



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DAYTON/MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Dayton/Montgomery County Port Authority
Montgomery County
900 Kettering Tower
Dayton, Ohio 45423

To the Board of Directors:

We have audited the accompanying financial statements of Dayton/Montgomery County Port Authority, Montgomery County, (the Port Authority) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described Note 1, the Port Authority prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Dayton/Montgomery County Port Authority, as of December 31, 2001 and 2000, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2002 on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Directors and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

August 13, 2002

**DAYTON/MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE
IN CASH BALANCE FOR THE YEAR ENDED DECEMBER 31, 2001**

Operating Cash Receipts:	
Port Fees	\$ 260,000
Other	161,093
	<hr/>
Total Operating Cash Receipts	421,093
Operating Cash Disbursements:	
Professional Fees	1,636,468
Legal Service Fees	573,014
Insurance	39,723
Travel	7,285
Miscellaneous	35,579
Capital Outlay	17,289,927
	<hr/>
Total Operating Cash Disbursements	19,581,996
Operating Loss	(19,160,903)
Non-Operating Cash Receipts:	
Proceeds from Sale of Public Debt:	
Sale of Bonds	19,760,000
Sale of Notes	8,540,000
Grants	4,425,000
Interest Income	362,236
	<hr/>
Total Non-Operating Cash Receipts	33,087,236
Non-Operating Cash Disbursements:	
Interest Expense	320,187
	<hr/>
Total Non-Operating Cash Disbursements	320,187
Net Receipts Over Disbursements	13,606,146
Cash Balance, January 1	5,730,875
	<hr/>
Cash Balance, December 31	<u><u>\$ 19,337,021</u></u>

The notes to the financial statements are an integral part of this statement.

**DAYTON/MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE
IN CASH BALANCE FOR THE YEAR ENDED DECEMBER 31, 2000**

Operating Cash Receipts:	
Port Fees	\$ 35,000
	<hr/>
Total Operating Cash Receipts	35,000
Operating Cash Disbursements:	
Professional Fees	127,874
Legal Service Fees	1,469
Travel	709
Miscellaneous	282
	<hr/>
Total Operating Cash Disbursements	130,334
Operating Loss	(95,334)
Non-Operating Cash Receipts:	
Grants	5,850,000
Interest Income	53,109
	<hr/>
Total Non-Operating Cash Receipts	5,903,109
Non-Operating Cash Disbursements:	
Loan Application Fees	76,900
	<hr/>
Total Non-Operating Cash Disbursements	76,900
Net Receipts Over Disbursements	5,730,875
Cash Balance, January 1	<hr/> 0
Cash Balance, December 31	<hr/> <hr/> \$ 5,730,875

The notes to the financial statements are an integral part of this statement.

**DAYTON/ MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. DESCRIPTION OF THE REPORTING ENTITY

A. Description of the Entity

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

The Port Authority provides services which are enumerated in sections 4582.21 to 4582.59 of the Ohio Rev. Code. These services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Port Authority facilities.

The Port Authority employs a consultant, the Executive Director of the Cleveland Ohio Port Authority. The Port Authority has engaged an accountant and a bond fund advisor. The Port Authority contracts for services, office space and support from the Miami Valley Economic Development Coalition, a private local entity.

The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority is not financially accountable for any other organization, nor is any other organization accountable for the Port Authority.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values reported by the mutual fund.

**DAYTON/ MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

D. Basis of Presentation

The Port Authority's activities are financed and operated as an Enterprise Fund such that the costs and expenses of providing the services are similar to private business enterprises where management intends that the significant cost of providing certain goods or services will be recovered through user charges.

