



Dave Yost • Auditor of State



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position – December 31, 2014 .....	9
Statement of Revenues, Expenses, and Changes in Net Position – For the Year Ended December 31, 2014.....	10
Statement of Cash Flows – For the Year Ended December 31, 2014.....	11
Statement of Fiduciary Assets and Liabilities – December 31, 2014 .....	12
Notes to the Basic Financial Statements .....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	HJ
Schedule of Findings.....	4F
Schedule of Prior Audit Findings.....	4Í

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Dayton-Montgomery County Port Authority, Montgomery County, Ohio (the Port Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Dayton-Montgomery County Port Authority, Montgomery County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2015, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 26, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Unaudited)**

Our discussion and analysis of the Dayton-Montgomery County Port Authority's (the "Port Authority") financial performance provides an overview of the Port Authority's financial activities for the fiscal year ended December 31, 2014. Please review it in conjunction with the basic financial statements, which begin on page 9.

**FINANCIAL HIGHLIGHTS**

- Total assets were less than liabilities and deferred inflows of resources as of December 31, 2014 with the net position of the Port Authority being a deficit of (\$10,479,853). This represents a negative change of \$5,476,568 from the previous year. Almost all of this reduction is due to how Project Walnut must be accounted for on the Port Authority's financial statements. The Port Authority has an outstanding State Infrastructure Bank (the "SIB") loan for the public improvements at this project, but does not report a capital asset since the project is not owned by the Port Authority. This accounting treatment results in a total net position reduction of \$11,088,694. Montgomery County has entered into intergovernmental agreements with the Port Authority to repay the principal, interest and fees associated with SIB loan for Project Walnut as well as the SIB loan for the Austin Landing Garage, which is accounted for in the same manner.
- The Port Authority maintains restricted cash and investment balances in the agency fund which, at December 31, 2014 totaled \$5,891,252. Of that amount, \$5,028,129 is maintained in the Regional Bond Fund trust accounts, as reserves for the Bond Fund.
- The Port Authority reflects debt balances of \$44.1 million in the agency fund for projects the Port Authority was involved in that are supported with a financing lease receivable. Although the Port Authority reports these debt balances, the Port Authority has no financial responsibility for payment on these debts except for receiving the respective lease payments through the respective bank trustee.
- The Port Authority had operating revenues of \$2,077,574 and operating expenses of \$1,940,502 resulting in an operating income of \$137,072 for 2014.

**USING THIS ANNUAL REPORT**

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Unaudited)  
(Continued)**

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

Our analysis of the Port Authority as a whole begins here. One of the most important questions asked about the Port Authority's finances is "Is the Port Authority as a whole better off or worse off as a result of the year's activities?" Although the net position decreased by \$5.5 million, the answer is still yes as the Port Authority still has over \$0.8 million in operating (non-restricted) cash which only decreased \$6,429 from 2013. As stated above, the decrease in net position was caused by new SIB obligations, all of which is funded and guaranteed by Montgomery County or the City of Union.

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

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

*Statement of Cash Flows*

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

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

*Statement of Fiduciary Assets and Liabilities*

The Statement of Fiduciary Assets and Liabilities reports the restricted cash held in the regional bond fund and the amount of pledged lease payments due from companies with debt issued through the regional bond fund.

These financial statements can be found on pages 9 through 12 of this report.

*Notes to the Basic Financial Statements*

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 13-39 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Unaudited)  
(Continued)**

**FINANCIAL ANALYSIS OF THE PORT AUTHORITY**

As stated previously, the Statement of Net Position looks at the Port Authority as a whole without regard to the agency fund. The following table provides a summary of the Port Authority's net position for 2014 compared to 2013.

<b>Net Position (in thousands)</b>			
	<b>2013</b>	<b>2014</b>	<b>Change</b>
Current Assets	\$16,064	\$16,367	\$303
Restricted Assets	1,123	1,030	(93)
Capital Assets	28,729	28,132	(597)
Total Assets	45,916	45,529	(387)
Current Liabilities	6,284	1,961	(4,323)
Long Term and Other Liabilities	34,527	39,012	4,485
Total Liabilities	40,811	40,973	162
Deferred Inflows of Resources	10,108	15,036	4,928
<b>Net position:</b>			
Net Investment in Capital Assets	3,588	3,262	(326)
Restricted – National Composite Center	109	0	(109)
Unrestricted (Deficit)	(8,700)	(13,742)	(5,042)
Total Net Position	(\$5,003)	(\$10,480)	(\$5,477)

Un-restricted net position, which is the portion of net position that can be used to finance the day-to-day operations without constraints established by debt covenants or other legal requirements, decreased by \$5.04 million in 2014. A small part of the decrease can be attributed to operational (cash basis) deficiency (\$58,340) of the Port Authority operations of Main Street and Patterson parking garages. The Port Authority also recorded an additional \$5.2 million due on the SIB loan for Project Walnut in the City of Union. Although this loan is guaranteed and paid by Montgomery County, it directly impacts our net position by \$11.1 million. This project is also responsible for the increase in the current assets, as the intergovernmental receivable increased.

The following tables look at the change in the Port Authority's revenues and expenses from 2013 to 2014.

<b>Changes in Net Position (in thousands)</b>			
	<b>2013</b>	<b>2014</b>	<b>Change</b>
Fee revenue	\$1,816	\$2,047	\$231
Other revenue	312	31	(281)
Total operating revenue	2,128	2,078	(50)
Salaries and benefits	106	106	0
Operating expenses	712	815	103
Payments in lieu of real estate taxes	226	330	104
Depreciation	687	690	3
Total Operating expense	1,731	1,941	210

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Unaudited)  
(Continued)**

**Changes in Net Position (in thousands)  
(Continued)**

	<u>2013</u>	<u>2014</u>	<u>Change</u>
Tax increment financing – City of Dayton	181	453	272
Capital Grants paid to Developers	(6,567)	(5,181)	1,386
Capital Grants from County	1,200	0	(1,200)
Interest income	1	1	0
Interest expenses	(1,225)	(1,071)	154
Total non-operating revenues and expenses	<u>(6,410)</u>	<u>(5,798)</u>	<u>612</u>
 Net transfers with agency fund	 183	 184	 1
 Change in Net Position	 (5,830)	 (5,477)	 <u>\$353</u>
Beginning Net Position	827	(5,003)	
Ending Net Position	<u>(\$5,003)</u>	<u>(\$10,480)</u>	

