TOLEDO-LUCAS COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

Board of Directors
Toledo Lucas County Port Authority
One Maritime Plaza
Toledo, Ohio 43604-1866

We have reviewed the *Independent Auditors' Report* of the Toledo Lucas County Port Authority, prepared by Weber O'Brien Ltd., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 10, 2007

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TOLEDO-LUCAS COUNTY PORT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Toledo-Lucas County Port Authority
One Maritime Plaza
Toledo, Ohio 43604-1866

We have audited the accompanying statement of net assets of the Toledo-Lucas County Port Authority ("Authority") as of December 31, 2006, and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

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The Board of Directors
Toledo-Lucas County Port Authority
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In accordance with *Government Auditing Standards,* we have also issued our report dated September 7, 2007, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 - 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards on page 38 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* the accompanying schedule of passenger facility charges collected and expended - cash basis on pages 39 and 40 is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration, and the supplemental information on pages 32 - 37, which is presented for purposes of additional analysis, are not a required part of the financial statements. Such additional information, which is the responsibility of the Authority's management, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Weber O'Brien Ltd

September 7, 2007

Management's Discussion and Analysis
For the Year Ended December 31, 2006

The discussion and analysis of the Toledo-Lucas County Port Authority's financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2006. This information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

The following financial highlights for 2006 are as follows:

- Total Net Assets increased to $160,238,210 or about 5% from the year ended December 31, 2005.
- Operating Revenue increased approximately $.5 million from 2005 due primarily to an increase in financing fees from the Port's issuance of Bonds. Operating Expenses decreased approximately $2.5 million from 2005 primarily because of lower contract services in the Administration Division, lower repairs and maintenance at the Airport due in part to a mild winter, and lower depreciation expense in the Seaport Division.
- Operating loss of $2,614,839 was reported, however this included about $6.8 million of depreciation and amortization expense. This loss was approximately $3 million lower than the loss in 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

The following tables provide a summary of the Authority's financial position and operations for 2006 and 2005, respectively.

Condensed Statements of Net Assets

	December 31, 2006	December 31, 2005	Change Amount	Change %
Assets:				
Current assets	18,798,287	17,776,913	1,021,374	5.7%
Capital Assets, Net	168,604,901	163,834,542	4,770,359	2.9%
Other Noncurrent Assets	20,741,970	21,320,091	(578,121)	-2.7%
Total assets	208,145,158	202,931,546	5,213,612	2.6%
Liabilities and Net Assets:				
Liabilities:				
Current liabilities	5,850,000	6,200,408	(350,408)	-5.7%
Long-term debt outstanding	42,056,948	44,198,047	(2,141,099)	-4.8%
Total liabilities	47,906,948	50,398,455	(2,491,507)	-4.9%
Net Assets:				
Invested in capital assets-net of related debt	124,281,826	116,900,480	7,381,346	6.3%
Restricted	21,680,098	22,574,352	(894,254)	-4.0%
Unrestricted	14,276,286	13,058,259	1,218,027	9.3%
Total net assets	160,238,210	152,533,091	7,705,119	5.1%
Total Liabilities and Net Assets	208,145,158	202,931,546	5,213,612	2.6%

- Current assets increased $1,021,374 as unrestricted cash and cash equivalents increased approximately $2.5 million, however, unrestricted investments decreased approximately $700,000. A settlement receivable in the amount of $870,500 from 2005 was received in 2006.

- Capital assets increased approximately $4.8 million to $168.6 million due to Seaport and Airport improvements for the following projects: New High Bay Facility at the Seaport, Toledo Express Airport Terminal Reconfiguration and Metcalf Taxiway Improvements.

- Total liabilities decreased $2.5 million as long-term principal debt payments were made.

- The Authority's assets exceeded liabilities by approximately $160.2 million at December 31, 2006, an increase of about $7.7 million from the net assets as of December 31, 2005. The largest portion of the Authority's net assets represents its investment in capital assets, less related debt outstanding used to acquire those assets. The Authority uses these capital assets to provide services to its tenants, passengers and customers of the Airport and Seaport. Therefore these assets are not available for future spending. The Authority uses operating and nonoperating revenue to repay the debt associated with these capital assets.

Changes in Net Assets - The following table shows the changes in revenues and expenses for the Authority between 2006 and 2005:

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	December 31, 2006	December 31, 2005	Change Amount	%
Operating revenues				
Airport related	$ 9,609,153	$ 9,592,662	$ 16,491	0.2%
Seaport Financing and other	3,656,360	3,180,657	475,703	15.0%
Total operating revenues	13,265,513	12,773,319	492,194	3.9%
Operating expenses				
Economic development	95,577	910,999	(815,422)	-89.5%
Airport related	11,195,744	11,679,724	(483,980)	-4.1%
Seaport, Financing, Admin and other	4,589,031	5,836,467	(1,247,436)	-21.4%
Total operating expenses	15,880,352	18,427,190	(2,546,838)	-13.8%
Operating loss	(2,614,839)	(5,653,871)	3,039,032	-53.8%
Nonoperating revenues (expenses)				
Proceeds of property tax levy	2,540,767	2,460,320	80,447	3.3%
Intergovernmental Grants	246,631	936,180	(689,549)	-73.7%
Interest income from investments	1,422,749	1,420,360	2,389	0.2%
Passenger facility charges	968,703	1,134,651	(165,948)	-14.6%
Litigation settlement	87,500	870,500	(783,000)	-89.9%
Interest expense	(2,888,202)	(2,950,022)	61,820	-2.1%
Loss on disposal of asset	(1,597,814)	-	(1,597,814)	100.0%
Other expense	(228,780)	(228,780)	-	0.0%
Total nonoperating revenues (expenses)	551,554	3,643,209	(3,091,655)	-84.9%
Loss before contributions	(2,063,285)	(2,010,662)	(52,623)	2.6%
Capital Contributions	9,768,404	9,126,267	642,137	7.0%
Changes in Net Assets	7,705,119	7,115,605	589,514	8.3%
Total net assets-beginning of year	152,533,091	145,417,486	7,115,605	4.9%
Total net assets-end of year	$160,238,210	$152,533,091	$ 7,705,119	5.1%

- Although 2006 reported a net operating loss of $2.6 million including $6.8 million of depreciation and amortization expense, non-operating revenues exceeded non-operating expenses by $551,554. Revenues included in this category are proceeds from the tax levy, interest revenue, intergovernmental grants and airport passenger facility charges.

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

- Operating revenues for 2006 increased almost 4% from 2005 mainly in the Administration Division's fees from the issuance of bonds.

