TOLEDO-LUCAS COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Toledo-Lucas County Port Authority, Lucas County, prepared by Gilmore Jasion & Mahler, LTD, for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

July 12, 2011

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GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of the Toledo-Lucas County Port Authority (the "Port Authority") as of December 31, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 29, 2011 on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 - 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Port Authority taken as a whole. The accompanying schedule of expenditures of federal awards on page 35 is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* the accompanying schedule of passenger facility charges collected and expended – cash basis on page 38 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 supplemental information on pages 34 - 35, which is presented for purposes of additional analysis, are not required parts of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Gilmore, Jasion & Mahler, LTD

June 29, 2011

The discussion and analysis of the Toledo-Lucas County Port Authority's (the Authority's) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2010. This information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

The following financial highlights for 2010 are as follows:

- Total Net Assets increased $19,212,482 to $186,563,636 from the year ended December 31, 2009.
- Operating Revenue increased approximately $120 thousand from 2009. Operating Expenses increased approximately $31 thousand, therefore, having a minimum effect on net assets.
- An operating loss of $4.4 million was reported, however this included about $7.7 million of depreciation and amortization expense. These amounts were comparable to the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

The following tables provide a summary of the Authority's financial position and operations for 2010 and 2009, respectively.

Condensed Statements of Net Assets

	December 31, 2010	December 31, 2009	Change Amount	%
Assets:				
Current assets	23,927,995	15,586,805	8,341,190	53.5%
Capital Assets, Net	186,971,169	175,618,460	11,352,709	6.5%
Other Noncurrent Assets	19,213,625	20,083,722	(870,097)	-4.3%
Total assets	230,112,789	211,288,987	18,823,802	8.9%
Liabilities and Net Assets:				
Liabilities:				
Current liabilities	8,124,749	5,406,288	2,718,461	50.3%
Long-term debt outstanding	35,424,404	38,531,545	(3,107,141)	-8.1%
Total liabilities	43,549,153	43,937,833	(388,680)	-0.9%
Net Assets:				
Invested in capital assets-net of related debt	148,189,695	135,282,891	12,906,804	9.5%
Restricted	21,386,144	15,905,416	5,480,728	34.5%
Unrestricted	16,987,797	16,162,847	824,950	5.1%
Total net assets	186,563,636	167,351,154	19,212,482	11.5%
Total Liabilities and Net Assets	230,112,789	211,288,987	18,823,802	8.9%

- Current assets increased over 53% or $8.3 million due to increases in cash and investments. The Authority had $5.3 million in unexpended grant receipts at the end of the year.
- Capital assets increased approximately $11.4 million due mainly to capital investments financed with grants received in 2010.
- A grant was received at the end of the year for $2.2 million that had not been expended creating a short term liability for the same amount. Due to the payment of long term debt, there was a net decrease in total liabilities of $388,680.

The Port's assets exceeded liabilities by approximately $186.6 million at December 31, 2010, a significant increase of about $19.2 million from the net assets as of December 31, 2009. This was due to the receipt of approximately $28.8 million in grants compared to $3.2 million in 2009. The largest portion of the Authority's net assets represents its investment in capital assets, less related debt outstanding used to acquire those assets. The Authority uses these capital assets to provide services to its tenants, passengers and customers of the Airport and Seaport. Therefore these assets are not available for future spending. The Authority uses operating and nonoperating revenue to repay the debt associated with these capital assets.

Changes in Net Assets - The following table shows the changes in revenues and expenses for the Authority between 2010 and 2009:

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	December 31, 2010	December 31, 2009	Change Amount	%
Operating revenues				
Airport related	$ 8,084,400	$ 7,996,990	$ 87,410	1.1%
Seaport, Financing, Admin and other	3,996,419	3,963,811	32,608	0.8%
Total operating revenues	12,080,819	11,960,801	120,018	1.0%
Operating expenses				
Airport related	10,971,220	10,767,503	203,717	1.9%
Seaport, Financing, Admin and other	5,509,770	5,681,917	(172,147)	-3.0%
Total operating expenses	16,480,990	16,449,420	31,570	0.2%
Operating loss	(4,400,171)	(4,488,619)	88,448	-2.0%
Nonoperating revenues (expenses)				
Proceeds of property tax levy	2,497,583	2,468,595	28,988	1.2%
Intergovernmental Grants	28,849,364	3,211,898	25,637,466	798.2%
Interest income from investments	949,167	917,492	31,675	3.5%
Passenger facility charges	782,543	748,667	33,876	4.5%
Other income (expense)	563,867	(229,537)	793,404	-345.7%
Interest expense	(2,529,871)	(2,681,847)	151,976	-5.7%
Grant pass through	(7,500,000)	-	(7,500,000)	
Total nonoperating revenues (expenses)	23,612,653	4,435,268	19,177,385	432.4%
Income (loss) before contributions	19,212,482	(53,351)	19,265,833	-36111.5%
Changes in Net Assets	19,212,482	(53,351)	19,265,833	-36111.5%
Total net assets-beginning of year	167,351,154	167,404,505	(53,351)	0.0%
Total net assets-end of year	$ 186,563,636	$ 167,351,154	$ 19,212,482	11.5%

- Although 2010 reported a net operating loss of approximately $4.4 million including $7.7 million of depreciation and amortization expense, non-operating revenues exceeded non-operating expenses by over $23.6 million. Grants received in 2010 accounted for $28.8 million of this amount.