The Port Authority saw port fees decrease slightly with limited bond issuances during 2014. The total fee revenue increased as the parking garage fees increased from additional rental space in the Main Street garage and Caresource renting spaces in the Patterson garage. Operating expenses were 12% higher than the prior year as the Port Authority used the additional parking garage revenue to pay down delinquent payments in lieu of taxes. The capital grants paid to developers for 2013 was split between Project Walnut and the National Composite Center grants. For 2014, the amount represents the increase in the Project Walnut construction.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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

**Debt reported in the enterprise fund**

The Port Authority has a long term liability due to the City of Dayton for the debt outstanding on the Main Street Garage. In 2014 the Port Authority paid \$798,777 of net garage revenue to the City for this debt, all of which was paid on the interest owed. The Port Authority's liability for this debt is limited to the net revenues generated from the Main Street Garage. The Port Authority also has two outstanding revenue bonds in relation to the Patterson Parking garage totaling \$3,045,000 at December 31, 2014. Debt service on one of the bonds is paid by the income on a guaranteed investment contract. The other bond is paid through tax increment financing revenue. The Port Authority in 2012 received a SIB loan \$3,610,000 for the Austin Landing Parking garage. In addition, through 2014, the Port Authority had drawn down \$11,088,694 on an authorized SIB loan for Walnut Project's obligations, which are guaranteed and paid by Montgomery County and City of Union. See Notes 4 and 10 for additional information on the Port Authority's debt related to the enterprise fund.

**Debt reported in the agency fund**

As discussed in the highlights, the Port Authority's long term debt issuances maintained in the agency fund are \$44.1 million in non-recourse revenue bonds. The Port Authority only issues non-recourse obligations for which the company maintains the liability for repayment. For more information on the Port Authority's agency fund debt balances see notes 4 and 9 of the financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Unaudited)  
(Continued)**

**ECONOMIC FACTORS**

After several years of slowing economics for the community, Montgomery County saw increased development activity in 2014. The southern portion of the County is benefiting from the newly opened Austin Interchange increasing taxable valuation by \$150 million because of developments including Austin Landing, Motoman Enterprises, Miamisburg Industrial Park, and Springboro's Tech Park. The County has also seen expansion in areas such as Butler Township along the I70/I75 corridor and the City of Huber Heights is working on expansions along their respective interchanges. The Port Authority's involvement in Project Walnut will also bring a significant amount of valuation increase to the northern portion of the County in the City of Union.

After seeing the unemployment rate for 2009 reach 11.6 percent in the County, the rate declined to 7.0 percent at the end of 2012 but increased slightly in 2013 to 7.1 percent. As of December 2014, the rate was back down to 4.8 percent.

**Request for Information**

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

**This page intentionally left blank.**

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

**STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

**Assets:**

<b>Current Assets:</b>	
Cash and investments	\$822,906
Intergovernmental Receivable	15,035,580
Loan Receivable	498,831
Accounts Receivable	10,008
Total Current Assets	16,367,325
 <b>Restricted Assets:</b>	
Restricted cash and investments	405,543
Restricted cash and investments with trustee	624,753
Total restricted assets	1,030,296
 <b>Capital Assets:</b>	
Land and land improvements	5,943,337
Parking Garages	27,574,324
Total	33,517,661
Less: Accumulated Depreciation	(5,385,625)
Total Capital Assets, Net	28,132,036
 Total Assets	 45,529,657

**Liabilities:**

<b>Current Liabilities:</b>	
Accounts payable	1,259,555
<b>Current portion of long term debt:</b>	
Relizon project Development Revenue Bonds, Series 2001	190,000
Parking garage project Development Revenue Bond, Series 2004A	100,000
SIB Loan Payable - Austin Parking Garage	411,729
Total Current Liabilities	1,961,284
 <b>Long Term and other Liabilities:</b>	
Accrued Interest on SIB Loan	46,940
<b>Revenue bonds, notes and loans:</b>	
Relizon project Development Revenue Bonds, Series 2001	1,410,000
Parking garage project Development Revenue Bond, Series 2004A	1,345,000
Main Street Garage	21,825,053
SIB Loan Payable - Austin Parking Garage	2,996,959
SIB Loan Payable - Project Walnut	11,088,694
Reimbursable deposits	300,000
Total long term and other liabilities	39,012,646
Total Liabilities	40,973,930
 <b>Deferred Inflows of Resources:</b>	
Intergovernmental Grant	15,035,580
Total Deferred Inflows of Resources	15,035,580

**Net Position:**

Net Investment in Capital Assets	3,261,983
Restricted - National Composite Center	169
Unrestricted (Deficit)	(13,742,005)
Total Net Position	(\$10,479,853)

*See accompanying notes to the financial statements.*

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

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Operating Revenues:**

Port fees	\$423,234
Parking garage fees	1,623,620
Other revenues	30,720
Total Operating Revenues	2,077,574

**Operating Expenses:**

Salaries and benefits	106,363
Operating expenses	250,412
Project related expenses	373,478
Professional Services	191,054
Payments in lieu of real estate taxes	329,418
Depreciation	689,777
Total Operating Expenses	1,940,502

Operating Income	137,072
------------------	---------

**Non-Operating Revenues (Expenses):**

Tax increment financing provided by City of Dayton	453,583
Capital Grants to Developers	(5,180,609)
Interest income	701
Interest and fiscal charges	(1,070,903)
Total Non-operating Revenues (Expenses)	(5,797,228)

Income (Loss) Before Transfers	(5,660,156)
--------------------------------	-------------

**Transfers:**

Transfers in from Agency Fund	183,588
-------------------------------	---------

**Change in Net Position:**

Net Position Beginning of Year	(5,476,568)
Net Position End of Year	(5,003,285)
	(\$10,479,853)