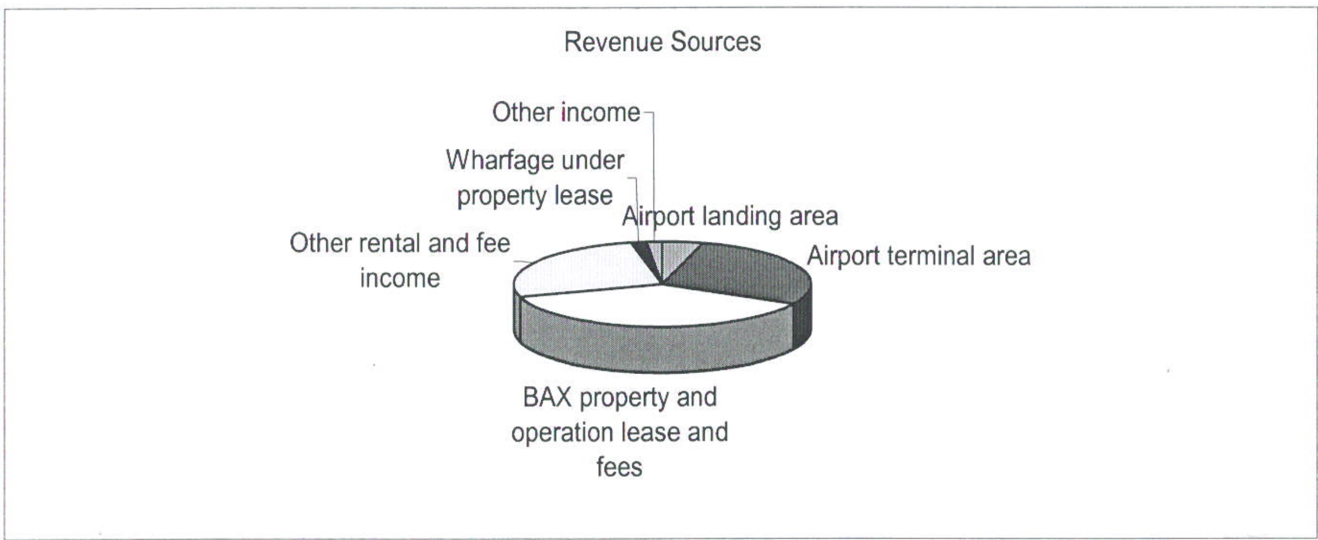
- There was a decrease of about 14% in operating expenses primarily due to lower airport maintenance, lower seaport depreciation, and lower administration contract services.

- Nonoperating revenues exceeded nonoperating expenses by $551,554 which was a significant decrease from $3,643,209 in 2005:

    - Intergovernmental grant income decreased by approximately $700,000, due primarily to the completion of the State of Ohio – Clean Ohio Fund grant.
    - A loss on land sale at the airport resulted in a $1.5 million loss.
    - A litigation settlement in favor of the Authority was recorded in 2005 of approximately $870,000.

- Capital contributions increased approximately $650,000 in 2006 mainly due to an increase in FAA Grants

Revenue Sources	2006	Percent of Total
Airport landing area	583,236	4.40%
Airport terminal area	3,780,726	28.50%
BAX property and operation lease and fees	4,966,653	37.44%
Other rental and fee income	3,492,856	26.33%
Wharfage under property lease	211,780	1.60%
Other income	230,262	1.74%
Total Revenue	$13,265,513	100.00%



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006 the Authority had $168,604,901 net of accumulated depreciation invested in land, buildings, equipment and vehicles. This amount represents a net increase of approximately $4.8 million, or 3 % as compared to 2005. The following table shows fiscal year 2006 and 2005 balances:

Capital Assets at December 31,

	2006	2005	Change
Land	$ 56,871,867	$ 57,960,379	$ (1,088,512)
Construction in progress	6,465,267	6,012,678	452,589
Improvements	139,135,112	133,086,651	6,048,461
Property and equipment	41,237,194	42,243,194	(1,006,000)
Buildings & leasehold improvements	68,616,534	63,485,561	5,130,973
Furniture and fixtures	467,498	467,498	0
Total Cost	$ 312,793,472	$ 303,255,961	$ 9,537,511
Accumulated Depreciation	(144,188,571)	(139,421,419)	(4,767,152)
Net Value	$ 168,604,901	$ 163,834,542	$ 4,770,359

Major additions in 2006 were airport related.

Debt

At December 31, 2006, the Authority had $44,323,075 in debt outstanding, $2,266,127 of which is due within one year. All outstanding debt pertains to Airport improvements.

The following table summarizes the Authority's debt outstanding as of December 31, 2006 and 2005 and should be read in conjunction with Note 7 to the audited financial statements for more detailed information on debt.

Outstanding Debt at December 31,

	2006	2005
Revenue bonds payable	42,935,000	44,760,000
Long-term notes payable	487,603	1,369,043
Ohio Water Development Authority loan payable	693,841	805,019
Line of Credit	206,631	-
	44,323,075	46,934,062

ECONOMIC FACTORS

The following statistics played a key role in the Authority's financial picture in 2006 compared to 2005:

- Cargo moving through the Port of Toledo was up over 6% due to an increase in grain, liquid and dry bulk. However, coal and general cargo were down.
- Passengers using Toledo Express were down 18%. Air cargo was up slightly.
- There was a 4% drop in the amount of Passengers using the AMTRAK station in Toledo, at Dr. Martin Luther King, Jr., Plaza owned by the Port Authority.
- Four bond issues totaling just over $21 million were completed in 2006. Six SBA 504 loans were closed for $1.9 million and five Ohio 166 Regional Loans were closed for $1.3 million.

REQUESTS FOR INFORMATION

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

Toledo-Lucas County Port Authority
Statement of Net Assets
December 31, 2006

ASSETS

Current Assets:		
Cash and cash equivalents	$	7,795,158
Investments		8,287,593
Interest receivable		75,070
Accounts receivable		2,216,150
Prepaid expenses and other assets		424,316
Total Current Assets		**18,798,287**
Noncurrent Assets:		
Nondepreciable capital assets		63,337,134
Depreciable capital assets, net of accumulated depreciation		105,267,767
Restricted:		
Cash and cash equivalents		502,816
Investments		14,164,516
Amount due from lessee		450,000
Deferred bond issue costs		1,903,692
Deferred loss on refunding		720,946
Amount due from Northwest Bond Fund		3,000,000
Total Noncurrent Assets		**189,346,871**
Total Assets		**208,145,158**

(Continued)

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Net Assets, Continued
December 31, 2006