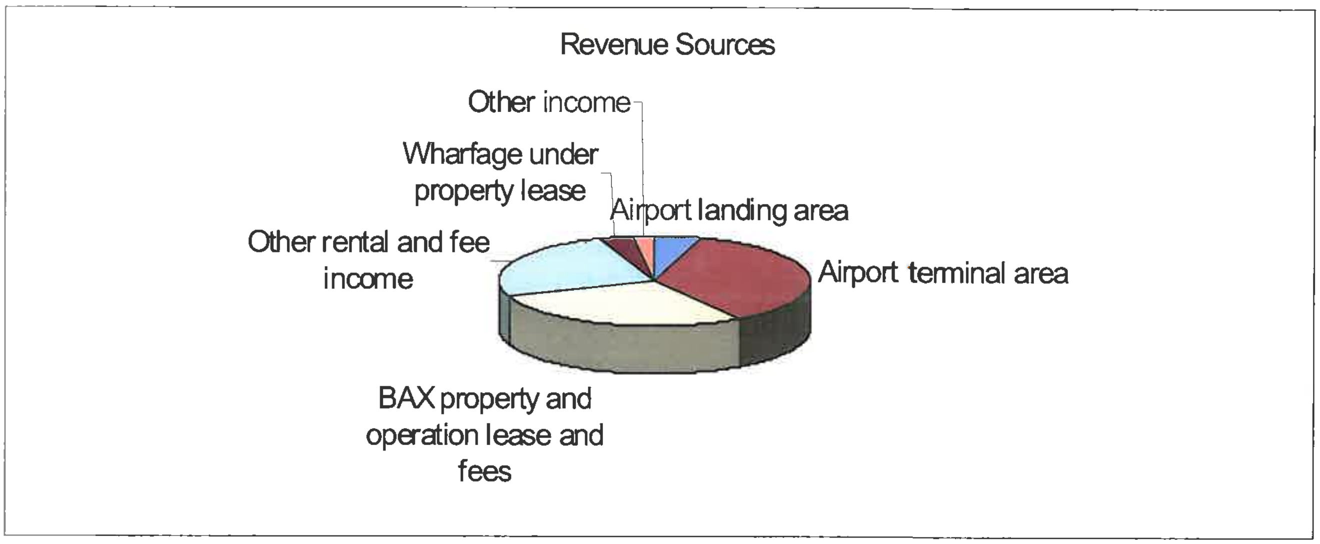
  Other nonoperating revenues included tax levy proceeds, interest earned, airport passenger facility charges and a capital contribution from BAX.

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

- Operating revenues for 2010 increased approximately $120 thousand.

- Interest expense accounted for the majority of nonoperating expenses for 2010 and decreased approximately 6% from 2009 due to the pay down of the Authority's principal.

Revenue Sources	2010	Percent of Total
Rental under property lease	5,559,998	46.02%
Airport landing area	312,038	2.58%
Airport terminal area	2,357,729	19.52%
BAX property and operation lease and fees	1,837,247	15.21%
Other rental and fee income	1,633,245	13.52%
Wharfage under property lease	236,897	1.96%
Other income	143,665	1.19%
Total Revenue	$12,080,819	100.00%



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010 the Authority had $186,971,169 net of accumulated depreciation invested in land, buildings, equipment and vehicles. This amount represents a net increase, after $7.5 million depreciation expense, of approximately $11.4 million, as compared to 2009 due mainly to the receipt of grants utilized for capital assets. U.S. Department of Transportation Grants were used to purchase cranes and a material handler system at the seaport totaling $7.2 million. The F.A.A. provided $4.5 million that was used for Airport runway improvements. O.D.O.T. grants totaling approximately $3.8 million were used for land improvements at the seaport for a shipyard rail and road construction. The Department of Energy provided over $3 million for a revolving loan fund for energy efficient projects including a solar panel project. The remaining $2.5 million in grant receipts were used for various capital improvements on Port Authority owned property.

The following table shows fiscal year 2010 and 2009 balances:

Capital Assets at December 31,

	2010	2009	Change
Land	$ 63,432,052	$ 62,603,769	$ 828,283
Construction in progress	10,195,362	8,556,194	1,639,168
Improvements	142,431,955	136,483,377	5,948,578
Property and equipment	49,733,501	42,302,649	7,430,852
Buildings & leasehold improvements	85,759,182	83,252,466	2,506,716
Furniture and fixtures	484,118	465,098	19,020
Total Cost	$ 352,036,170	$ 333,663,553	$ 18,372,617
Accumulated Depreciation	(165,065,001)	(158,045,093)	(7,019,908)
Net Value	$ 186,971,169	$ 175,618,460	$ 11,352,709

Debt

At December 31, 2010 the Authority had $38,781,475 in debt outstanding, $3,357,071 of whichis due within one year. Outstanding debt in the amount of $ 34,056,475 pertains to Airport improvements and $4,725,000 is for the Chevron property purchase utilized by Midwest Terminals of Toledo.

The following table summarizes the Authority's debt outstanding as of December 31, 2010 and 2009 and should be read in conjunction with Note 4 to the audited financial statements for more detailed information on debt.

Outstanding Debt at December 31,

	2010	2009
Revenue bonds payable	36,880,000	39,565,000
Long-term notes payable	1,741,981	1,681,075
Ohio Water Development Authority loan payable	159,494	307,865
	38,781,475	41,553,940

ECONOMIC FACTORS

The following statistics played a key role in the Authority's financial picture in 2010 compared to 2009:

- Cargo moving through the Port of Toledo was up over 8 % due to increases in coal and iron ore.
- Passengers using Toledo Express were down 5.3% while air cargo was up 5.5%.
- There was 19% increase in the amount of Passengers using the AMTRAK station in Toledo, at Dr. Martin Luther King, Jr., Plaza owned by the Port Authority.
- One bond issue in the amount $2 million was issued in 2010. Seven conduit SBA 504 loans were closed totaling $4.26 million and one 166 loan for $350,000 was closed.