*See accompanying notes to the financial statements.*

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Cash flows from operating activities:</b>	
Cash received from customers	2,018,293
Cash payments to employees for services	(116,941)
Cash payments to supplier for goods and services	(902,667)
Cash received from other sources	<u>33,622</u>
Net cash provided by operating activities	<u>1,032,307</u>
 <b>Cash flows from capital and related financing activities:</b>	
Retirement of debt	(476,312)
Interest paid	(1,091,347)
Acquisition and construction of capital assets	<u>(92,987)</u>
Net cash used for capital and related financing activities	<u>(1,660,646)</u>
 <b>Cash flows from noncapital financing activities:</b>	
Transfer In from Agency Fund	183,588
Payment in Lieu of Taxes	453,583
Proceeds from SIB Loan - Project Walnut	5,174,569
Capital Distributions to TID - Project Walnut	(5,174,569)
Loan Proceeds Distributed to NCC	<u>(108,907)</u>
Net cash provided by noncapital financing activities	<u>528,264</u>
 <b>Cash flows from investing activities:</b>	
Interest received	<u>700</u>
Net decrease in cash and investments	(99,375)
Cash and investments at beginning of year	<u>1,952,577</u>
Cash and investments at end of year	<u><u>1,853,202</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating Income	137,072
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	689,777
<b>Changes in assets and liabilities:</b>	
Increase in accounts receivable	(5,659)
Increase in accounts payable	<u>211,117</u>
Net cash provided by operating activities	<u><u>\$1,032,307</u></u>

*See accompanying notes to the financial statements.*

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

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
DECEMBER 31, 2014**

**Assets:**

Cash and Cash Equivalents	
in Restricted Accounts	\$5,891,252
Financing Leases Receivable	54,378,982
Total Assets	<u>60,270,234</u>

**Liabilities:**

ODOD Loan Payable	1,500,000
Proceeds Held for Bond Fund Reserves	3,080,936
Interest and Fees Payable	11,638,666
Revenue Bonds Payable	44,050,632
Total Liabilities	<u>\$60,270,234</u>

*See accompanying notes to the basic financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

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

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

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

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

**B. Basis of Accounting**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**C. Investments**

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

**D. Statement of Cash Flows**

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

**E. Capital Assets**

The Port Authority defines capital assets as follows:

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

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

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

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

- Buildings and Improvements – 40 years
- Infrastructure – 40 years
- Office Equipment – 3 years

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Restricted Assets and Related Liabilities**

Bond indentures and other agreements require portions of debt proceeds as well as other resources of the Port Authority to be set aside for various purposes. These amounts are reported as restricted assets on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities. The liabilities that relate to the restricted assets are included in other liabilities in the same statement. The Port Authority also reports restricted cash for the balance maintained in the Main Street Garage account (\$105,374). The City of Dayton is provided a monthly review of the Port Authority's expenses in that account. The Port Authority received \$300,000 from Development Projects, Inc. in September 2007 as a reserve for the Renegade project and reports a restricted asset and liability for the amount. The remaining \$169 balance is the restricted cash balance from Montgomery County for the National Composite Center.

**G. Budgetary Accounting and Control**

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

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

**H. Operating Revenues and Expenses**

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

**I. Tax Increment Financing from the City of Dayton**

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

**J. Net Position**

Total net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position - net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowing, or portion of a borrowing, used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Port Authority reported \$169 in restricted net position at December 31, 2014 related to the National Composite Center.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Interfund Activity**

During the course of normal operations, the Port Authority has numerous transactions between the enterprise and agency funds. These interfund transactions are generally classified as

- “Transfers to” and “Transfers from” in the enterprise funds Statement of Revenues, Expenses, and Changes in Net Position.

**L. Loan Receivable**

During 2013 and 2014, the Port Authority provided the National Composite Center with an operational loan using proceeds from a grant Montgomery County provided to the Port Authority. The loan agreement between the Port Authority and National Composite Center provides for no repayment schedule or interest rate associated with the loan.

**M. Conduit Debt**

The Port Authority issues conduit debt on behalf of other entities, whether public entities or private companies, whether taxable or tax exempt. The Port Authority is contractually protected from liability related to these issues. For the purposes of the financial statements, the various conduit debts of the Port Authority are classified in one of two manners, depending on applicable accounting rules. First, a completely “off book” issuance where the Port Authority has issued the debt in name only on behalf of a private company, or organization. These are disclosed in Note 8. Second, bond issuances that involve a lease receivable where the company or organization is responsible for making payments to a trustee for payment of principal, interest and related fees on debt issued in the Port Authority’s name. These are disclosed in Notes 9 and 11 and reported within the Agency Fund statements.

**N. Estimates**

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

**2. DEPOSITS AND INVESTMENTS**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**2. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**2. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits**

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

At December 31, 2014, the carrying amount of the Port Authority's deposits was \$1,228,449 and the bank balance was \$1,229,872. FDIC insurance covered \$430,572 of the bank balance with the remaining balance collateralized by PNC Bank.

**B. Investments**

The Port Authority's investments as of December 31, 2014 reported in the enterprise fund were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
U.S Government Money Market Funds	\$624,753	AAm	<60 days
Total Investments	<u>\$624,753</u>		

The Port Authority's investments as of December 31, 2014 reported in the agency fund were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
U.S Government Money Market Funds	\$1,891,252	AAm	<60 days
CDC Funding Corporation Guaranteed Investment Contracts (GIC)	4,000,000	N/A	5/15/2024
Total Investments	<u>\$5,891,252</u>		

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

**Concentration of Credit Risk** – The Port Authority places no limit on the amount the Port Authority may invest in one issuer. As of December 31, 2014, of the Port Authority's total Enterprise Fund investments were in U.S Government Money Market Funds. As of December 31, 2014 and of the Port Authority's total Agency Fund investments 32.10 percent of the Port Authority's total Agency Fund investments were in U.S Government Money Market Funds and the remaining 67.90 percent were in Guaranteed Investment Contracts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**2. DEPOSITS AND INVESTMENTS (Continued)**

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

**3. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2014, was as follows:

	<u>Balance 12/31/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2014</u>
<b>Cost:</b>				
Land and Improvements	\$5,943,337	\$0	\$0	5,943,337
Parking Garages	27,481,337	92,987	0	27,574,324
Total Cost	<u>33,424,674</u>	<u>92,987</u>	<u>0</u>	<u>33,517,661</u>
<b>Accumulated depreciation:</b>				
Parking Garages	(4,695,848)	(689,777)	0	(5,385,625)
Total Accumulated depreciation	<u>(4,695,848)</u>	<u>(689,777)</u>	<u>0</u>	<u>(5,385,625)</u>
Net Capital Assets	<u>\$28,728,826</u>	<u>(\$596,790)</u>	<u>\$0</u>	<u>\$28,132,036</u>

