and other	132,924	117,646	852,900	1,132,343	2,235,813
Accrued payroll	160,557	15,299	218,629	198,265	592,750
Deposits	-	9,200	44,670	1,013,382	1,067,252
Accrued interest	-	-	38,333	152,692	191,025
Revenue bonds payable - current	-	-	435,000	875,000	1,310,000
Note payable - current	-	-	78,155	652,696	730,851
Ohio SIB bond - current	-	-	-	425,000	425,000
Advances	-	27,292	317,789	1,088,151	1,433,232
<b>Total Current Liabilities</b>	<b>293,481</b>	<b>169,437</b>	<b>1,985,476</b>	<b>5,537,529</b>	<b>7,985,923</b>
<b>Noncurrent Liabilities:</b>					
Revenue bonds payable	-	-	5,330,000	16,805,000	22,135,000
Notes payable	-	-	1,074,385	28,307,447	29,381,832
Ohio SIB bond	-	-	-	7,020,000	7,020,000
Net pension liability	1,766,237	197,650	1,492,891	748,548	4,205,326
<b>Total Noncurrent Liabilities</b>	<b>1,766,237</b>	<b>197,650</b>	<b>7,897,276</b>	<b>52,880,995</b>	<b>62,742,158</b>
<b>Total Liabilities</b>	<b>2,059,718</b>	<b>367,087</b>	<b>9,882,752</b>	<b>58,418,524</b>	<b>70,728,081</b>
<b>Deferred Inflows of Resources:</b>					
Deferred inflows-pension	28,802	3,223	24,345	12,207	68,577
<b>Total Deferred Inflows of Resources</b>	<b>28,802</b>	<b>3,223</b>	<b>24,345</b>	<b>12,207</b>	<b>68,577</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>2,088,520</b>	<b>370,310</b>	<b>9,907,097</b>	<b>58,430,731</b>	<b>70,796,658</b>
<b>Net Position:</b>					
Net investment in capital assets	171,849	37,874,753	121,553,981	4,552,723	164,153,306
Restricted	-	-	5,010,834	3,030,446	8,041,280
Unrestricted	10,789,666	35,791,479	(19,879,356)	15,044,170	41,745,959
<b>Total Net Position</b>	<b>\$ 10,961,515</b>	<b>\$ 73,666,232</b>	<b>\$ 106,685,459</b>	<b>\$ 22,627,339</b>	<b>\$ 213,940,545</b>

**Toledo-Lucas County Port Authority**  
**Schedule of Revenues, Expenses and Changes in Net Position Information by Division**  
**For the Year Ended December 31, 2017**