REQUESTS FOR INFORMATION

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

Toledo-Lucas County Port Authority
Statement of Net Assets
December 31, 2010

ASSETS

Current Assets:		
Cash and cash equivalents	$	10,895,006
Investments		9,997,478
Interest receivable		49,812
Accounts receivable		2,637,763
Prepaid expenses and other assets		347,936
Total Current Assets		**23,927,995**
Noncurrent Assets:		
Nondepreciable capital assets		73,627,414
Depreciable capital assets, net of accumulated depreciation		113,343,755
Restricted:		
Investments		13,918,691
Amount due from lessee		577,555
Deferred bond issue costs		1,548,512
Loan Receivable		168,867
Amount due from Northwest Bond Fund		3,000,000
Total Noncurrent Assets		**206,184,794**
Total Assets		**230,112,789**

(Continued)

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Net Assets, Continued
December 31, 2010

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$	1,945,949
Accrued payroll		267,106
Deferred income		2,214,548
Accrued interest payable		330,685
Deposits		9,390
Notes payable-current		287,577
Revenue bonds payable-current		2,910,000
Ohio Water Development Authority loan payable-current		159,494
Total Current Liabilities		**8,124,749**
Noncurrent Liabilities:		
Long-term notes payable		1,454,404
Revenue bonds payable		33,970,000
Total Noncurrent Liabilities		**35,424,404**
Total Liabilities		**43,549,153**
Net Assets:		
Invested in capital assets, net of related debt		148,189,695
Restricted		21,386,144
Unrestricted		16,987,797
Total Net Assets	**$**	**186,563,636**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2010

Operating Revenues	
Rental under property lease	$ 5,559,998
Airport landing area	312,038
Airport terminal area	2,357,729
BAX operation lease and fees	1,837,247
Other rental and fee income	1,633,245
Wharfage under property lease	236,897
Other income	143,665
Total Operating Revenues	**12,080,819**
Operating Expenses	
Personnel services	4,635,904
Marketing	259,078
Contractual services	2,296,686
Utilities	762,519
Repairs and maintenance	668,631
Depreciation	7,499,682
Amortization	178,927
Rental	137,539
Recovery of amounts previously written off	(200,000)
Other	242,024
Total Operating Expenses	**16,480,990**
Operating Loss	**(4,400,171)**
Nonoperating Revenues (Expenses)	
Proceeds of property tax levy	2,497,583
Intergovernmental grants	363,286
Grants	28,486,078
Interest income from investments	949,167
Passenger facility charges	782,543
BAX revenue	972,170
Other nonoperating expenses	(408,303)
Interest expense	(2,529,871)
Grant pass through	(7,500,000)
Total Nonoperating Revenues (Expenses)	**23,612,653**
Income Before Contributions	**19,212,482**
Changes in Net Assets	**19,212,482**
Net assets at beginning of year	167,351,154
Net Assets at End of Year	**$ 186,563,636**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Cash Flows
For the Year Ended December 31, 2010

Cash flows from operating activities:	
Cash received from customers	12,203,572
Cash payments for goods and services	(3,856,959)
Cash payments to and on behalf of employees	(4,783,365)
Net cash provided by operating activities	**3,563,248**
Cash flows from noncapital financing activities:	
Intergovernmental grants	363,286
Proceeds of property tax levy	2,497,583
Net cash provided by noncapital financing activities	**2,860,869**
Cash flows from capital and related financing activities:	
Capital grants received	27,179,357
Passenger facility charges received	760,899
Acquisition and construction of capital assets	(15,168,369)
Interest paid on capital asset debt	(2,529,871)
Bax expansion	972,170
Principal payments on long-term debt	(3,039,397)
Issuance of debt	266,932
Grant pass through	(7,500,000)
Net cash used by capital and related financing activities	**941,721**
Cash flows from investing activities:	
Interest on investments	916,962
Borrower disbursements	(228,780)
Purchase of securities	(10,216,000)
Proceeds on securities	7,588,310
Net cash provided by investing activities	**(1,939,508)**
Net (decrease) in cash and cash equivalents	**5,426,330**
Cash and cash equivalents at beginning of year	5,468,676
Cash and cash equivalents at end of year	**$10,895,006**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Cash Flows, Continued
For the Year Ended December 31, 2010

Reconciliation of operating loss to net cash	
Provided by operating activities:	
Operating loss	(4,400,171)
Adjustments to reconcile operating income to	
cash provided by operating activities:	
Depreciation and amortization expense	7,691,579
Changes in assets and liabilities:	
Accounts receivable	117,390
Prepaid expenses and other assets	5,367
Bad debt	(200,000)
Accounts payable	496,544
Accrued payroll	(147,461)
Total adjustments	**7,963,419**
Net cash provided by operating activities	**3,563,248**

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

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

Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Use of Estimates

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

Cash and Investments

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

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Deferred Bond Issue Costs and Bond Discount

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

Deferred Loss on Bond Refunding

The difference between the reacquisition price of the new debt and the carrying amount of the old debt is deferred and amortized over ten years.

Compensated Absences

Employees of the Authority are entitled to paid vacation days depending on job classification, length of service, and other factors. Accrued vacation, which is included with accrued payroll on the statement of net assets, decreased $139,698 from $376,471 at December 31, 2009 to $236,773 at December 31, 2010.

Net Assets

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

Revenues and Expenses

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Levy

A .4 mill real estate tax renewal levy passed by Lucas County voters in 2009 provides financial support for the various activities of the Authority. The levy expires in 2014. The Authority elected to collect the full .4 mill in 2010.