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

**4. PROJECTS**

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

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

The Port Authority is to make monthly principal payments to the Taxable State Loan Revenue Note in varying monthly amounts ranging from \$26,973 beginning on January 1, 2015 to \$30,839 on February 1, 2017. A balloon payment of \$2,000,000 is also due on March 1, 2017. The note carried no interest through March 31, 2007. Effective April 1, 2008, the notes carried a rate of 2.5 percent. The note is secured by the property and rental payments to be received under the lease with Relizon (now Care Source) as well as a residual value insurance contract covering balloon payments due on the debt as discussed below.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

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

<u>Year</u>	<b>Annual Payments</b>	
	<u>Principal</u>	<u>Interest</u>
2015	\$327,414	\$64,974
2016	359,112	56,500
2017	2,061,824	8,526
Total	<u>\$2,748,350</u>	<u>\$130,000</u>

The Port Authority is to make monthly principal payments on the Taxable Project Development Revenue Bonds in varying monthly amounts ranging from \$35,000 beginning on January 1, 2015 to \$40,000 on January 1, 2017. A balloon payment of \$3,000,000 is also due on February 1, 2017. The bonds bear an interest rate of 8.75 percent and are secured by the property and rental payments to be received under the lease with Relizon (now Care Source) as well as residual value insurance contract covering balloon payments due on the debt as discussed below.

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

<u>Year</u>	<b>Annual Payments</b>	
	<u>Principal</u>	<u>Interest</u>
2015	\$420,000	\$330,531
2016	470,000	311,709
2017	3,080,000	48,682
Total	<u>\$3,970,000</u>	<u>\$690,922</u>

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

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

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

<u>Fiscal Year Ending December 31,</u>	<u>Total</u>
2015	\$1,142,919
2016	1,197,321
2017	5,161,123
Total	<u>\$7,501,363</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

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

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

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

On July 14, 2004 the Port Authority issued \$2,235,000 of twenty year Project Development Revenue Bonds, Series 2004A, to fund appropriate reserves, pay the cost of issuance and refund the Bond Anticipation Note. The Port Authority is to make principal payments on the Project Development Revenue Bonds, Series 2004A, in semi-annual amounts ranging from \$50,000 on May 15, 2015 to \$305,000 on May 15, 2024. The bonds bear interest rates ranging from 5 to 6.125 percent.

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$100,000	\$83,713
2016	105,000	78,713
2017	110,000	73,338
2018	120,000	67,375
2019	125,000	60,025
2020-2024	885,000	167,059
Total	<u>\$1,445,000</u>	<u>\$530,223</u>

Principal payments on the Taxable Project Development Mortgage Revenue Bonds, Series 2001, are due on December 1, in varying amounts ranging from \$190,000 in 2015 to \$270,000 in 2021. Interest at a rate of 5.81 percent was effective until November 30, 2003. Thereafter, the interest rate is variable and was reset on December 1, 2003 and is to be reset every third year thereafter, based on the weighted average interest rate on all investment in the City of Dayton's investment portfolio on those dates. See previously described tax increment financing from the City of Dayton.

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$190,000	\$9,360
2016	205,000	8,249
2017	215,000	7,049
2018	225,000	5,792
2019	240,000	4,475
2020-2021	525,000	4,651
Total	<u>\$1,600,000</u>	<u>\$39,576</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

**C. Burrows Paper Corporation Project (Agency Fund reported)**

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

Principal payments on the Ohio Department of Development Taxable State Loan are due quarterly in varying amounts ranging from \$190,000 on March 1, 2015 to \$225,000 due June 1, 2018, and bear interest at 5.35 percent. The loan is secured by the rental payments to be received under the lease with Burrows Paper Corporation as discussed below.

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$780,000	\$140,237
2016	820,000	97,704
2017	860,000	53,032
2018	450,000	9,028
Total	<u>\$2,910,000</u>	<u>\$300,001</u>

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

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

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

<u>Fiscal Year Ending December 31,</u>	<u>Total</u>
2015	\$923,022
2016	918,355
2017	911,451
2018	377,871
Total	<u>\$3,130,699</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

**D. Main Street Parking Garage (Enterprise Fund reported)**

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

As of December 31, 2014, \$24,495,798 of cost has been capitalized, including \$4,218,338 of land and \$20,277,460 of construction costs. Funding of \$20,100,000 under the financing arrangement has been provided by the City of Dayton as of December 31, 2014. The amount funded is reflected on the statement of net position as a payable to the City of Dayton less the amount repaid against the obligation plus accrued interest added to the principal. Construction of the garage was completed in December 2008.

During January 2008, the City of Dayton issued economic development revenue bonds and entered into a loan agreement with the Port Authority for the permanent funding of the project. The City of Dayton and Port Authority agreed to repay the loan from garage net revenues. For 2014, the Port Authority paid \$798,777 to the City of Dayton in net revenues. \$0 of this amount was applied towards principal payments.

The Port Authority is not paying the full principal payments to the City of Dayton in connection with the Main Street Garage Project. Per the loan agreement between the City of Dayton and Port Authority, dated January 10, 2008, the City of Dayton could declare all loan payments due in the event of default. During 2014, the City of Dayton has waived this covenant. If the City of Dayton rescinds the waiver of this covenant violation, then the full balance of the loan may be due at that time. The amount outstanding at December 31, 2014 is \$21,825,053.

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$411,729	\$114,523
2016	424,173	102,079
2017	436,993	89,258
2018	450,201	76,050
2019	463,809	62,544
2020-2022	1,221,783	93,845
Total	<u>\$3,408,688</u>	<u>\$538,299</u>

**F. Connor Group (Agency Fund reported)**

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

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$510,000	\$338,728
2016	535,000	316,810
2017	555,000	293,944
2018	580,000	270,076
2019	605,000	245,313
2020-2024	3,430,000	815,761
2025-2027	2,010,000	118,336
Total	<u>\$8,225,000</u>	<u>\$2,398,968</u>

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

<u>Year</u>	<u>Total</u>
2015	\$866,691
2016	868,667
2017	866,336
2018	864,606
2019	863,605
2020-2024	4,292,007
2025-2027	2,064,412
Total	<u>\$10,686,324</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

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

On October 31, 2012, the Port Authority borrowed on behalf of White Castle Distributing LLC \$9,850,000 in State Economic Development Revenue Bonds at a variable interest rate ranging from 1.125 – 4.0% with a final maturity of December 1, 2027. The Port Authority received a \$2,000,000 State of Ohio 166 loan at a 3% interest rate with a final maturity of November 15, 2027. The loan is conduit in nature with White Castle making payments directly to the State. The proceeds from the bonds and loan are being used to finance a portion of the costs of acquisition and constructing an approximately 74,000 square foot frozen food manufacturing facility located in Vandalia, Ohio just north of the City of Dayton. White Castle entered into a financing lease with the Port Authority to service the respective debt obligations on this project. The initial principal payments on the bonds started in June 2014 and terminate in December 2027.