	Administration	Seaport	Airport	Development & Property	Total
<b>Operating Revenues</b>					
Rental under property leases	\$ -	\$ 1,634,466	\$ -	\$ 3,247,677	\$ 4,882,143
Airport landing area	-	-	355,074	-	355,074
Airport terminal area	-	-	1,298,609	-	1,298,609
Other rental and fee income	-	-	1,315,754	6,410,787	7,726,541
Other income	-	477,916	297,930	11,964	787,810
<b>Total Operating Revenues</b>	<b>-</b>	<b>2,112,382</b>	<b>3,267,367</b>	<b>9,670,428</b>	<b>15,050,177</b>
<b>Operating Expenses</b>					
Personnel	1,777,326	185,444	1,600,173	659,265	4,222,208
Marketing	116,508	26,004	178,166	8,882	329,560
Contractual services	(307,241)	321,931	770,098	3,739,595	4,524,383
Utilities	13,266	3,285	609,382	272,835	898,768
Repairs and maintenance	-	64,042	1,074,494	349,948	1,488,484
Depreciation	38,712	1,189,157	5,732,194	1,788,723	8,748,786
Other operating expenses	54,353	-	69,761	772	124,886
<b>Total Operating Expenses</b>	<b>1,692,924</b>	<b>1,789,863</b>	<b>10,034,268</b>	<b>6,820,020</b>	<b>20,337,075</b>
<b>Operating Income (Loss)</b>	<b>(1,692,924)</b>	<b>322,519</b>	<b>(6,766,901)</b>	<b>2,850,408</b>	<b>(5,286,898)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Proceeds of property tax levy	2,310,000	-	-	-	2,310,000
Interest income from investments	-	101,899	33,763	632,090	767,752
Passenger facility charges	-	-	635,795	-	635,795
Grants	-	84,301	1,163,705	1,662,812	2,910,818
Non-operating revenue	-	-	869,159	1,776,767	2,645,926
Interest expense	-	-	(320,376)	(1,690,873)	(2,011,249)
Other nonoperating expenses	-	(84,301)	(831,288)	(745,406)	(1,660,995)
Gain (Loss) on investments	-	(5,327)	(300)	2,411	(3,216)
Gain (Loss) on disposal of assets	-	-	(1,697,587)	-	(1,697,587)
Grant pass through	-	-	-	(545,481)	(545,481)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,310,000</b>	<b>96,572</b>	<b>(147,129)</b>	<b>1,092,320</b>	<b>3,351,763</b>
<b>Total Change in Net Position</b>	<b>617,076</b>	<b>419,091</b>	<b>(6,914,030)</b>	<b>3,942,728</b>	<b>(1,935,135)</b>
Net Position beginning of year	10,344,439	73,247,141	113,599,489	18,684,611	215,875,680
<b>Net Position at End of Year</b>	<b>\$ 10,961,515</b>	<b>\$ 73,666,232</b>	<b>\$ 106,685,459</b>	<b>\$ 22,627,339</b>	<b>\$ 213,940,545</b>

**Toledo-Lucas County Port Authority**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Authority's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System - Traditional Pension Plan*  
*Last Four Years (1) (2)*

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Authority's Proportion of the Net Pension Liability	0.0185189%	0.0190208%	0.0181390%	0.0181390%
Authority's Proportionate Share of the Net Pension Liability	\$ 4,205,326	\$ 3,294,638	\$ 2,187,761	\$ 2,138,347
Authority's Covered Payroll	\$ 2,405,350	\$ 2,488,629	\$ 2,213,343	\$ 2,541,450
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	174.83%	132.39%	98.84%	84.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2013 was not available. The Authority will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the Authority's measurement date, which is the prior year-end.

**Notes to the Schedule:**

Changes in Assumptions: In 2017, changes in assumptions were made based on upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

**Toledo-Lucas County Port Authority**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of Authority Contributions*  
*Ohio Public Employees Retirement System - Traditional Pension Plan*  
*Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 328,717	\$ 288,642	\$ 298,635	\$ 265,601	\$ 330,389
Contributions in Relation to the Contractually Contractually Required Contributions	<u>\$ (328,717)</u>	<u>\$ (288,642)</u>	<u>\$ (298,635)</u>	<u>\$ (265,601)</u>	<u>\$ (330,389)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority Covered Payroll	\$ 2,528,592	\$ 2,405,350	\$ 2,488,629	\$ 2,213,343	\$ 2,541,450
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contributions	\$ 293,770	\$ 305,003	\$ 289,698	\$ 278,043	\$ 258,818
Contributions in Relation to the Contractually Contractually Required Contributions	<u>\$ (293,770)</u>	<u>\$ (305,003)</u>	<u>\$ (289,698)</u>	<u>\$ (278,043)</u>	<u>\$ (258,818)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority Covered Payroll	\$ 2,937,700	\$ 3,050,029	\$ 3,247,736	\$ 3,370,214	\$ 3,697,393
Contributions as a Percentage of Covered Payroll	10.00%	10.00%	8.92%	8.25%	7.00%

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**TOLEDO LUCAS COUNTY PORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2017**

<u>Federal Grantor/Pass - Through Grantor Program Titles</u>	<u>CFDA Number</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Transportation</u> Airport Improvement Program	20.106	\$ 1,001,152
<u>U.S. Department of Transportation</u> Small Community Air Service Development Program	20.930	\$ 153,376
<u>U.S. Department of Transportation</u> Federal Highway Funds	20.205	29,790
<u>U.S Department of Energy</u> DOE Environmental Mgmt.-EECBG	81.128	168,110
		<u>\$ 1,352,428</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2017**