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

Budgetary Process

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

NOTE 2 – CASH AND INVESTMENTS

Bank Deposits

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

At year end the carrying amount of the Authority's deposits was $10,846,533 and the bank balance was $11,215,236. The Authority also had $750 cash on hand. Federal depository insurance covered $7,403,826 of the bank balance and $3,811,410 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:	$3,811,410

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments

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

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

The Authority's investments at December 31, 2010 were as follows:

			Investment Maturities (in Years)			
	Fair Value	Credit Rating	less than 1	1-3	3-5	more than 5
STAR Ohio	47,723	AAAm [1]	47,723	-	-	-
Money Market Fund	861,184	AAAm [1]	861,184	-	-	-
CDC Funding Corp Guaranteed Investment Contract	1,867,000	N/A	-	-	-	1,867,000
Transamerica Life Insurance Guaranteed Investment Contract	981,000	N/A	-	-	-	981,000
Toledo-Lucas County Port Authority Bond	9,810,931	BBB [1]	-	-	-	9,810,931
US Treasury	398,576	N/A	398,576			
Federal Home Loan Bank	3,024,275	AAA [1]	1,506,165	1,024,645	493,465	-
Federal Farm Credit Bank	511,470	AAA [1]		511,470		
Federal National Mortgage Association	3,265,699	AAA [1]		2,527,559	738,140	
Federal Home Loan Mortgage Corp	3,196,034	AAA [1]	998,930	2,197,104		-
Total Investments	$23,963,892		3,812,578	6,260,778	1,231,605	12,658,931

[1] Standard & Poor's

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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

Concentration of Credit Risk - Concentration of credit risk exists when investments are concentrated in one issue. The Authority's investment policy allows investments of 100% in U.S. Agency or Treasury Obligations, and limits repurchase agreements and investments in STAR Ohio to 25% of total investments (25% limitation was eliminated in January of 2009) and investments in Port Authority Bonds to $200,000, unless the Authority's Board of Directors, by resolution, modifies the limits. The Authority's investments in U.S. Agencies represent approximately 41.8%, U.S. Treasuries 1.7%, Money Market funds 3.6%, Toledo-Lucas County Port Authority Bond 41% and Guaranteed Investment Contracts 11.9%, respectively of the Authority's investment portfolio excluding STAR Ohio at year end.

Cash and investments per footnote	
Carrying amount of bank deposits	$10,846,533
Cash on hand	750
Investments	23,963,892
Total	34,811,175

Cash and investments per statement of net assets	
Cash and cash equivalents	$10,895,006
Investments	9,997,478
Restricted investments	13,918,691
Total	34,811,175

NOTE 3 – CAPITAL ASSETS

Capital assets consist of the following:

Historical Cost:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Capital assets not being depreciated:				
Land	$ 62,603,769	$ 834,435	$ (6,152)	$ 63,432,052
Construction in Progress	8,556,194	3,773,095	(2,133,927)	10,195,362
Subtotal	71,159,963	4,607,530	(2,140,079)	73,627,414
Capital assets being depreciated:				
Improvements	136,483,377	5,948,578	-	142,431,955
Property and Equipment	42,302,649	7,915,722	(484,870)	49,733,501
Buildings and Leasehold Improvements	83,252,466	2,506,716	-	85,759,182
Furniture and Fixtures	465,098	19,020	-	484,118
Subtotal	262,503,590	16,390,036	(484,870)	278,408,756
Total Cost	$ 333,663,553	$ 20,997,566	$ (2,624,949)	$ 352,036,170

Accumulated Depreciation:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Capital assets being depreciated:				
Land Improvements	$ (87,281,075)	$ (4,046,608)	$ -	$ (91,327,683)
Property and Equipment	(28,001,783)	(1,348,462)	479,774	(28,870,471)
Buildings and Leasehold Improvements	(42,450,331)	(2,082,664)	-	(44,532,995)
Furniture and Fixtures	(311,904)	(21,948)	-	(333,852)
Total Depreciation	$ (158,045,093)	$ (7,499,682)	$ 479,774	$ (165,065,001)
Net Value:	$ 175,618,460	$ 13,497,884	$ (2,145,175)	$ 186,971,169
Depreciation Expense charged to operating expense		$7,499,682		

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 2010, approximately $18.9 million of Federal, state and local grant funding was utilized to purchase capital assets.

NOTE 4 – DEBT

A summary of Long Term Debt Activity for the year ended December 31, 2010 follows:

	Series	Maturity Date	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
Revenue Bonds:							
Northwest Ohio Development:							
Taxable:							
7.25% Chevron	2008A	2028	$4,780,000	$0	($55,000)	$4,725,000	$120,000
Tax Exempt:							
6.38% BAX	2004C	2032	9,810,000	-	-	9,810,000	-
Other:							
6.25-6.375% BAX	2004-1	2013	20,840,000		(2,010,000)	18,830,000	2,135,000
5.55% Airport Improvement Refunding	1998	2020	4,135,000	-	(620,000)	3,515,000	655,000
Total Revenue Bonds			39,565,000	-	(2,685,000)	36,880,000	2,910,000
Notes Payable:							
3.00% Airport ODOT Note	2009	2016	1,691,075	256,932	(206,026)	1,741,981	287,577
Total Notes Payable			1,691,075	256,932	(206,026)	1,741,981	287,577
Ohio Water Development Authority Loans (OWDA):							
7.50% Water Pollution Control Plant		2011	307,865	-	(148,371)	159,494	159,494
Total			$ 41,563,940	$ 256,932	$ (3,039,397)	$ 38,781,475	$ 3,357,071

In March of 2011, the Series 1998 Airport Improvement Refunding Bonds were retired.