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$605,000	\$273,019
2016	615,000	265,769
2017	620,000	256,731
2018	630,000	245,838
2019	650,000	230,675
2020-2024	3,640,000	750,313
2025-2027	2,440,000	143,244
Total	<u>\$9,000,000</u>	<u>\$2,165,589</u>

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

<u>Year</u>	<u>Total</u>
2015	\$899,555
2016	899,309
2017	894,706
2018	893,382
2019	896,597
2020-2024	4,445,919
2025-2027	2,584,556
Total	<u>\$11,514,024</u>

**H. Sherman Dixie (Conduit not reported on financial statements)**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

**I. STEM School (Agency Fund reported)**

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

The Port Authority is to make monthly principal payments on the Bonds, Series 2011A, in varying monthly amounts ranging from \$115,000 beginning on May 15, 2015 to \$1,425,000 on November 15, 2025. The bonds bear an interest rate of 5.5 percent and are secured by the property and rental payments to be received under the lease with the Dayton Regional STEM Schools through November 15, 2025. The Port Authority is receiving an interest subsidy of 5.41 percent from the U.S Treasury.

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$230,000	\$231,688
2016	235,000	219,038
2017	260,000	205,700
2018	260,000	191,400
2019	260,000	177,100
2020-2024	1,445,000	657,388
2025	1,580,000	82,638
Total	<u>\$4,270,000</u>	<u>\$1,764,952</u>

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

<u>Year</u>	<u>Total</u>
2015	\$485,459
2016	481,332
2017	486,332
2018	470,324
2019	454,412
2020-2024	2,170,545
2025	1,034,412
Total	<u>\$5,582,816</u>

**J. Renegade (Agency Fund reported)**

On September 1, 2007 the Port Authority issued Development Revenue Bonds from the Regional Bond Fund for acquisition and construction of a facility guaranteed by Maverick. The Port Authority is to make monthly principal payments on the Bonds in varying monthly amounts ranging from \$85,000 beginning in May 15, 2015 to \$125,000 on May 15, 2022. The bonds were issued at a 5.125% interest rate with a final maturity on May 15, 2022 and secured by the property and rental payments to be received under the lease with Renegade through May 1, 2022.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$175,000	\$78,541
2016	185,000	69,444
2017	195,000	59,834
2018	205,000	49,712
2019	215,000	39,078
2020-2022	600,000	46,894
Total	<u>\$1,575,000</u>	<u>\$343,503</u>

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

<u>Year</u>	<u>Total</u>
2015	\$260,948
2016	261,095
2017	260,690
2018	259,732
2019	259,055
2020-2022	600,220
Total	<u>\$1,901,740</u>

**K. Clopay (Agency Fund reported)**

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

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$105,000	\$56,250
2016	115,000	49,531
2017	120,000	42,188
2018	130,000	34,531
2019	140,000	26,250
2020-2021	317,500	25,156
Total	<u>\$927,500</u>	<u>\$233,906</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$555,000	\$263,504
2016	590,000	230,078
2017	630,000	194,444
2018	660,000	156,748
2019	700,000	116,990
2020-2021	1,541,667	104,106
Total	<u>\$4,676,667</u>	<u>\$1,065,870</u>

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$355,166	\$74,736
2016	365,969	63,934
2017	377,100	52,802
2018	388,570	41,332
2019	400,389	29,514
2020-2021	765,921	22,212
Total	<u>\$2,653,115</u>	<u>\$284,530</u>

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

<u>Year</u>	<u>Total</u>
2015	\$1,427,632
2016	1,429,966
2017	1,427,681
2018	1,421,266
2019	1,421,998
2020-2021	2,713,028
Total	<u>\$9,841,571</u>

**L. Materion Brush (Agency Fund reported)**

On April 9, 2011, the Port Authority issued a \$2,000,000 Taxable Development Revenue Bond, at an interest rate of 4.9%, with a 10 year maturity. At the same time, the Toledo Lucas County Port Authority (TLCPA) issued an \$8,000,000 bond of the same type, on the same terms. \$2,000,000 of the TLCPA issuance was then used to purchase (Dayton) Port Authority's issuance. The remaining proceeds of the TLCPA issuance, and the proceeds of the Port Authority issuance, \$8,000,000 in total, were then lent on identical terms, parri passu, to Materion Brush for an expansion and upgrade of its operating capacity. The Port Authority is to make monthly principal payments on the Bonds in varying monthly amounts ranging from \$85,000 beginning in May 15, 2015 to \$310,000 on May 15, 2021. The Bonds are secured by the property and rental payments to be received under the lease with Materion Brush through May 1, 2021.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

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

<u>Year</u>	<u>Annual Payments</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$170,000	\$70,193
2016	180,000	61,740
2017	190,000	52,798
2018	195,000	43,488
2019	210,000	33,688
2020-2021	530,000	30,870
Total	<u>\$1,475,000</u>	<u>\$292,777</u>

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

<u>Year</u>	<u>Total</u>
2015	\$256,635
2016	256,309
2017	254,553
2018	249,874
2019	252,049
2020-2021	349,751
Total	<u>\$1,619,171</u>

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

During 2013, the Port Authority entered into agreement with Penn National Gaming to finance the construction, installation and equipping of a racing and video lottery terminal, including a one (1) mile thoroughbred horse race track. The Port Authority agreed to issue up to \$55 million in conduit bonds for the project that will be purchased by Penn National Gaming or its assignee. Penn National Gaming has deposited and withdrawn amounts necessary for all of the construction by the end of 2014 with the trustee. Penn National Gaming or its subsidiaries will deposit the necessary funds required to reimburse construction expenses as needed. As of December 31, 2014, \$28,094,708 was the outstanding balance.

**N. Malt Products (Conduit not reported on financial statements)**

During 2013, the Port Authority entered into agreement with Malt Products to assist with the construction of a 30,000 square foot facility on 42 acres within Montgomery County through a conduit capital lease structure. The Port Authority agreed to issue up to \$11 million in conduit bonds for the project that will be purchased by a subsidiary of Malt Products. Malt Products had deposited and withdrawn the amount necessary for construction fees by the end of 2014 with the trustee. Malt Products or its subsidiaries will deposit the necessary funds required to reimburse construction expenses as needed. As of December 31, 2014, \$58,000 was the outstanding balance.