E. Budgetary Process

Ohio Rev. Code Section 4582.39 requires the Port Authority to annually prepare an operating budget. For the years ended December 31, 2001 and 2000, the Port Authority did not adopt an operating budget, however this process was implemented for fiscal year 2002.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. DEPOSITS AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2001	2000
Demand deposits	\$3,055,191	\$4,956,275
Total deposits	3,055,191	4,956,275
Money Market Mutual Funds	16,281,830	774,600
Total investments	16,281,830	774,600
Total deposits and investments	\$19,337,021	\$5,730,875

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

**DAYTON/ MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. PROJECTS

A. Relizon Company Headquarters Project

The Port Authority agreed to finance and contract for the acquisition, construction, equipping and improvement of a class A commercial office building on the Relizon Company Headquarters Project and related improvements of the adjacent parking facility, as discussed in Note 3B.

The Port Authority (the Lessor) entered into a lease agreement, dated May 1, 2001, with the Relizon Company (the Lessee) for use of the office building facility. The term of the lease commences on May 1, 2001 and expires, unless sooner terminated in accordance with the terms of the lease, on February 28, 2017. The lease may be extended for two, five year periods at the option of the Lessee, upon the terms and conditions set forth in the lease agreement. The Lessor granted to the Lessee the option to purchase all interests of the Lessor in the project upon termination of the lease in accordance with the terms of the lease agreement.

As of May 1, 2001, and with the consent of the Relizon Company, the Port Authority assigned the lease to Firststar Bank, National Association, as trustee and the Director of Development of the State of Ohio.

As discussed in Note 6, the Port Authority received grant funding for this project. Also, the Port Authority issued debt related to the purposes of the project. These issues are detailed in Note 4.

B. Patterson Boulevard Parking Garage Facility Project

The Port Authority agreed to finance and contract for the acquisition, construction, and equipping of a parking facility located adjacent to the Relizon Company Headquarters Project.

As discussed in Note 6, the Port Authority received grant funding for this project. Also, the Port Authority issued debt related to the purposes of the project. These issues are detailed in Note 4.

C. Miami Computer Supply Corporation, (MCSi, Inc.) Project

The Port Authority agreed to finance and facilitate the acquisition of land, and construction of a corporate headquarters facility for MCSi.

The Port Authority (the Lessor) entered into a lease agreement, dated December 1, 2001, with MCSi (the Lessee) for use of the project facility. The term of the lease commences on December 1, 2001 and expires, unless sooner terminated in accordance with the terms of the lease, on November 30, 2012. The lease may be extended for five, one year periods at the option of the Lessee, upon the terms and conditions set forth in the lease agreement. The Lessor granted to the Lessee the option to purchase all interests of the Lessor in the project upon termination of the lease in accordance with the terms of the lease agreement.

As of December 1, 2001, and with the consent of MSCi, the Port Authority assigned the lease to Bank One Trust Company, National Association, as trustee.

As discussed in Note 6, the Port Authority received grant funding for this project. Also, the Port Authority issued debt related to the purposes of the project. These issues are detailed in Note 4.

**DAYTON/ MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. DEBT OBLIGATIONS

The Port Authority issued debt and entered into a loan program with the State of Ohio to finance the development of the Relizon Company Project (R), Patterson Boulevard Parking Garage Facility (P), and the MCSi Project (M).

		<u>Principal</u>	<u>Interest Rate</u>
Project Development Revenue Bond Anticipation Notes, Series 2001 Non-Tax Revenues (BAN)	(P)	\$2,000,000	4.00%
Taxable State Loan Revenue Note (Chapter 166, ORC)	(R)	\$6,540,000	0% through 3/2007, then 2.5%
Taxable Project Development Revenue Bonds, Series 2001	(R)	7,250,000	8.75%
Taxable Project Development Mortgage Revenue Bonds, Series 2001 (MRB)	(P)	3,225,000	Initially 5.81%, then variable
Taxable Project Development Revenue Bonds, Series 2001A	(M)	5,285,000	variable
Taxable Project Development Revenue Bonds, Series 2001B	(M)	<u>4,000,000</u>	variable
Total Debt:		<u><u>\$28,300,000</u></u>	