NOTE 4 - DEBT (Continued)

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

	2011	2012	2013	2014	2015
Notes Payable					
Airport ODOT Note	$ 287,577	$ 306,572	$ 315,838	$ 325,384	$ 335,220
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Taxable-Port Authority	120,000	130,000	140,000	150,000	165,000
BAX	2,135,000	2,270,000	4,615,000	325,000	345,000
Tax Exempt-BAX	-	-	-	325,000	345,000
Airport Improvement Refunding Bonds	655,000	670,000	685,000	180,000	190,000
OWDA Loan Payable					
Water Pollution Control Plant	159,494	-	-		-
Total	$ 3,357,071	$ 3,376,572	$ 5,755,838	$ 1,305,384	$ 1,380,220

	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	Total
Notes Payable						
Airport ODOT Note	$ 171,390	$ -	$ -	$ -	$ -	$ 1,741,981
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	1,035,000	1,505,000	1,480,000	-	-	4,725,000
BAX	2,105,000	2,235,000	2,560,000	2,240,000	-	18,830,000
Tax Exempt-BAX	2,105,000	2,235,000	2,560,000	2,240,000	-	9,810,000
Airport Improvement Refunding Bonds	1,135,000	-	-	-	-	3,515,000
OWDA Loan Payable						
Water Pollution Control Plant	-	-	-	-	-	159,494
Total	$ 6,551,390	$ 5,975,000	$ 6,600,000	$ 4,480,000	$ -	$ 38,781,475

NOTE 4 - DEBT (Continued)

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

	2011	2012	2013	2014	2015
Notes Payable					
Airport ODOT Note	$ 50,344	$ 41,350	$ 32,083	$ 22,538	$ 12,703
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Taxable-Port Authority	340,387	331,506	321,900	311,569	300,512
BAX	1,156,325	1,020,856	875,231	620,288	599,250
Tax Exempt-BAX	625,388	625,388	625,388	620,288	599,250
Airport Improvement Refunding Bonds	175,312	138,875	101,613	77,825	67,650
OWDA Loan Payable					
Water Pollution Control Plant	11,908	-	-	-	
Total	$ 2,359,664	$ 2,157,975	$ 1,956,215	$ 1,652,508	$ 1,579,365

	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	Total
Notes Payable						
Airport ODOT Note	$ 2,571	$ -	$ -	$ -	$ -	161,589
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	1,300,649	854,593	198,650	-	-	3,959,766
BAX	2,628,572	1,902,299	1,183,998	226,949	-	10,213,768
Tax Exempt-BAX	2,628,572	1,902,309	1,183,988	226,949	-	9,037,520
Airport Improvement Refunding Bonds	163,487	-	-	-	-	724,762
OWDA Loan Payable						
Water Pollution Control Plant	-	-	-	-	-	11,908
Total	$ 6,723,851	$ 4,659,201	$ 2,566,636	$ 453,898	$ -	$ 24,109,313

A. Port Authority-Chevron Property

The Authority issued $4,780,000 of taxable revenue bonds from the Northwest Ohio Bond Fund for the purchase of the former Chevron Property in 2008. A lease was signed with Midwest Terminals requiring the Port to provide up to $748,000 in capital improvements for the property. In return Midwest began making monthly lease payments for two year term totaling $747,673.

B. Airport Improvement Revenue Bonds and Note

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

NOTE 4 DEBT (continued)

B. Airport Improvement Revenue Bonds and Note (Continued)

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

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

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

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

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

NOTE 4 DEBT (continued)

B. Airport Improvement Revenue Bonds and Note (Continued)

Pursuant to the BAX lease, the Authority is obligated to fund an estimated $7,500,000 of general improvements to the Toledo Express Airport if requested by BAX. The amount is expected to be financed from Authority revenue bonds and federal, state and local grants.

C. Ohio Department of Transportation State Infrastructure Bank

The Authority incurred additional debt during 2009 in the form of a promissory note with the State of Ohio in the amount of $1,743,068 for the purpose of constructing a car rental facility at Toledo Express Airport. This loan is scheduled to be paid back by August of 2015 with an interest rate of 3%. A car rental fee has been assessed as a source to provide principal and interest payments. As of December 31, 2010, $1,741,981 is the remaining outstanding debt.

D. Ohio Water Development Authority

During 1992 the Authority obtained loans from the Ohio Water Development Authority totaling $1,749,885 for water and sewer lines at Toledo Express Airport for future development. The interest rates are 7.45% to 7.5%. As of December 31, 2010 the remaining balance was $159,494. The loans mature in 2011.

NOTE 5 - RETIREMENT PLAN

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

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

NOTE 5 - RETIREMENT PLAN (continued)

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

The Ohio Revised Code provides statutory authority for members and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate was 10%. The 2010 employer contribution rate for local government employer units was 14% of covered payroll. The Authority's contributions to OPERS for the years ending December 31, 2010, 2009, and 2008 were $454,683, $471,830 and $517,635, respectively, which were equal to the required contributions for each year.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement to qualifying members of both the TP Plan and the CO Plan. To qualify for post-employment health care coverage, age-and-service retirees under the TP Plan and the CO Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of post-retirement health care benefits. OPERS' Post-employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post- employment health care benefits. The portion of employer contributions allocated to health care for members in the TP Plan was 5.5% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the CO Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The Authority's contribution to fund post-employment benefits for 2010 was $22,230.

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

NOTE 6 - OPERATING LEASES

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

Property under lease at December 31, 2010 consists of the following:

	BAX Global Rentals and Debt Service	Dr. Martin Luther King Plaza	Seaport Leases	Total
Capitalized Interest	$ 1,869,601	$ -	$ -	$ 1,869,601
Facilities and Equipment	32,104,750	-	-	32,104,750
Land	-	-	10,584,857	10,584,857
Construction in Progress	-	-	3,995,850	3,995,850
Improvements	-	-	13,300,540	13,300,540
Property and Equipment	-	26,441	9,029,337	9,055,778
Building and Leasehold Improvements	-	8,281,693	9,831,141	18,112,834
Total Cost	33,974,351	8,308,134	46,741,725	89,024,210
Less: Accumulated Depreciation	(22,783,139)	(3,767,102)	(14,643,081)	(41,193,322)
	$11,191,212	$4,541,032	$32,098,644	$47,830,888

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

Years	BAX Global Rentals and Debt Service	Administration	Dr. Martin Luther King Plaza	Development & Seaport Leases	Total
2011	$ 3,651,153	$ 71,500	$ 310,404	$ 1,172,782	$ 5,205,839
2012	3,648,160	71,500	310,404	1,172,782	$ 5,202,846
2013	3,660,143	29,790	310,404	875,915	$ 4,876,252
2014	-	-	310,404	875,915	$ 1,186,319
2015	-	-	310,404	800,555	$ 1,110,959
2016-2020	-	-	118,340	3,966,275	$ 4,084,615
2021-2025	-	-	-	3,575,284	$ 3,575,284
2026-2030	-	-	-	142,553	$ 142,553
Totals	$10,959,456	$172,790	$1,670,360	$12,582,061	$25,384,667

Under the BAX lease agreement, scheduled to expire in 2013, BAX was required to make monthly payments for the "basic" rent on the air cargo distribution facility in scheduled amounts calculated to be sufficient to meet the debt service requirements of the 1989 Airport Improvement Revenue Bonds. Rental income amounted to $3,005,600 in 2010.