**O. Fieldstone (Agency Fund reported)**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

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

Year	Annual Payments	
	Principal	Interest
2015	\$20,000	\$60,138
2016	25,000	59,288
2017	30,000	58,119
2018	30,000	56,844
2019	30,000	55,569
2020-2024	170,000	258,081
2025-2029	220,000	217,175
2030-2034	275,000	165,219
2035-2039	360,000	98,919
2040-2042	260,000	19,762
Total	\$1,420,000	\$1,049,114

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

Year	Total
2015	\$90,750
2016	94,750
2017	98,375
2018	96,875
2019	95,375
2020-2024	473,625
2025-2029	475,500
2030-2034	469,375
2035-2039	476,375
2040-2042	230,274
Total	\$2,601,274

**P. National Composite Center (Enterprise fund reported)**

Montgomery County requested that the Port Authority assist the County and National Composite Center in providing grant funding to help the National Composite Center further project development that substantially benefits the County and State of Ohio. During 2013, Montgomery County granted \$500,000 to the Port Authority to distribute to the National Composite Center as requested. As December 31, 2014, there was \$169 of restricted cash and cash equivalents remaining on the Port Authority's statements for this grant. The National Composite Center received \$498,831 as of December 31, 2014 that constitutes a loan receivable under the terms of the agreement. There is no repayment schedule or interest rate in the agreement. There is additional wording within the agreement that could make the loan forgivable if certain economic development aspects are reached with the National Composite Center's work plan. The remaining \$1,000 is related to expenses associated with the bank.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**4. PROJECTS (Continued)**

**Q. Project Walnut (Enterprise fund reported)**

The Port Authority and Montgomery County Transportation Improvement District (the "TID") are working together with the City of Union and Montgomery County on the logistic park (referred to locally as Project Walnut) to provide infrastructure needs to support a larger manufacturing facility. The Port Authority applied to the State Infrastructure Bank (the "SIB") for a loan to provide local funding for the Project. The TID is the construction agent handling the infrastructure improvements and submits the project invoices to the Port Authority for approval and submission to the SIB. The loan is guaranteed through an intergovernmental agreement with the City of Union to provide tax increment financing revenues to cover the debt service payments. As of December 31, 2014, \$11,088,694 of the authorized \$13,200,000 loan was drawn down. The repayment schedule will be determined once the loan is considered final by the State of Ohio.

**R. YMCA of Greater Dayton (Conduit not reported on financial statements)**

During 2014, the Port Authority entered into agreement with the YMCA of Greater Dayton to refinance four existing borrowings through refunding bonds. The Port Authority agreed to issue up to \$9 million in economic development revenue refundings bonds for the project that were purchased by PNC Bank. The issuance was down through two series. Series A was issued for \$2,596,250 with an initial payment of \$24,845 on July 2, 2014 to a final maturity of \$37,872 on June 2, 2021. Series B was issued for \$6,110,500 with an initial payment of \$13,054 on July 2, 2014 to a final maturity of \$43,942 on June 2, 2034. Both series have a variable interest rate based the LIBOR multiplied by an interest factor plus 108 basis points.

**5. DEFINED BENEFIT PENSION PLAN**

The Port Authority contributes to the Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222- PERS (7377).

OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan.
- The Member-Directed Plan (MD) – 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 Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- The Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**5. DEFINED BENEFIT PENSION PLAN**

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, members and employer contribution rates were consistent across all three places. The 2014 member contribution rates were 10 percent of earnable salary. The employer contribution rate for the Port Authority was 14% of earnable salary. The Port Authority's total required contributions for the years ended December 31, 2014, 2013, and 2012 were \$14,462, \$11,200, and \$5,808 respectively. The full amount has been contributed for 2014, 2013, and 2012.

**6. OTHER POSTEMPLOYMENT BENEFITS**

**Public Employees Retirement System (OPERS)**

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

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Tradition Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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

OPERS issues a stand-alone financial report that may be obtained by writing to the Public Employers' Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-PERS (7377).

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14% of earnable salary. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

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. For 2014, the portion of employer contribution allocated to the members in the Traditional Plan and the Combined Plan was 2%. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Port Authority's actual contributions that were used to fund post-employment benefits for 2014, 2013, and 2012 were \$2,066, \$800, and \$2,403 respectively with 100% for 2014, 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**6. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of employer contributions towards the health care fund after the end of the transition period.

**7. RISK MANAGEMENT**

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

**8. CONDUIT DEBT (NOT INCLUDED IN FINANCIAL STATEMENTS)**

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

<u>Issue Name</u>	<u>Issue</u>		<u>Maturity</u>	<u>12/31/2014</u>
	<u>Amount</u>	<u>Date</u>	<u>Date</u>	<u>Balance</u>
Sherman Dixie	\$3,500,000	10/31/2005	12/01/2025	\$3,500,000
Austin Landing Recovery Zone Bonds (parking garage)	800,000	12/13/2010	12/01/2020	683,333 <sup>^</sup>
Austin Landing Recovery Zone Bonds (retail)	1,500,000	12/13/2010	12/01/2020	1,281,250 <sup>^</sup>
White Castle 166 loan	2,000,000	10/31/2012	11/15/2027	2,000,000
Penn National Gaming*	28,094,708	12/23/2013	11/01/2023	28,094,780
Malt Products*	58,000	08/01/2013	8/01/2023	58,000
YMCA Refinancing Project	8,706,750	07/01/2014	06/02/2034	8,476,443

\*As described in the project descriptions these projects are funded by the respective company as the construction continues. The amounts issued and maturity dates could increase during 2015 as the additional amounts are deposited and withdrawn.

<sup>^</sup>These two issues are held by PNC Bank with the reported balance being the latest available information from December 31, 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**9. AGENCY FUND**

**A. Financing Leases Receivable**

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

**B. Regional Bond Fund**

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

The State of Ohio Department of Development (ODOD) awarded the Port Authority a grant of \$4,000,000 during 2000 to establish the Bond Fund Program. Amounts held in the Port Authority's Bond Fund Program Reserve are included in restricted assets and as a liability on the accompanying statement of fiduciary assets and liabilities, due to the nature of the grant that restricts the use of the funds solely to the Bond Fund Program activities. Under the Program, debt service requirements on each bond issue are to be secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financed facilities, as well a lien on related assets. In addition, all borrowers are required to provide a letter of credit or cash as additional security for the related bonds. As of December 31, 2014, the Port Authority had used \$1,022,205 for principal and interest payments on the Dayton Legal Blank obligation.