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$	2,543,285
Accrued payroll		693,103
Deferred income		16,800
Accrued interest payable		330,685
Line of credit		206,631
Revenue bonds payable-current		1,940,000
Ohio Water Development Authority loan payable-current		119,496
Total Current Liabilities		**5,850,000**
Noncurrent Liabilities:		
Long-term notes payable		487,603
Revenue bonds payable		40,995,000
Ohio Water Development Authority loan payable		574,345
Total Noncurrent Liabilities		**42,056,948**
Total Liabilities		**47,906,948**
Net Assets:		
Invested in capital assets, net of related debt		124,281,826
Restricted		21,680,098
Unrestricted		14,276,286
Total Net Assets	**$**	**160,238,210**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2006

Operating Revenues	
BAX rental under property lease	$ 3,006,779
Airport landing area	583,236
Airport terminal area	3,780,726
BAX operation lease and fees	1,959,874
Other rental and fee income	3,492,856
Wharfage under property lease	211,780
Other income	230,262
Total Operating Revenues	**13,265,513**
Operating Expenses	
Personal services	4,958,520
Marketing	511,213
Contractual services	1,492,812
Utilities	693,443
Repairs and maintenance	999,762
Depreciation	6,425,111
Amortization	363,852
Rental	257,456
Other	178,183
Total Operating Expenses	**15,880,352**
Operating Loss	**(2,614,839)**
Nonoperating Revenues (Expenses)	
Proceeds of property tax levy	2,540,767
Intergovernmental grants	246,631
Interest income from investments	1,422,749
Passenger facility charges	968,703
Litigation settlement	87,500
Loss on disposal of asset	(1,597,814)
Borrower disbursements	(228,780)
Interest expense	(2,888,202)
Total Nonoperating Revenues (Expenses)	**551,554**
Loss Before Contributions	**(2,063,285)**
Capital contributions	9,768,404
Changes in Net Assets	**7,705,119**
Net assets at beginning of year	152,533,091
Net Assets at End of Year	**$ 160,238,210**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Cash Flows
For the Year Ended December 31, 2006

Cash flows from operating activities:	
Cash received from customers	13,230,857
Cash payments for goods and services	(4,067,479)
Cash payments to and on behalf of employees	(4,903,132)
Net cash provided by operating activities	**4,260,246**
Cash flows from noncapital financing activities:	
Issuance of new notes	487,603
Litigation settlement	958,000
Proceeds of property tax levy	2,540,767
Net cash provided by noncapital financing activities	**3,986,370**
Cash flows from capital and related financing activities:	
Capital grants received	10,062,447
Passenger facility charges received	956,745
Acquisition and construction of capital assets	(12,828,009)
Proceeds on disposal of capital assets	141,239
Interest paid on capital asset debt	(2,887,469)
Issuance of debt	206,630
Principal payments on long-term debt	(3,447,923)
Net cash used by capital and related financing activities	**(7,796,340)**
Cash flows from investing activities:	
Interest on investments	1,412,749
Borrower disbursements	(228,780)
Purchase of securities	(2,017,626)
Proceeds on securities	3,124,091
Net cash provided by investing activities	**2,290,434**
Net Increase in cash and cash equivalents	**2,740,710**
Cash and cash equivalents at beginning of year	5,557,264
Cash and cash equivalents at end of year	**$8,297,974**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Cash Flows, Continued
For the Year Ended December 31, 2006

Reconciliation of operating loss to net cash	
Provided by operating activities:	
Operating loss	(2,614,839)
Adjustments to reconcile operating income to	
cash provided by operating activities:	
Depreciation and amortization expense	6,788,963
Changes in assets and liabilities:	
Accounts receivable	(35,376)
Prepaid expenses and other assets	2,018
Accounts payable	65,390
Accrued payroll	55,388
Deferred income	(1,298)
Total adjustments	**6,875,085**
Net cash provided by operating activities	**4,260,246**

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

The Authority is composed of four divisions, the Seaport Division, the Airport Division, the Economic Development Division and the New Project Development Division. The Authority functions as a site purchasing and development agency, leasing developed areas at the Port of Toledo, Toledo Express Airport, Metcalf Airport and Dr. Martin Luther King, Jr. Plaza to private firms for operations. In 1973, the Authority assumed the operation and management of Toledo's airports from the City of Toledo under a lease, which expires in the year 2023. The New Project Development Division was formed during 2006 which was formerly the Surface Transportation Division. Additional responsibilities include acquisition and remediation of property for economic development. The division administers a grant and loan program for qualifying neighborhood projects.

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

Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Use of Estimates

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

Cash and Investments

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

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Deferred Bond Issue Costs and Bond Discount

Bond issue costs and bond discounts are being amortized over the life of the bonds using the straight-line method, which approximates the interest method.

Deferred Loss on Bond Refunding

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

Compensated Absences

Employees of the Authority are entitled to paid vacation days depending on job classification, length of service, and other factors. Accrued vacation at December 31, 2006 was $507,406 and is included with accrued payroll on the statement of net assets.

Net Assets

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

Revenues and Expenses

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Levy

A .4 mill real estate tax replacement levy passed by Lucas County voters in 2004 provides financial support for the various activities of the Authority. The levy expires in 2009. The Authority elected to collect the full .4 mill in 2006.

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

Budgetary Process

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

NOTE 2 – CASH AND INVESTMENTS

Bank Deposits

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

At year end the carrying amount of the Authority's deposits was $8,275,266 and the bank balance was $8,739,132. The Authority also had $750 cash on hand. Federal depository insurance covered $100,000 of the bank balance and $8,639,132 was uninsured. Of the remaining uninsured bank balance, the Authority was exposed to custodial risk as follows:

Uninsured and collateralized with securities held by the pledging institution's trust department not in the Authority's name:	$8,639,132

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments

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

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

The Authority's investments at December 31, 2006 were as follows:

			Investment Maturities (in Years)			
	Fair Value	Credit Rating	less than 1	1-3	3-5	more than 5
STAR Ohio	$ 21,958	AAAm [1]	$ 21,958	$ -	$ -	$ -
Money Market Fund	324,067	AAAm [1]	324,067	-	-	-
CDC Funding Corp Guaranteed Investment Contract	1,867,000	N/A	-	-	-	1,867,000
Transamerica Life Insurance Guaranteed Investment Contract	989,345	N/A	989,345	-	-	-
Toledo-Lucas County Port Authority Bond	9,810,723	BBB+ [2]	-	-	-	9,810,723
US Treasury	921,639	N/A	921,639			
Federal Home Loan Bank	2,000,000	AAA [1]	-	2,000,000		
Federal National Mortgage Association	5,542,335	AAA [1]	1,770,479	3,771,856		
Federal Home Loan Mortgage Corp	997,000	AAA [1]	-	997,000	-	-
Total Investments	$22,474,067		$4,027,488	$6,768,856	$ -	$11,677,723

[1] Standard & Poor's
[2] Fitch

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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

Concentration of Credit Risk - Concentration of credit risk exists when investments are concentrated in one issue. The Authority's Investment Policy allows investments of 100% in U.S. Agency or Treasury Obligations, and limits repurchase agreements and investments in STAR Ohio to 25% of total investments and investments in Port Authority Bonds to $200,000, unless the Authority's Board of Directors, by resolution, modifies the limits. The Authority's investments in U.S. Agencies represent approximately 38.0%, U.S. Treasuries 4.1%, Money Market funds 1.4%, Toledo-Lucas County Port Authority Bond 43.7 % and Guaranteed Investment Contracts 12.7%, respectively, of the Authority's investment portfolio at year end.