NOTE 6 - OPERATING LEASES (Continued)

In addition to the basic rent, the agreement also provides for monthly landing fees and fixed payments for land rental and ramp fees. Fixed payments range from $654,285 to be received in 2011 to $538,968 scheduled for 2013. Landing fees which are calculated based on aircraft weight amounted to $1,131,799 in 2010. The Authority is entitled to increase landing fees annually commensurate with the increase in airport operating costs, with a maximum increase of 5% per year. BAX is also being charged fuel royalty fees based on gallons used. Total rentals and fees from BAX recognized in 2010 amounted to $1,919,246.

Additionally, 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 are with the airlines and the parking lot operator.

The rent and landing fees received from the airlines totaled $732,982 in 2010. Under the agreement covering the operation of the parking lot, rentals are based on percentages of gross parking lot receipts. During 2010 parking lot rentals received totaled $373,801.

NOTE 7 - LEASE COMMITMENTS AND RENTAL EXPENSE

The Authority leases its office space under an operating lease that expires March 31, 2017. Certain expenses of operating and maintaining the leased facilities are paid by the Authority. The Authority also leases various vehicles and equipment under non-cancelable operating leases. Total rent expense for 2010 was $137,539.

Following is a schedule of the future minimum lease payments required under these non-cancelable operating leases at December 31, 2010:

Year Ending December 31,	Amount
2011	$ 127,430
2012	125,809
2013	127,232
2014	127,706
2015	127,706
2016-2020	159,633
Total	$ 795,516

NOTE 8 - CONDUIT DEBT

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

As of December 31, 2010, there were sixty one series of Revenue Bonds outstanding. The original issue amounts for the series issued after July 1, 1995 was $629,284,900 of which $307,444,120 remained outstanding at December 31, 2010. The aggregate principal amount issued for the twelve series issued prior to July 1, 1995 could not be determined; however, their original issue amounts totaled $197,725,000.

NOTE 9 – AMOUNT DUE FROM LESSEE

On June 2, 2003, the United States transferred ownership of property occupied by Teledyne Technologies to the Authority for $10. A lease agreement between the Authority and Teledyne Technologies was entered into on August 23, 2001 and commenced on the date the property was transferred to the Authority (June 2, 2003). Lease payments are due in the amount of $65,000 per year with periodic increases based upon the consumer price index. The original lease term is five years with options to extend the lease for four additional periods of five years. On March 26, 2008 Teledyne exercised the first five year option period thereby extending the lease through May 30, 2013. Teledyne has the option to purchase the property for $450,000. The option price is considered a bargain purchase and, under the provision of Financial Accounting Board Standard No. 13, "Accounting for Leases", the lease is being accounted for as a direct financing lease. The present value of the bargain purchase option and the lease payments during the original lease term are recorded as amount due from lessee in the statement of net assets at December 31, 2010. All costs, expenses, and obligations relating to the property are to be paid by Teledyne.

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

NOTE 10 – RISK MANAGEMENT

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

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

The Authority has a self-insured plan for employee health insurance coverage. The Port Authority pays a portion of the employees' costs of medical services. Related expense in 2010 was $704,686. The Authority continues to provide a dental plan, which provides various benefits after a deductible. Maximum dental benefits are limited to $1,000 per year for preventive care and major dental services and $1,000 per lifetime for orthodontics.

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, 2010, the Authority was involved in several such matters. The outcome of such matters cannot presently be determined.

B. Grants

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

Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2010.

C. Guarantees

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

NOTE 12 - SUBSEQUENT EVENTS

Refunded Truckland Revenue Bonds

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

The property is currently in foreclosure. The Authority, in February of 2011, issued a revenue note in the amount of $3,100,000 for the purpose of providing funds necessary to refund the 2005 tax-exempt bonds. The note maturity renews in periods of six months subject to advance notification. The interest rate is fixed according to the LIBOR rate plus 1.30 %.

US-23/Salisbury Interchange Project

In 1998 the Authority participated in a multi agency project involving a new interchange on I-475 between 20A and Salisbury/Dussel Drive which was subsequently modified to an improvement at the I-475 Salisbury/Dussel Drive Interchange. Land purchases necessary for the project were titled in The Authority's name and the funds collected from the participating agencies were booked by the Authority. It was determined in 2008 that one of the participating agencies, The Lucas County Engineer's office, would take over the project's administration including obtaining control of the remaining funds and acquire title to the parcels of land involving the project. The remaining funds have been transferred. Currently the Authority's board has agreed by resolution to the land transfer, but the legal title has not been completed, therefore, the land value of $3.8 million remains on the Authority's financial statements. It is anticipated that the legal title work will be completed in 2011 resulting in the final transfer of land to the County. The effect on the Authority's 2011 financial statements will be to decrease total assets by $3.8 million and increase nonoperating expenses by $3.8 million resulting in a reduction of net assets of $3.8 million.