**Note 1–Basis of presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes all federal grant activity of the Authority, and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**Note 2–Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected not to use the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**TOLEDO-LUCAS COUNTY PORT AUTHORITY  
SCHEDULE OF PASSENGER FACILITY CHARGES  
COLLECTED AND EXPENDED - CASH BASIS  
FOR EACH QUARTER DURING THE YEAR ENDED DECEMBER 31, 2017**

	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>	<b>Totals</b>
PFC Fees Collected	\$ 98,178	\$ 111,939	\$ 77,468	\$ 141,064	\$ 428,649
Interest Income	1,323	1,373	2,217	3,844	8,758
PFC Fees Expended				(336,522)	(336,522)
Net Increase (Decrease) in Cash	99,501	113,312	79,685	(191,613)	100,885
Cash at Beginning of Period	3,536,377	3,635,878	3,749,190	3,828,875	3,536,377
Cash at End of Period	<u>\$ 3,635,878</u>	<u>\$ 3,749,190</u>	<u>\$ 3,828,875</u>	<u>\$ 3,637,262</u>	<u>\$ 3,637,262</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY  
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES  
COLLECTED AND EXPENDED - CASH BASIS  
YEAR ENDED DECEMBER 31, 2017**

*General*

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

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

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

The Toledo-Lucas County Port Authority (“the Authority”), for its operation at Toledo Express Airport, had been granted FAA approval to collect PFC fees for application #5 in December 2007 through December 31, 2011, at the rates of \$4.50 for each enplaned passenger. Starting in December 2011, the Airport began to collect PFC fees for application #6, at the same rates, which will continue through December 1, 2018. The FAA has approved application #7 in December 2017, at the same rates, which will continue through December 1, 2023. The Airport will begin to collect PFC fees for application #7 in 2018. The PFC amounts collected are maintained in a separate Authority bank account.

*Basis of Accounting*

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

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE**

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

**Report on Compliance for Passenger Facility Charge Program**

We have audited the compliance of Toledo-Lucas County Port Authority (“the Authority”) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2017.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Passenger Facility Charge program.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the Authority’s compliance for the Passenger Facility Charge program based on our audit of the types of compliance requirements specified in the Guide. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Passenger Facility Charge program. However, our audit does not provide a legal determination of the Authority’s compliance.

**Opinion on Compliance for Passenger Facility Charge Program**

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program for the year ended December 31, 2017.

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### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the Passenger Facility Charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Passenger Facility Charge program, and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Passenger Facility Charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Passenger Facility Charge program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

*Gilmore Jasion Mahler, LTD*

Maumee, Ohio  
June 29, 2018

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Toledo-Lucas County Port Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Toledo-Lucas County Port Authority's basic financial statements, and have issued our report thereon dated June 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Toledo-Lucas County Port Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Toledo-Lucas County Port Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Toledo-Lucas County Port Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Toledo-Lucas County Port Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gilmore Jasion Mahler, LTD*

Maumee, Ohio  
June 29, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE (INCLUDES REPORTING ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS)**

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

**Report on Compliance for Each Major Federal Program**

We have audited Toledo-Lucas County Port Authority's compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the Toledo-Lucas County Port Authority's major federal programs for the year ended December 31, 2017. The Toledo-Lucas County Port Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Toledo-Lucas County Port Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Toledo-Lucas County Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Toledo-Lucas County Port Authority's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Toledo-Lucas County Port Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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### **Report on Internal Control Over Compliance**

Management of the Toledo-Lucas County Port Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Toledo-Lucas County Port Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Toledo-Lucas County Port Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Gilmore Jasion Mahler, LTD*

Maumee, Ohio  
June 29, 2018



**TOLEDO-LUCAS COUNTY PORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance?	No

**Identification of major programs**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**SCHEDULE OF STATUS OF PRIOR YEAR (2016) AUDIT FINDINGS**  
**For the Year Ended December 31, 2017**

None.



# Dave Yost • Auditor of State

TOLEDO LUCAS COUNTY PORT AUTHORITY

LUCAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 15, 2018