NOTE 3 – CAPITAL ASSETS

Capital assets consist of the following:

Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Capital assets not being depreciated:				
Land	$ 57,960,379	$ 259,008	$ (1,347,520)	$ 56,871,867
Construction in Progress	6,012,678	452,589	-	6,465,267
Subtotal	63,973,057	711,597	(1,347,520)	63,337,134
Capital assets being depreciated:				
Improvements	133,086,651	6,502,881	(454,420)	139,135,112
Property and Equipment	42,243,194	65,042	(1,071,042)	41,237,194
Buildings and Leasehold Improvements	63,485,561	5,606,259	(475,286)	68,616,534
Furniture and Fixtures	467,498	-	-	467,498
Subtotal	239,282,904	12,174,182	(2,000,748)	249,456,338
Total Cost	$ 303,255,961	$ 12,885,779	$ (3,348,268)	$ 312,793,472

Accumulated Depreciation:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Capital assets being depreciated:				
Land Improvements	$ (78,459,776)	$ (3,864,749)	$ 451,499	$ (81,873,026)
Property and Equipment	(24,333,269)	(1,043,377)	923,450	(24,453,196)
Buildings and Leasehold Improvements	(36,367,219)	(1,506,392)	283,010	(37,590,601)
Furniture and Fixtures	(261,155)	(10,593)	-	(271,748)
Total Depreciation	$ (139,421,419)	$ (6,425,111)	$ 1,657,959	$ (144,188,571)
Net Value:	$ 163,834,542	$ 6,460,668	$ (1,690,309)	$ 168,604,901
Depreciation Expense charged to operating expense		$6,425,111		

Depreciation has been determined using the straight-line method over the estimated useful lives of the property and equipment ranging between 5 and 40 years. During 2006, approximately $10,000,000 of Federal, state and local grant funding was utilized to purchase capital assets. Certain amounts at December 31, 2005 have been reclassed from Improvements to Land and Construction in Progress.

NOTE 4 – DEBT

A summary of Long Term Debt Activity for the year ended December 31, 2006 follows:

	Series	Maturity Date	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Revenue Bonds:							
Northwest Ohio Development:							
Taxable:							
7.22% Port Authority	1998B	2008	$ 940,000	$ -	$ (290,000)	$ 650,000	$ 315,000
Tax Exempt:							
6.38% BAX	2004C	2032	9,810,000	-	-	9,810,000	-
Other:							
6.25-6.375% BAX	2004-1	2032	27,020,000		(1,220,000)	25,800,000	1,295,000
5.55% Airport Improvement Refunding	1998	2020	6,990,000	-	(315,000)	6,675,000	330,000
Total Revenue Bonds			44,760,000	-	(1,825,000)	42,935,000	1,940,000
Notes Payable:							
4.00% MLKJ Plaza ODOD	1996	2006	39,765	-	(39,765)	-	-
3.00% Airport ODOT Note	2003	2007	1,329,278	-	(1,329,278)	-	-
3.00% Airport ODOT Note	2006	2011	-	487,603	-	487,603	-
Total Notes Payable			1,369,043	487,603	(1,369,043)	487,603	-
Ohio Water Development Authority Loans (OWDA):							
7.50% Water Pollution Control Plant		2011	805,019	-	(111,178)	693,841	119,496
Total			$ 46,934,062	$ 487,603	$ (3,305,221)	$ 44,116,444	$ 2,059,496

NOTE 4 - DEBT (Continued)

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

	2007	2008	2009	2010	2011
Notes Payable					
Airport ODOT Note	$ -	$ 61,669	$ 166,578	$ 171,613	$ 87,743
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Taxable-Port Authority	315,000	335,000	-	-	-
BAX	1,295,000	1,775,000	1,890,000	2,010,000	2,135,000
Tax Exempt-BAX	-	-	-	-	-
Airport Improvement Refunding Bonds	330,000	350,000	365,000	390,000	405,000
OWDA Loan Payable					
Water Pollution Control Plant	119,496	128,436	124,044	148,371	56,208
Total	$ 2,059,496	$ 2,650,105	$ 2,545,622	$ 2,719,984	$ 2,683,951

	2012-2016	2017-2021	2022-2026	2027-2031	2032	Total
Notes Payable						
Airport ODOT Note	$ -	$ -	$ -	$ -	$ -	$ 487,603
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	-	-	-	-	-	650,000
BAX	7,925,000	2,240,000	2,180,000	2,720,000	1,630,000	25,800,000
Tax Exempt-BAX	1,040,000	2,240,000	2,180,000	2,720,000	1,630,000	9,810,000
Airport Improvement Refunding Bonds	2,400,000	2,435,000	-	-	-	6,675,000
OWDA Loan Payable						
Water Pollution Control Plant	117,286	-	-	-	-	693,841
Total	$ 11,482,286	$ 6,915,000	$ 4,360,000	$ 5,440,000	$ 3,260,000	$ 44,116,444

NOTE 4 - DEBT (Continued)

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

	2007	2008	2009	2010	2011
Notes Payable					
Airport ODOT Note	$ -	$ 22,389	$ 11,538	$ 6,503	$ 1,316
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Taxable-Port Authority	35,559	12,093	-	-	-
BAX	1,604,762	1,516,481	1,403,825	1,283,825	1,156,324
Tax Exempt-BAX	625,388	625,387	625,388	625,387	625,388
Airport Improvement Refunding Bonds	358,050	339,350	319,687	298,925	277,062
OWDA Loan Payable					
Water Pollution Control Plant	51,907	50,350	33,359	23,032	11,908
Total	$ 2,675,666	$ 2,566,050	$ 2,393,797	$ 2,237,672	$ 2,071,998