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

	BAN	Taxable State Loan Revenue Note	2001 Series Revenue Bonds	2001 Series MRB	2001A Series Bonds	2001B Series Bonds
Year ending December 31:						
2002	\$2,080,000	\$227,000	\$563,156	\$187,373	\$206,909	\$156,361
2003		302,667	785,375	287,373	401,266	4,097,475
2004		302,667	784,844	286,563	486,503	
2005		302,667	769,094	285,462	484,727	
2006		302,667	753,344	284,071	487,219	
2007 - 2011		1,939,511	3,880,542	1,422,289	2,499,489	
2012 - 2016		1,961,941	3,863,839	1,419,185	2,937,847	
2017 - 2021		2,098,097	3,187,375	1,423,166		
Total	<u>\$2,080,000</u>	<u>\$7,437,217</u>	<u>\$14,587,569</u>	<u>\$5,595,482</u>	<u>\$7,503,960</u>	<u>\$4,253,836</u>

5. LAND GRANT

The City of Dayton granted land to the Port Authority. This land was valued at \$3,558,000. This land was granted for use in completion of the Relizon Company Project.

**DAYTON/ MONTGOMERY COUNTY PORT AUTHORITY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. GOVERNMENTAL GRANTS-IN-AID

A. General

During 2001, the Port Authority received a grant through the Ohio Department of Development for the purpose of creating a bond reserve to increase the debt capacity of the Port Authority. The Port Authority also received grant funding awarded to the City of Kettering through the Montgomery County Economic Development Government Equity (ED/GE) Cooperative program. These funds were granted to the Port Authority for the purposes of general administration.

B. Relizon Company and Patterson Boulevard Parking Garage Facility Projects

During 2000, the Port Authority received grant funding from the City of Dayton for the purposes of demolition and clearance of the project sites, and for paying a portion of the costs of the acquisition, construction, equipping and improvement of the project site.

During 2001, the Port Authority received grant funding from the City of Dayton for the purposes of paying a portion of the acquisition, construction, equipping and improvement of the projects. The Port Authority received a Business Development (412) Grant from the State of Ohio for use to defray the costs associated with the acquisition of approximately 3.0 acres of land for use in the projects.

C. Miami Computer Supply Corporation, (MCSi, Inc.) Project

During 2001, the Port Authority received grant funding awarded to the City of Kettering through the ED/GE Cooperative program. These funds were granted to the Port Authority for the purposes of constructing a corporate headquarters facility for MCSi.

7. RELATED PARTY TRANSACTIONS

The Port Authority has employed NatCity Investments, Inc. as a financial advisor on both the Relizon and MCSi Projects and for advice on numerous additional matters. NatCity Investments, Inc. is a related entity to National City Bank. One member of the board of directors of the Port Authority is the President of National City - Dayton. This member abstains from voting on any resolutions of the Board addressing any project in which NatCity Investments is involved.

8. RISK MANAGEMENT

The Port Authority has obtained commercial insurance for general and professional liability.

9. SUBSEQUENT EVENTS

The Port Authority authorized the issuance of Project Development Revenue Bond Anticipation Notes, series 2002, non-tax revenues in the maximum aggregate principal amount of \$2,500,000 for the purpose of retiring the Port Authority's Revenue Bond Anticipation Notes, Series 2001.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Dayton/Montgomery County Port Authority
Montgomery County
900 Kettering Tower
Dayton, Ohio 45423

To the Board of Directors:

We have audited the financial statements of the Dayton/Montgomery County Port Authority, Montgomery County, (the Port Authority) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 13, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the Port Authority in a separate letter dated August 13, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Port Authority in a separate letter dated August 13, 2002.

Dayton/ Montgomery County Port Authority
Montgomery County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim PETRO
Auditor of State

August 13, 2002



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DAYTON/MONTGOMERY COUNTY PORT AUTHORITY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 5, 2002**