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

The conditional grant/loan was initially for a 20-year term, with 25 percent of the interest earned on the fund remitted back to ODOD through December 2017 and then, beginning 2018 and continuing through December 2022, 100 percent of the interest earned was required to be remitted back to ODOD. In addition to the interest repayment requirements, the Port Authority was to make a \$1,000,000 repayment of principal on December 31, 2022. During May 2004 the terms were renegotiated whereby the Port Authority is to make annual interest payments of \$25,000 over 20 years on the loan portion and a final repayment in 2024 totaling \$1,500,000, representing the original \$1,000,000 of loan principal and \$500,000 in accumulated interest if the funds are not in reserves. As of December 31, 2014 the Port Authority has accrued interest payments owed to ODOD totaling \$25,000.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**9. AGENCY FUND (Continued)**

In addition, the Port Authority has obtained a \$5,000,000 letter of credit with a commercial bank for additional reserves. As of December 31, 2014, no amounts of this line of credit have been utilized. The letter of credit is to be accessed only in the event the other reserves of the Regional Bond Fund have been exhausted.

For agency fund projects, the table below reflects bond principal balance, as well as the gross lease receivable (which includes interest expenses and other fees reported on the Statement of Fiduciary Assets and Liabilities of \$11,638,666.)

	<b>Bond Balance At 12/31/2014</b>	<b>Lease Receivable at 12/31/2014</b>
<b>Bond Fund Projects:</b>		
STEM	\$4,270,000	\$5,582,816
Materion Brush	1,475,000	1,619,171
Renegade	1,575,000	1,901,740
Clopay Revenue Bonds	927,500	1,158,906
Fieldstone	1,420,000	2,601,274
Subtotal Bond Fund Projects	<u>9,667,500</u>	<u>12,863,907</u>
<b>Other Agency Projects:</b>		
Clopay Taxable Bonds	4,676,667	5,721,310
Clopay 166 State Loan	2,653,115	2,961,355
Relizon State Note	2,748,350	2,885,931
2001 Relizon Bond	3,970,000	4,615,432
Burrows State Loan	2,910,000	3,130,699
Connor Group	8,225,000	10,686,324
White Castle	9,200,000	11,514,024
Subtotal Other Trust Projects	<u>34,383,132</u>	<u>41,515,075</u>
Total	<u>\$44,050,632</u>	<u>\$54,378,982</u>

The Port Authority has \$5,891,252 in restricted cash and cash equivalents maintained in the regional bond fund. Of that amount, \$1,279,541 is related to the projects listed above which is used to reduce the lease receivable due from the companies.

**10. PROJECT RELATED DEBT OBLIGATIONS**

For the year ended December 31, 2014, changes in Port Authority's project related debt were as follows:

	<b>Balance at 01/01/2014</b>	<b>Additions</b>	<b>Payments/ Deletions</b>	<b>Balance at 12/31/2014</b>	<b>Due Within One Year</b>
<b>Patterson Parking Garage:</b>					
Taxable Development					
Mortgage Revenue Bonds, Series 2001 (variable)	\$1,780,000	0	(\$180,000)	\$1,600,000	\$190,000
Development Revenue Bonds					
Series 2004 5.0-6.125%	1,540,000	0	(95,000)	1,445,000	100,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**10. PROJECT RELATED DEBT OBLIGATIONS (Continued)**

	<u>Balance at 01/01/2014</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at 12/31/2014</u>	<u>Due Within One Year</u>
<b>Main Street Parking Garage:</b>					
City of Dayton	21,821,290	3,763	0	21,825,053	0
<b>Austin Landing Parking Garage:</b>					
SIB Loan	3,610,000	0	(201,312)	3,408,688	411,729
<b>Project Walnut:</b>					
SIB Loan	5,898,085	5,190,609	0	11,088,694	0
<b>Total Debt Obligations</b>	<u>\$34,649,375</u>	<u>\$5,194,372</u>	<u>(\$476,312)</u>	<u>\$39,367,435</u>	<u>\$701,729</u>

**11. FINANCING LEASES**

For the year ended December 31, 2014, changes in Port Authority's financing leases were as follows:

	<u>Balance at 01/01/2014</u>	<u>Additions</u>	<u>Payments/ Deletions</u>	<u>Balance at 12/31/2014</u>
STEM	\$5,706,685	\$0	\$123,869	\$5,582,816
Materion Brush	1,874,861	0	255,690	1,619,171
Renegade	2,160,673	0	258,933	1,901,740
Clopay Revenue Bonds	1,291,790	0	132,884	1,158,906
Fieldstone Revenue Bonds	2,729,469	0	128,195	2,601,274
Clopay Taxable Bonds	6,540,109	0	818,799	5,721,310
Clopay 166 State Loan	3,382,841	0	421,486	2,961,355
Relizon State Note	3,285,255	0	399,324	2,885,931
2001 Relizon Bond	5,491,788	0	876,356	4,615,432
Burrows State Loan	4,054,644	0	923,945	3,130,699
Connor Group	11,223,266	0	536,942	10,686,324
White Castle	12,365,456	0	851,432	11,514,024
	<u>\$60,106,837</u>	<u>\$0</u>	<u>\$5,727,855</u>	<u>\$54,378,982</u>

**12. TRANSFERS**

Following is a summary of transfers in and out for all funds for 2014:

<u>Fund</u>	<u>Enterprise</u>	<u>Agency</u>
Transfer-In from Agency Fund for Debt Service Payment	\$183,588	\$0
Transfer-Out to Enterprise Fund for Debt Service Payment	0	(183,588)
<b>Total All Funds</b>	<u>\$183,588</u>	<u>(\$183,588)</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**13. RELATED PARTY DISCLOSURE**

**A. City of Dayton**

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

**B. Montgomery County**

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

**14. NON-COMPLIANCE**

The Port Authority did not certify expenditures in accordance with requirements of Ohio Revised Code Section 5704.41(D).

Ohio Revised Code Section 135.14(B) does not allow the Port Authority to invest in guaranteed investment contracts (GIC).