	2012-2016	2017-2021	2022-2026	2027-2031	2032	Total
Notes Payable						
Airport ODOT Note	$ -	$ -	$ -	$ -	$ -	$ 41,746
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	-	-	-	-	-	47,652
BAX	3,692,560	2,492,143	1,760,772	1,018,244	93,712	16,022,648
Tax Exempt-BAX	3,047,251	2,492,147	1,760,775	1,018,247	93,712	11,539,070
Airport Improvement Refunding Bonds	1,013,374	276,236	-	-	-	2,882,684
OWDA Loan Payable						
Water Pollution Control Plant	-	-	-	-	-	170,556
Total	$ 7,753,185	$ 5,260,526	$ 3,521,547	$ 2,036,491	$ 187,424	$ 30,704,356

A. Line of Credit

The Authority has a line of credit available in the amount of $3,000,000 for construction of an airport permanent improvement project. The line of credit was issued in order to finance the project while waiting receipt of an F.A.A. grant that has already been authorized by the Federal Government for this project. The interest rate is 4.45 % and as of December 31, 2006 the Authority has used $206,631 of the line of credit.

B. Airport Improvement Revenue Bonds and Note

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

In March 1994 the Authority issued $36,120,000 of Airport Refunding and Improvement Revenue Bonds, Series 1994-1, in part to refinance the 1989 issue of Airport Improvement Revenue Bonds and in part to

NOTE 4 - DEBT (Continued)

B. Airport Improvement Revenue Bonds and Note (Continued)

finance an additional project and improvements at Toledo Express Airport, substantially all of which are used by and leased to BAX. The bonds, which are tax exempt, pay interest at various rates ranging between 7% and 7.5% and mature in installments which began in 1995 and continue through 2019. The bonds may be redeemed prior to maturity, at specified premiums, at the option of the Authority.

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

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

In May 1998, the Authority defeased $6,815,000 of Airport Improvement Revenue Bonds and $2,965,000 of Tax-Exempt Development Revenue Bonds (Series 1990A) through the issuance of $8,770,000 of Airport Improvement Revenue Bonds and $2,500,000 of Taxable Development Revenue Bonds (Series 1998B issued through the Northwest Bond Fund). The net proceeds of these bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of $4,140,000 and $2,380,000 at December 31, 2006 are not included in the Authority's outstanding debt since the Authority has in substance satisfied its obligations through the advance refunding.

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

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

NOTE 5 - RETIREMENT PLAN

The following information was provided by the Public Employees Retirement System of Ohio (PERS) of Ohio to assist the Authority in complying with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers."

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the Authority are established and may be amended by the Public Employees Retirement Board. The Authority's contributions to the Ohio PERS for the years ending December 31, 2006, 2005, and 2004 were $499,124, 488,167 and $476,456, respectively, which were equal to the required contributions for each year.

NOTE 5 – RETIREMENT PLAN(Continued)

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to $163,946.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 358,804. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $31.3 billion and $20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE 6 - OPERATING LEASES

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

Property under lease at December 31, 2006 consists of the following:

	BAX Global Rentals and Debt Service	Dr. Martin Luther King Plaza	Seaport Leases	Total
Capitalized Interest	$ 1,869,601	$ -	$ -	$ 1,869,601
Facilities and Equipment	32,104,750	-	-	32,104,750
Land	-	-	10,697,406	10,697,406
Construction in Progress	-	-	2,215,598	2,215,598
Improvements	-	-	12,129,463	12,129,463
Property and Equipment	-	7,682	1,458,444	1,466,126
Building and Leasehold Improvements	-	7,509,623	3,853,206	11,362,829
Total Cost	33,974,351	7,517,305	30,354,117	71,845,773
Less: Accumulated Depreciation	(20,532,927)	(2,646,597)	(11,632,968)	(34,812,492)
	$13,441,424	$4,870,708	$18,721,149	$37,033,281

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

Years	BAX Global Rentals and Debt Service	Dr. Martin Luther King Plaza	Seaport Leases	Total
2007	$ 3,670,506	$ 393,775	$ 780,105	$ 4,844,386
2008	3,667,270	178,488	830,104	4,675,862
2009	3,665,394	178,488	980,104	4,823,986
2010	3,658,733	178,488	922,200	4,759,421
2011	3,651,882	178,488	972,000	4,802,370
2012-2016	7,470,162	788,322	4,910,000	13,168,484
2017-2021			5,160,000	5,160,000
2022-2026			4,761,667	4,761,667
2027-2031			85,500	85,500
Totals	$25,783,947	$1,896,049	$19,401,680	$47,081,676

Under the BAX lease agreement, scheduled to expire in 2013, BAX was required to make monthly payments for the "basic" rent on the air cargo distribution facility in scheduled amounts calculated to be sufficient to meet the debt service requirements of the 1989 Airport Improvement Revenue Bonds. Rental income amounted to $3,006,779 in 2006.

NOTE 6 - OPERATING LEASES, Continued

In addition to the basic rent, the agreement also provides for monthly landing fees and fixed payments for land rental and ramp fees. Fixed payments range from $656,657 to be received in 2007 to $538,968 scheduled for 2013. Landing fees which are calculated based on aircraft weight amounted to $1,028,373 in 2006. The Authority is entitled to increase landing fees annually commensurate with the increase in airport operating costs, with a maximum increase of 5% per year. BAX is also being charged fuel royalty fees based on gallons used. Total rentals and fees (other than basic rent) from BAX recognized in 2006 amounted to $1,959,874.

Additionally, the Authority has entered into a number of noncancelable operating leases with companies that provide services at the Airport. The most significant of these agreements are with the airlines and the parking lot operator.

The rent and landing fees received from the airlines totaled $1,277,159 in 2006. Under the agreement covering the operation of the parking lot, rentals are based on percentages of gross parking lot receipts. During 2006 rentals received totaled $1,053,240.

NOTE 7 - LEASE COMMITMENTS AND RENTAL EXPENSE

The Authority leases its office space under an operating lease that expires March 31, 2017. Certain expenses of operating and maintaining the leased facilities are paid by the Authority. The Authority also leases various vehicles and equipment under non-cancelable operating leases. Total rent expense for 2006 was $127,272.

Following is a schedule of the future minimum lease payments required under these non-cancelable operating leases at December 31, 2006:

Year Ending December 31,	Amount
2007	$ 139,600
2008	132,100
2009	129,300
2010	125,300
2011	125,800
2012-2016	636,175
2017-2021	31,925
Total	$ 1,320,200

NOTE 8 - CONDUIT DEBT

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

As of December 31, 2006, there were sixty-two series of Revenue Bonds outstanding. The original issue amounts for the fifty series issued after July 1, 1995 was $572,060,000 of which $506,743,069 remained outstanding at December 31, 2006. The aggregate principal amount issued for the twelve series issued prior to July 1, 1995 could not be determined; however, their original issue amounts totaled $197,725,000.