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, 2010:

Statement of Net Assets		
Current Assets	$	3,025,270
Capital Assets		127,801,992
Other Assets		9,968,679
Total Assets		140,795,941
Current Liabilities		4,377,760
Noncurrent Liabilities		30,809,404
Total Liabilities		35,187,164
Invested in Capital Assets, Net of Related Debt		93,745,517
Restricted		15,592,877
Unrestricted		(3,729,617)
Total Net Assets	$	105,608,777
Statement of Revenues, Expenses, and Changes in Net Assets		
Operating Revenues	$	8,084,400
Depreciation and Amortization		6,213,139
Other Operating Expenses		4,758,081
Operating Loss		(2,886,820)
Nonoperating revenues (expenses):		
Grants		4,684,085
Investment Income		856,499
Interest Expense		(2,182,792)
Other Nonoperating Revenues (Expenses)		1,584,373
Transfers net		1,397,083
Change in Net Assets		3,452,428
Beginning Net Assets		102,156,349
Ending Net Assets	$	105,608,777
Statement of Cash Flows		
Net Cash Provided (Used) by:		
Operating Activities		3,019,331
Noncapital Finance		560,079
Capital and Related Financing		(3,743,282)
Investing		845,317
Cash at Beginning of Year		1,534,969
Cash at End of Year	$	2,216,414

Toledo-Lucas County Port Authority
Schedule of Net Assets Information by Division
December 31, 2010

	Administration	Seaport	Airport	Development & Property	Total
ASSETS					
Current Assets:					
Cash	$ 3,026,685	$ -	$ 2,216,414	$ 5,651,907	$ 10,895,006
Investments	-	9,997,478	-	-	9,997,478
Interest receivable	-	19,812	30,000	-	49,812
Accounts receivable	65,000	335,697	1,200,877	1,036,189	2,637,763
Due (to) from other divisions	2,537,366	(2,802,410)	(655,392)	920,436	-
Prepaid expenses and other assets	26,660	23,396	233,371	64,509	347,936
Total Current Assets	5,655,711	7,573,973	3,025,270	7,673,041	23,927,995
Noncurrent Assets:					
Nondepreciable capital assets	435,000	21,580,708	41,211,342	10,400,364	73,627,414
Depreciable capital assets, Net of accumulated depreciation	29,413	17,517,934	86,590,650	9,205,758	113,343,755
Restricted:					
Investments	-	-	13,376,963	541,728	13,918,691
Amount due from OCF Loan	-	-	401,826		401,826
Amount due from lessee	-	-	-	175,729	175,729
Deferred bond issuance cost	-	-	1,548,512	-	1,548,512
Loans Receivable	168,867	-	-	-	168,867
Amount due from Northwest Bond Fund	-	3,000,000	-	-	3,000,000
Interdivisional receivables (payables)	-	7,106,003	(5,358,622)	(1,747,381)	-
Total Noncurrent Assets	633,280	49,204,645	137,770,671	18,576,198	206,184,794
Total Assets	**6,288,991**	**56,778,618**	**140,795,941**	**26,249,239**	**230,112,789**
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts payable	$ 142,815	$ 385,457	$ 619,645	$ 798,032	$ 1,945,949
Accrued payroll	65,586	7,976	156,421	37,123	267,106
Deferred income	-	-	14,548	2,200,000	2,214,548
Accrued interest payable	-	-	330,685	-	330,685
Deposits	-	-	9,390	-	9,390
Notes payable-current	-	-	287,577	-	287,577
Revenue bonds payable-current	-	-	2,790,000	120,000	2,910,000
Ohio Water Development Authority loan payable-current	-	-	159,494	-	159,494
Total Current Liabilities	208,401	393,433	4,367,760	3,155,155	8,124,749
Long-term notes payable	-	-	1,454,404	-	1,454,404
Revenue bonds payable	-	-	29,365,000	4,605,000	33,970,000
Total Noncurrent Liabilities	-	-	30,819,404	4,605,000	35,424,404
Total Liabilities	**208,401**	**393,433**	**35,187,164**	**7,760,155**	**43,549,153**
Net Assets:					
Invested in capital assets, net of related debt	464,413	39,098,644	93,745,517	14,881,121	148,189,695
Restricted	-	-	15,592,877	5,793,267	21,386,144
Unrestricted	5,616,177	17,286,541	(3,729,617)	(2,185,304)	16,987,797
Total Net Assets (Deficit)	**$ 6,080,590**	**$ 56,385,185**	**$ 105,608,777**	**$ 18,489,084**	**$ 186,563,636**

Toledo-Lucas County Port Authority
Schedule of Revenues, Expenses and Changes in Net Assets Information by Division
For the Period Ended December 31, 2010