**15. SUBSEQUENT EVENT**

On March 16, 2015, the Port Authority approved the creation of the Southwest Ohio Regional Bond Fund (the "SWORBF"). The SWORBF is the combination of the Dayton Montgomery County Port Authority and Cincinnati Port Authority for the purpose of an expanded scope and reserves of the Dayton Regional Bond Fund. Each port authority continues to operate as separate port authorities for every other purpose.

On July 10, 2015, the State Infrastructure Bank approved an additional \$2 million dollars for the City of Union Prologis deal based on additional costs incurred for the project. The repayment structure and maturity schedule remains constant with the information disclosed in Note 4.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the aggregate remaining fund information of Dayton-Montgomery County Port Authority, Montgomery County, (the Port Authority) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated August 26, 2015.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Port Authority's financial statements. We consider finding 2014-004 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 through 2014-003.

***Port Authority's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 26, 2015

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2014-001**

**NONCOMPLIANCE**

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

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

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

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

**FINDING NUMBER 2014-001  
(Continued)**

- (b) Bankers acceptances of banks that are insured by the federal deposit insurance corporation and to which both of the following apply:
  - (i) The obligations are eligible for purchase by the federal reserve system.
  - (ii) The obligations mature not later than one hundred eighty days after purchase.

During 2014, the Port Authority had \$4,000,000 in Guaranteed Investment Contract (GIC) invested through a private company. The GICs were not backed by the full faith and credit of the United States or otherwise listed as an allowable investment.

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

**Official's Response:**

The Port Authority amended its investment policy to include Guaranteed Investment Contracts as an eligible investment during 2014. The updated policy was filed with the State Auditor's office and provided to our banking institutions by December 31, 2014. The Port has been invested in the Guaranteed Investment Contract since July 14, 2004 and it is considered to be a qualified investment by Port under the terms of the trust indenture on the Patterson Parking Garage.

**FINDING NUMBER 2014-002**

**NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY**

**Ohio Rev. Code § 121.22(C)** states, in part, that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The Board meeting minutes for the September, November, and December 2014 meetings were not prepared and provided to the auditors until August 25, 2015.

The Authority should establish and implement procedures to verify that all Board meeting minutes are promptly prepared and are approved by the Board at the next regular meeting. Failure to do so could result in the Authority being subject to legal proceedings and fines and penalties being assessed against the Authority. Additionally, due to the nature of Port Authority's operations, lack of Board minutes increases the likelihood of material debt issuances going unreported on the financial statements.

**Official's Response:**

The Port Authority has very limited staff that makes it difficult to complete the minutes in a timely manner. The Port Authority is working with the legal team to complete the minutes in a timely manner for the 2015 fiscal year.

**FINDING NUMBER 2014-003**

**NONCOMPLIANCE**

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

**FINDING NUMBER 2014-003**  
**(Continued)**

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

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

The Port Authority approved the 2014 budget on July 21, 2014, which was after the required date of July 15, 2013. Additionally, the Port Authority did not utilize purchase orders, blanket purchase orders, super blanket certificates or then and now certificates in accordance with Ohio Rev. Code § 5705.41(D).

The Port Authority should establish and implement policies and procedures to verify that purchase orders are utilized properly for all purchases and that operating budgets are approved in a timely manner to verify that the Port Authority has appropriate time to adapt to any anticipated changes in the ensuing fiscal year.

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

**Official's Response:**

The Port Authority is working on getting the budgetary approval process done in a timely fashion. Due to the unique nature of the Port Authority, certain monthly board meetings are canceled if project activity does not require a meeting. The Port Authority is required to meet quarterly. For fiscal year 2015's budget, the Port Authority approved it on July 21, 2014. Although it was after the required July 15, 2014 date, the meeting for June was canceled. The Port Authority will review and approve the next year's budget starting in May to allow additional time in case a meeting is canceled for lack of project activity.

For purchase orders, the Port Authority has limited staff and presents monthly financial statements that compare the total expenditures against the budgeted line items. As long as the expenditures do not exceed the overall budgeted expenditures, the funds are considered available. Purchase orders are not part of the accounting package and do not enhance the accuracy or the effectiveness of the Port Authority's financial controls.

**FINDING NUMBER 2014-004**

**MATERIAL WEAKNESS**

The Port Authority prepared its annual financial statements in accordance with generally accepted accounting principles (GAAP). The following error noted in the statement of net position and statement of cash flows was determined to be material to the financial statements and has been adjusted in the accompanying statements:

1. Intergovernmental Receivable and Deferred Inflows - Intergovernmental Grant were overstated \$4,748,348 in the Statement of Net Position. Further, Proceeds from SIB Loan - Project Walnut were overstated and Capital Distributions to TID - Project Walnut were understated \$4,748,348 on the Statement of Cash Flows.

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

1. Salaries and Benefits Expenses were understated and Interest and Fiscal Charges Expenses were overstated \$3,935 in the Statement of Revenues, Expenses and Changes in Net Position.
2. Parking Garage Fees and Operating Expenses were overstated by \$21,270 in the Statement of Revenues, Expenses and Changes in Net Position.
3. Financing Leases Receivable was under-stated, Interest and Fees Payable, and Restricted Grant Due to the Port Authority were overstated by \$324,658, \$221,163, and 103,495, respectively, in the Statement of Fiduciary Assets and Liabilities.
4. Financing Leases Receivable was overstated and Intergovernmental Receivable was understated by \$2,601,274 in the Statement of Fiduciary Assets and Liabilities.

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

**Official's Response:**

The Port Authority has evaluated the adjustment that needed to be posted to the financial statements. The workpapers for the intergovernmental receivable and deferred inflows have been updated to remove the item that caused the overstatement.

For the items that were not required to be posted to the financial statements, the Port Authority will verify that items listed in #1, #2 and #4 are posted to the correct line items in the next year's financial statements. For item #3, an evaluation of the lease amortization schedules will be verified to current year information to verify they are still accurate.

**DAYTON MONTGOMERY COUNTY PORT AUTHORITY  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Financial Statement Misstatements	No	Repeated as Finding Number 2014-004
2013-002	Ohio Rev. Code § 5705.28(B)(2), Ohio Rev. Code § 5705.41(B) and Ohio Rev. Code §5705.41(D)	No	Partially corrected. Repeated as Finding Number 2014-003
2013-003	Ohio Rev. Code §135.14 (B) – Port Authority invested in Guaranteed Investment Contract	No	Repeated as Finding Number 2014-001

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**DAYTON MONTGOMERY COUNTY PORT AUTHORITY**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 13, 2015**