NOTE 9 – AMOUNT DUE FROM LESSEE

On June 2, 2003, the United States transferred ownership of property occupied by Teledyne Technologies to the Authority for $10. A lease agreement between the Authority and Teledyne Technologies was entered into on August 23, 2001 and commenced on the date the property was transferred to the Authority (June 2, 2003). Lease payments are due in the amount of $65,000 per year with periodic increases based upon the consumer price index. The original lease term is five years with options to extend the lease for four additional periods of five years. After the commencement of the fifth year of the initial term, Teledyne has the option to purchase the property for $450,000. Based on the estimated fair value of the property at the option date, the option price is considered a bargain purchase and, under the provision of Financial Accounting Board Standard No. 13, "Accounting for Leases", the lease is being accounted for as a direct financing lease. The present value of the bargain purchase option and the lease payments during the original lease term are recorded as amount due from lessee in the statement of net assets at December 31, 2006. All costs, expenses, and obligations relating to the property are to be paid by Teledyne.

NOTE 10 - RISK MANAGEMENT

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

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

The Authority has a premium based PPO for employee health insurance coverage. The Port Authority pays a portion of the employees' deductible. Premium expense for 2006 was $468,259. The Authority continues to provide a dental plan, which provides various benefits after a deductible. Maximum dental benefits are limited to $1,000 per year for preventive care and major dental services and $1,000 per lifetime for orthodontics.

NOTE 11 - CONTINGENCIES

In the normal course of operations, the Authority may be subject to litigation, claims, and unasserted possible claims. As of December 31, 2006, the Authority was involved in several such matters. The outcome of such matters cannot presently be determined.

NOTE 12 - SEGMENT INFORMATION

Significant financial data for the airport division, which meets the requirements for segment reporting under GASB 34, is as follows for the year ended December 31, 2006:

Statement of Net Assets

Current Assets	$	5,170,745
Capital Assets		131,925,994
Other Assets		11,933,348
Total Assets		149,030,087
Current Liabilities		4,914,922
Noncurrent Liabilities		42,056,948
Total Liabilities		46,971,870
Invested in Capital Assets, Net of Related Debt		87,602,919
Restricted		18,177,261
Unrestricted		(3,721,963)
Total Net Assets	$	102,058,217

Statement of Revenues, Expenses, and Changes in Net Assets

Operating Revenues	$	9,609,153
Depreciation and Amortization		5,840,938
Other Operating Expenses		5,354,806
Operating Loss		(1,586,591)
Nonoperating revenues (expenses):		
Investment Income		1,003,671
Interest Expense		(2,887,469)
Other Nonoperating Revenues (Expenses)		(663,658)
Capital Contributions		7,769,074
Change in Net Assets		3,635,027
Beginning Net Assets		98,423,190
Ending Net Assets	$	102,058,217

Statement of Cash Flows

Net Cash Provided (Used) by:		
Operating Activities		5,133,053
Noncapital Finance		975,308
Capital and Related Financing		(6,857,662)
Investing		1,137,648
Cash at Beginning of Year		1,292,732
Cash at End of Year	$	1,681,079

Toledo-Lucas County Port Authority
Schedule of Net Assets Information by Division
December 31, 2006

	Administration	Seaport	Airport	Economic Development	New Project Development	Total
ASSETS						
Current Assets:						
Cash	$ 6,002,479	$ -	$ 1,178,263	$ 614,416	$ -	$ 7,795,158
Investments	-	8,287,593	-	-	-	8,287,593
Interest receivable	-	75,070	-	-	-	75,070
Accounts receivable	490,546	510,228	1,024,749	67,823	122,804	2,216,150
Due (to) from other divisions	(3,152,466)	2,720,917	2,685,834	266,194	(2,520,479)	-
Prepaid expenses and other assets	46,592	33,802	281,899	-	62,023	424,316
Total Current Assets	3,387,151	11,627,610	5,170,745	948,433	(2,335,652)	18,798,287
Noncurrent Assets:						
Nondepreciable capital assets	435,000	19,761,331	38,362,594	-	4,778,209	63,337,134
Depreciable capital assets, Net of accumulated depreciation	49,776	5,959,819	93,563,400	598,418	5,096,354	105,267,767
Restricted:						
Cash and cash equivalents	-	-	502,816	-	-	502,816
Investments	-	-	14,164,516	-	-	14,164,516
Amount due from lessee	-	-	-	450,000	-	450,000
Deferred bond issuance cost	-	-	1,903,692	-	-	1,903,692
Deferred loss on refunding	-	-	720,946	-	-	720,946
Amount due from Northwest Bond Fund	-	3,000,000	-	-	-	3,000,000
Interdivisional receivables (payables)	-	7,106,003	(5,358,622)	(1,747,381)	-	-
Total Noncurrent Assets	484,776	35,827,153	143,859,342	(698,963)	9,874,563	189,346,871
Total Assets	**3,871,927**	**47,454,763**	**149,030,087**	**249,470**	**7,538,911**	**208,145,158**
LIABILITIES AND EQUITY						
Current Liabilities:						
Accounts payable	$ 202,792	$ 263,882	$ 2,015,230	$ 28,654	$ 32,727	$ 2,543,285
Accrued payroll	381,993	15,803	286,080	-	9,227	693,103
Deferred income	-	-	16,800	-	-	16,800
Accrued interest payable	-	-	330,685	-	-	330,685
Notes payable-current	-	-	206,631	-	-	206,631
Revenue bonds payable-current	-	-	1,940,000	-	-	1,940,000
Ohio Water Development Authority loan payable-current	-	-	119,496	-	-	119,496
Total Current Liabilities	584,785	279,685	4,914,922	28,654	41,954	5,850,000
Noncurrent Liabilities:						
Long-term notes payable	-	-	487,603	-	-	487,603
Revenue bonds payable	-	-	40,995,000	-	-	40,995,000
Ohio Water Development Authority loan payable	-	-	574,345	-	-	574,345
Total Noncurrent Liabilities	-	-	42,056,948	-	-	42,056,948
Total Liabilities	**584,785**	**279,685**	**46,971,870**	**28,654**	**41,954**	**47,906,948**
Net Assets:						
Invested in capital assets, net of related debt	484,776	25,721,150	87,602,919	598,418	9,874,563	124,281,826
Restricted	-	2,888,421	18,177,261	614,416	-	21,680,098
Unrestricted	2,802,366	18,565,507	(3,721,963)	(992,018)	(2,377,606)	14,276,286
Total Net Assets (Deficit)	**$ 3,287,142**	**$ 47,175,078**	**$ 102,058,217**	**$ 220,816**	**$ 7,496,957**	**$ 160,238,210**