	Administration	Seaport	Airport	Development & Property	Total
Operating Revenues					
Rental under property leases	$ -	$ 1,229,775	$ 3,005,601	$ 1,324,622	$ 5,559,998
Airport landing area	-	-	312,038	-	312,038
Airport terminal area	-	-	2,357,729	-	2,357,729
BAX Global	-	-	1,837,247	-	1,837,247
Other rental and fee income	-	-	481,900	1,151,345	1,633,245
Wharfage under property lease	-	236,897	-	-	236,897
Other income	-	4,216	89,885	49,564	143,665
Total Operating Revenues	-	1,470,888	8,084,400	2,525,531	12,080,819
Operating Expenses					
Personal services	1,112,264	294,493	2,483,947	745,200	4,635,904
Marketing	40,390	44,044	146,481	28,163	259,078
Contractual services	(242,553)	313,510	806,088	1,419,641	2,296,686
Utilities	16,705	9,337	619,768	116,709	762,519
Repairs and maintenance	-	13,052	604,523	51,056	668,631
Depreciation	8,738	1,000,372	6,034,212	456,360	7,499,682
Amortization	-	-	178,927	-	178,927
Rental expense	137,539	-	-	-	137,539
Recovery of amounts previously written off	-	(200,000)	-		(200,000)
Other operating expenses	54,461	52,564	97,274	37,725	242,024
Total operating expenses	1,127,544	1,527,372	10,971,220	2,854,854	16,480,990
Operating Income (Loss)	**(1,127,544)**	**(56,484)**	**(2,886,820)**	**(329,323)**	**(4,400,171)**
Nonoperating Revenues (Expenses)					
Proceeds of property tax levy	2,497,583	-	-	-	2,497,583
Intergovernmental grants	-	-	163,286	200,000	363,286
Grants	-	8,290,289	4,520,799	15,674,990	28,486,078
Interest income from investments	-	54,045	856,499	38,623	949,167
Passenger facility charges	-	-	782,543	-	782,543
Gain on investment	-	36,304	-	-	36,304
Sale on asset			58,441		58,441
BAX revenue			972,170		972,170
Borrower disbursements	-	-	(228,780)	-	(228,780)
Interest expense	-	-	(2,182,792)	(347,079)	(2,529,871)
Lease receivable adjustment				(274,268)	(274,268)
Grant pass through	-	-	-	(7,500,000)	(7,500,000)
Total Nonoperating Revenues (Expenses)	**2,497,583**	**8,380,638**	4,942,166	7,792,266	**23,612,653**
Income Before Contributions	**1,370,039**	**8,324,154**	**2,055,346**	**7,462,943**	**19,212,482**
Interdivisional transfers in	-	-	1,397,082	-	1,397,082
Interdivisional transfers out	(1,397,082)	-	-	-	(1,397,082)
Change in Net Assets	**(27,043)**	**8,324,154**	**3,452,428**	**7,462,943**	**19,212,482**
Net assets (deficit) at beginning of year	6,107,633	48,061,031	102,156,349	11,026,141	167,351,154
Net Assets (Deficit) at End of Year	**$ 6,080,590**	**$ 56,385,185**	$ 105,608,777	**$ 18,489,084**	**$ 186,563,636**

TOLEDO LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

Federal Grantor/Pass - Through Grantor Program Titles	CFDA Number	Grant Expenditures
U.S. Department of Transportation		
Airport Improvement Program	20.106	$ 4,520,799
Federal Highway Administration ARRA DERG Grant	20.205	57,955
Maritime Administration - AARA Marad Grant	20.205	7,204,079
FEMA-FY 09 Port Security Grant	97.056	155,652
FEMA-FY 09 Port Security Grant-Kraft	97.056	169,200
Federal Highway Administration ARRA ODOT-Shipyard Rail Spur	20.205	110,459
Federal Highway Administration ARRA ODOT-George Hardy Drive	20.205	837,104
Federal Highway Administration ARRA ODOT-St. Lawrence Drive	20.205	982,082
Federal Highway Administration ARRA ODOT-Cargo Rail Loop	20.205	1,882,402
		15,919,732
U.S. Department of Housing and Urban Development		
HUD B05SPOH0220	14.251	10,470
HUD B10SPOH0353	14.251	291,593
		302,063
U.S Department of Energy		
DOE Environmental Mgmt. - ARRA EECBG	81.128	7,836,874
		7,836,874
U.S. Department of Defense		
Teledyne Remediation - Office of Economic Adjustment	12.600	554,807
		$ 24,613,476

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

Note 1–Basis of presentation

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

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
FOR EACH QUARTER DURING THE YEAR ENDED DECEMBER 31, 2010

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Totals
PFC Fees Collected	$ 76,621	$ 113,134	$ 87,368	$ 71,790	$ 348,913
Interest Income	662	729	801	852	3,045
PFC Fees Expended	(81)	-	-	-	(81)
Net Increase (Decrease) in Cash	77,202	113,863	88,169	72,642	351,877
Cash at Beginning of Period	1,028,194	1,105,396	1,219,259	1,307,428	1,028,194
Cash at End of Period	$ 1,105,396	$ 1,219,259	$ 1,307,428	$ 1,380,071	$ 1,380,071

See Notes to Schedule of Passenger Facility Charges

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
YEAR ENDED DECEMBER 31, 2010

General

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

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

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

The Toledo-Lucas County Port Authority ("Port Authority"), for its operation at Toledo Express Airport, had been granted FAA approval to collect PFC fees for application #4 from December 1, 2003 to December 1, 2007, at the rates of $4.50 for each enplaned passenger. Starting in December 2007, the Airport began to collect PFC fees for application #5, at the same rates, which will continue through December 1, 2010. The PFC amounts collected are maintained in a separate Port Authority bank account.

Basis of Accounting

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

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

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

Compliance

We have audited the compliance of Toledo-Lucas County Port Authority ("Port Authority") with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2010. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of Port Authority's management. Our responsibility is to express an opinion on Port Authority's compliance based on our audit.

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

In our opinion, Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2010.

Internal Control Over Compliance

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

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

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

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

Gilmore, Jasion & Mahler, LTD

June 29, 2011

GJ&M

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

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

We have audited the financial statements of Toledo-Lucas County Port Authority ("Port Authority") as of and for the year ended December 31, 2010, and have issued our report thereon dated June 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Port Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

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

Gilmore, Jasion & Mahler, LTD

June 29, 2011

GILMORE, JASION & MAHLER, LTD

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

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

Compliance

We have audited the compliance of Toledo-Lucas County Port Authority ("Port Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended December 31, 2010. Port Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Port Authority's management. Our responsibility is to express an opinion on Port Authority's compliance based on our audit.

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

In our opinion, Port Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control over Compliance

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

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

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

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

Gilmore, Jasion & Mahler, LTD

June 29, 2011

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs

CFDA Number	Name of Federal Program
20.205	Federal Hwy Administration – Highway Planning and Construction
81.128	Dept of Energy – Energy Efficiency and Conservation Block Grant Program

Dollar threshold used to distinguish between type A and type B programs	$738,000
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 (2009) AUDIT FINDINGS
For the Year Ended December 31, 2010

None.

TOLEDO-LUCAS COUNTY PORT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 26, 2011