Toledo-Lucas County Port Authority
Schedule of Revenues, Expenses and Changes in Net Assets Information by Division
For the Year Ended December 31, 2006

	Administration	Seaport	Airport	Economic Development	New Project Development	Total
Operating Revenues						
Rental under property leases	$ -	$ -	$ 3,006,779	$ -	$ -	$ 3,006,779
Airport landing area	-	-	583,236	-	-	583,236
Airport terminal area	-	-	3,780,726	-	-	3,780,726
Burlington	-	-	1,959,874	-	-	1,959,874
Other rental and fee income	1,444,258	1,397,761	102,226	-	548,611	3,492,856
Wharfage under property lease	-	211,780	-	-	-	211,780
Other income	33,882	19,593	176,312	-	475	230,262
Total Operating Revenues	**1,478,140**	**1,629,134**	**9,609,153**	**-**	**549,086**	**13,265,513**
Operating Expenses						
Personal services	1,694,488	244,697	2,784,205	-	235,130	4,958,520
Marketing	136,843	54,676	311,623	-	8,071	511,213
Contractual services	6,273	326,619	785,051	95,577	279,292	1,492,812
Utilities	17,671	13,566	606,639	-	55,567	693,443
Repairs and maintenance	-	194,068	768,229	-	37,465	999,762
Depreciation	25,344	662,526	5,477,086	-	260,155	6,425,111
Amortization	-	-	363,852	-	-	363,852
Rental expense	127,272	130,184	-	-	-	257,456
Other operating expenses	59,047	-	99,059	-	20,077	178,183
Total operating expenses	**2,066,938**	**1,626,336**	**11,195,744**	**95,577**	**895,757**	**15,880,352**
Operating Income (Loss)	**(588,798)**	**2,798**	**(1,586,591)**	**(95,577)**	**(346,671)**	**(2,614,839)**
Nonoperating Revenues (Expenses)						
Proceeds of property tax levy	2,540,767	-	-	-	-	2,540,767
Intergovernmental grants	-	-	-	246,631	-	246,631
Interest income from investments	102,553	285,527	1,003,671	30,998	-	1,422,749
Passenger facility charges	-	-	968,703	-	-	968,703
Litigation settlement	-	43,750	43,750	-	-	87,500
Loss on disposal of asset	(819)	(149,664)	(1,447,331)	-	-	(1,597,814)
Borrower disbursements	-	-	(228,780)	-	-	(228,780)
Interest expense	-	-	(2,887,469)	-	(733)	(2,888,202)
Total Nonoperating Revenues (Expenses)	**2,642,501**	**179,613**	**(2,547,456)**	**277,629**	**(733)**	**551,554**
Income (Loss) Before Contributions	**2,053,703**	**182,411**	**(4,134,047)**	**182,052**	**(347,404)**	**(2,063,285)**
Capital contributions	-	1,999,330	7,769,074	-	-	9,768,404
Change in Net Assets	**2,053,703**	**2,181,741**	**3,635,027**	**182,052**	**(347,404)**	**7,705,119**
Net assets (deficit) at beginning of year	1,233,439	44,993,337	98,423,190	38,764	7,844,361	152,533,091
Net Assets (Deficit) at End of Year	**$ 3,287,142**	**$ 47,175,078**	**$ 102,058,217**	**$ 220,816**	**$ 7,496,957**	**$ 160,238,210**

Toledo-Lucas County Port Authority
Seaport Division
Schedule of Net Assets Information
December 31, 2006

ASSETS	General	Presque Isle	Total
Current assets:			
Investments	$ 8,287,593	$ -	$ 8,287,593
Interest receivable	75,070	-	75,070
Accounts receivable	510,228	-	510,228
Settlement receivable	-	-	-
Due from other divisions	2,720,917	-	2,720,917
Prepaid expenses and other assets	33,802	-	33,802
Total Current Assets	11,627,610	-	11,627,610
Noncurrent Assets:			
Nondepreciable capital assets	12,761,331	7,000,000	19,761,331
Depreciable capital assets, Net of accumulated depreciation	5,959,819	-	5,959,819
Amount due from Northwest Bond Fund	3,000,000	-	3,000,000
Interdivisional receivables	7,106,003	-	7,106,003
Total Noncurrent Assets	28,827,153	7,000,000	35,827,153
Total Assets	**40,454,763**	**7,000,000**	**47,454,763**
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts payable	$ 263,882	$ -	$ 263,882
Accrued payroll	15,803	-	15,803
Deferred income	-	-	-
Total Current Liabilities	279,685	-	279,685
Total Liabilities	**279,685**	**-**	**279,685**
Net Assets:			
Invested in capital assets, net of related debt	18,721,150	7,000,000	25,721,150
Restricted	2,888,421	-	2,888,421
Unrestricted	18,565,507	-	18,565,507
Total Net Assets	**$ 40,175,078**	**$ 7,000,000**	**$ 47,175,078**

Toledo-Lucas County Port Authority
Seaport Division
Schedule of Revenues, Expenses and Changes in Net Assets Information
For the Year Ended December 31, 2006

	General	Presque Isle	Total
Operating Revenues			
Other rental and fee income	$ 1,397,761	$ -	$ 1,397,761
Wharfage under property lease	211,780	-	211,780
Other income	19,593	-	19,593
Total Operating Revenues	**1,629,134**	**-**	**1,629,134**
Operating Expenses			
Personal services	244,697	-	244,697
Marketing	54,676	-	54,676
Contractual services	326,619	-	326,619
Utilities	13,566	-	13,566
Repairs and maintenance	194,068	-	194,068
Depreciation	597,260	65,266	662,526
Rental	130,184	-	130,184
Total Operating Expenses	**1,561,070**	**65,266**	**1,626,336**
Operating (Loss)	**68,064**	**(65,266)**	**2,798**
Nonoperating Revenues			
Intergovernmental grants	-	-	-
Interest income from investments	285,527	-	285,527
Litigation settlement	43,750		43,750
Loss on disposal of asset	(149,664)		(149,664)
Total Nonoperating Revenues (Expenses)	**179,613**	**-**	**179,613**
Income (Loss) Before Contributions and Transfers	**247,677**	**(65,266)**	**182,411**
Capital contributions	1,999,330	-	1,999,330
Change in Net Assets	**2,247,007**	**(65,266)**	**2,181,741**
Net assets at beginning of year	37,928,071	7,065,266	44,993,337
Net Assets at End of Year	**$ 40,175,078**	**$ 7,000,000**	**$ 47,175,078**

Toledo-Lucas County Port Authority
Economic Development Division
Schedule of Net Assets Information
December 31, 2006

ASSETS	General	Financing Activities	Total
Current Assets:			
Cash	$ 614,416	$ -	$ 614,416
Accounts receivable	67,823	-	67,823
Due from other divisions	266,194	-	266,194
Total Current Assets	948,433	-	948,433
Noncurrent Assets:			
Depreciable capital assets, Net of accumulated depreciation	598,418	-	598,418
Amount due from lessee	-	450,000	450,000
Interdivisional payables	(1,747,381)	-	(1,747,381)
Total Noncurrent Assets	(1,148,963)	450,000	(698,963)
Total Assets	**(200,530)**	**450,000**	**249,470**
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts payable	$ 28,654	$ -	$ 28,654
Total Current Liabilities	28,654	-	28,654
Total Liabilities	**28,654**	**-**	**28,654**
Net Assets:			
Invested in capital assets, net of related debt	598,418	-	598,418
Restricted	614,416	-	614,416
Unrestricted	(1,442,018)	450,000	(992,018)
Total Net Assets (Deficit)	**$ (229,184)**	**$ 450,000**	**$ 220,816**

Toledo-Lucas County Port Authority
Economic Development Division
Schedule of Revenues, Expenses and Changes in Net Assets Information
For the Year Ended December 31, 2006

	General	Financing Activities	Total
Operating Revenues			
Total Operating Revenues	$ -	$ -	$ -
Operating Expenses			
Contractual services	95,577	-	95,577
Total Operating Expenses	**95,577**	-	**95,577**
Operating Income	**(95,577)**	-	**(95,577)**
Nonoperating Revenues (Expenses)			
Intergovernmental grant	246,631	-	246,631
Interest income from investments	30,998	-	30,998
Total Nonoperating Revenues (Expenses)	**277,629**	-	**277,629**
Income Before Contributions	182,052	-	**182,052**
Capital contributions	-	-	-
Change in Net Assets	**182,052**	-	**182,052**
Net assets (deficit) at beginning of year	(411,236)	450,000	38,764
Net Assets (Deficit) at End of Year	**$ (229,184)**	**$ 450,000**	**$ 220,816**

TOLEDO LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2006

Federal Grantor/Pass - Through Grantor Program Titles	CFDA Number	Grant Expenditures
U.S. Department of Transportation		
Airport Improvement Program - Direct Assistance	20.106	7,663,357
U.S. Department of Homeland Security		
Port Security Grant Program - Direct Assistance	97.056	5,180
U.S. Environmental Protection Agency		
Brownfield Pilots Cooperative Agreements - Direct Assistance	66.811	71,708
U.S. Department of Housing and Urban Development		
Community Development Block Grants - Brownsfields Economic Development Initiative - Direct Assistance		
HUD B03SPOH614	14.246	894,150
HUD B03SP0H0611	14.246	116,511
HUD B03SP0H0615	14.246	582
Passed through The City of Toledo:		
Community Development Block Grants - Brownsfields Economic Development Initiative		
HUD City of Toledo HSTS04-04-G-GPS520	14.246	100,000
Total U.S. Department of Housing and Urban Development		1,111,243
U.S. Department of Energy		
Renewable Energy Research and Development - Wind Turbine Grant - Direct Assistance	81.087	28,654
U.S. Department of Defense		
Special Projects - Shipyard High Bay Facility - Direct Assistance	Unknown	1,221,449
Total Federal Financial Assistance		**$ 10,101,591**

Note: This schedule has been prepared on the accrual basis of accounting.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
FOR EACH QUARTER DURING THE YEAR ENDED DECEMBER 31, 2006

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total for Year Ended December 31, 2006
PFC Fees Collected	$ 218,319	$ 241,825	$ 178,298	$ 164,652	$ 803,094
Interest Income Net of Bank Fees	6,906	2,729	3,729	5,541	18,905
PFC Fees Expended	-0-	1,063,244	-0-	-0-	1,063,244
Net Increase (Decrease) in Cash	225,225	(818,690)	182,027	170,193	(241,245)
Cash at Beginning of Period	930,032	1,155,257	336,567	518,594	930,032
Cash at End of Period	$ 1,155,257	$ 336,567	$ 518,594	$ 688,787	$ 688,787

"See Notes to Schedule of Passenger Facility Charges"

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
YEAR ENDED DECEMBER 31, 2006

General

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

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

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

The Toledo-Lucas County Port Authority ("Port Authority"), for its operation at Toledo Express Airport, had been granted FAA approval to collect PFC fees for application #3 through December 1, 2003, at the rates of $4.50 for each enplaned passenger, which was effective on July 1, 2001. Starting in December 2003, the Airport began to collect PFC fees for application #4, at the same rates, through July 1, 2007.

The PFC amounts collected are maintained in a separate Port Authority bank account.

Basis of Accounting

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

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

To the Board of Directors
Toledo-Lucas County Port Authority
One Maritime Plaza
Toledo, Ohio 43604-1866

We have audited the statement of net assets of the Toledo-Lucas County Port Authority ("Authority") as of December 31, 2006, and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended, and have issued our report thereon dated September 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

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

Weber O'Brien Ltd.

September 7, 2007

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

To the Board of Directors
Toledo-Lucas County Port Authority
One Martime Plaza
Toledo, Ohio 43604-1866

Compliance

We have audited the compliance of Toledo-Lucas County Port Authority ("Authority) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2006. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2006.

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The Board of Directors
Toledo-Lucas County Port Authority
Page Two

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer the passenger facility charge program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the passenger facility charge program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented or detected by the entity's internal control.

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

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

Weber O'Brien Ltd.

September 7, 2007

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

The Board of Directors
Toledo-Lucas County Port Authority
One Maritime Plaza
Toledo, Ohio 43604-1866

Compliance

We have audited the compliance of Toledo-Lucas County Port Authority ("Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

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Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Weber O'Brien Ltd

September 7, 2007

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Control deficiency(ies) identified not considered to be material weaknesses?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	____ yes	X no
Reportable conditions(s) identified not considered to be material weaknesses?	____ yes	X none reported
Type of auditors' report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program
14.246	Community Development Block Grants
Unknown	Special Projects – Shipyard High Bay Facility

Dollar threshold used to distinguish between Type A and Type B programs:		$303,048
Auditee qualified as low risk auditee?	X yes	____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2006

NONE

Mary Taylor, CPA
Auditor of State

TOLEDO LUCAS COUNTY PORT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2007