TOLEDO-LUCAS COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Toledo-Lucas County Port Authority, Lucas County, prepared by Gilmore Jasion & Mahler, LTD, for the audit period January 1 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

September 17, 2013

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GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Toledo-Lucas County Port Authority (the "Port Authority"), which consist of the statement of net position as of December 31, 2012, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority, as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 - 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Port Authority's basic financial statements. The accompanying schedule of expenditures of federal awards on page 36 is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations;* the accompanying schedule of passenger facility charges collected and expended – cash basis on page 38 is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration; and the supplementary information on pages 34 – 35, are presented for purposes of additional analysis, and not required parts of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013 on our consideration of the Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Authority's internal control over financial reporting and compliance.

Gilmore, Jasion & Mahler, LTD

June 28, 2013

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, 2012. This information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

The following financial highlights for 2012 are as follows:

- Total Net Assets increased $5,384,996 to $216,109,221 from the year ended December 31, 2011.
- Overall operating revenue increased approximately $1.86 million from 2011. The recent acquisition of the downtown parking garages increased operating revenue approximately $3.67 million. However the BAX pull out at the airport, which occurred in 2011, decreased operating revenue. Operating expenses increased approximately $3 million due mainly to the operating costs of the downtown parking garages and One Maritime Plaza.
- An operating loss of $7.4 million was reported which includes $8.4 million of depreciation and amortization expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE AUTHORITY

The following tables provide a summary of the Authority's financial position and operations for 2012 and 2011, respectively.

Condensed Statements of Net Position

	December 31, 2012	December 31, 2011	Change Amount	%
Assets:				
Current assets	22,702,297	30,236,769	(7,534,472)	-24.9%
Capital Assets, Net	218,839,514	213,547,386	5,292,128	2.5%
Other Noncurrent Assets	12,068,986	22,718,382	(10,649,396)	-46.9%
Total assets	253,610,797	266,502,537	(12,891,740)	-4.8%
Liabilities and Net Assets:				
Liabilities:				
Current liabilities	10,137,205	11,533,449	(1,396,244)	-12.1%
Long-term debt outstanding	27,364,371	44,244,863	(16,880,492)	-38.2%
Total liabilities	37,501,576	55,778,312	(18,276,736)	-32.8%
Net Assets:				
Invested in capital assets-net of related debt	188,179,514	163,461,679	24,717,835	15.1%
Restricted	8,325,990	26,112,345	(17,786,355)	-68.1%
Unrestricted	19,603,717	21,150,201	(1,546,484)	-7.3%
Total net assets	216,109,221	210,724,225	5,384,996	2.6%
Total Liabilities and Net Assets	253,610,797	266,502,537	(12,891,740)	-4.8%

- Current assets decreased over $7.5 million (25%) mainly due to the cash on hand at the close of 2011 that was used during 2012 to defease the BAX bonds. Investments were liquidated in the BAX bonds defeasance resulting in a substantial decrease in noncurrent assets.
- Capital assets increased approximately 2.5% because of the acquisition of the downtown parking garages and the One Maritime Plaza building.
- Liabilities and restricted assets decreased significantly due to the defeased BAX bonds.

Management's Discussion and Analysis
For the Year Ended December 31, 2012

The Port's assets exceeded liabilities by approximately $216.1 million at December 31, 2012, an increase of approximately $5.4 million because of land improvement to the Jeep and Beazer properties. 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 2012 and 2011:

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	December 31, 2012	December 31, 2011	Change Amount	%
Operating revenues				
Airport related	$ 4,245,142	$ 6,596,550	$ (2,351,408)	-35.6%
Seaport, Financing, Admin and other	8,385,098	4,175,111	4,209,987	100.8%
Total operating revenues	12,630,240	10,771,661	1,858,579	17.3%
Operating expenses				
Airport related	10,987,988	11,120,132	(132,144)	-1.2%
Seaport, Financing, Admin and other	9,027,042	5,913,275	3,113,767	52.7%
Total operating expenses	20,015,030	17,033,407	2,981,623	17.5%
Operating loss	(7,384,790)	(6,261,746)	(1,123,044)	17.9%
Nonoperating revenues (expenses)				
Proceeds of property tax levy	2,354,413	2,507,458	(153,045)	-6.1%
Intergovernmental Grants	16,499,728	21,951,869	(5,452,141)	-24.8%
Interest income from investments	312,098	955,429	(643,331)	-67.3%
Passenger facility charges	725,411	689,670	35,741	5.2%
Other income (expense)	1,263,356	(357,775)	1,621,131	-453.1%
Interest expense	(1,625,563)	(2,543,025)	917,462	-36.1%
Impairment loss-land		(3,699,776)	3,699,776	-100.0%
BAX revenue		14,945,512	(14,945,512)	-100.0%
Loss on refunding	(2,200,229)		(2,200,229)	
Grant pass through	(4,559,428)	(4,027,027)	(532,401)	13.2%
Total nonoperating revenues (expenses)	12,769,786	30,422,335	(17,652,549)	-58.0%
Income (loss) before contributions	5,384,996	24,160,589	(18,775,593)	-77.7%
Changes in Net Assets	5,384,996	24,160,589	(18,775,593)	-77.7%
Total net assets-beginning of year	210,724,225	186,563,636	24,160,589	13.0%
Total net assets-end of year	$ 216,109,221	$ 210,724,225	$ 5,384,996	2.6%

- Although 2012 reported a net operating loss of approximately $7.4 million including $8.4 million of depreciation and amortization expense, non-operating revenues exceeded non-operating expenses by approximately $12.8 million due to grant revenue exceeding $16 million. Non operating expenses include; interest, debt refunding and expenses attributed to the grants received. Other non-operating revenues included tax levy proceeds, interest earned, airport passenger facility charges and a car facility charge.

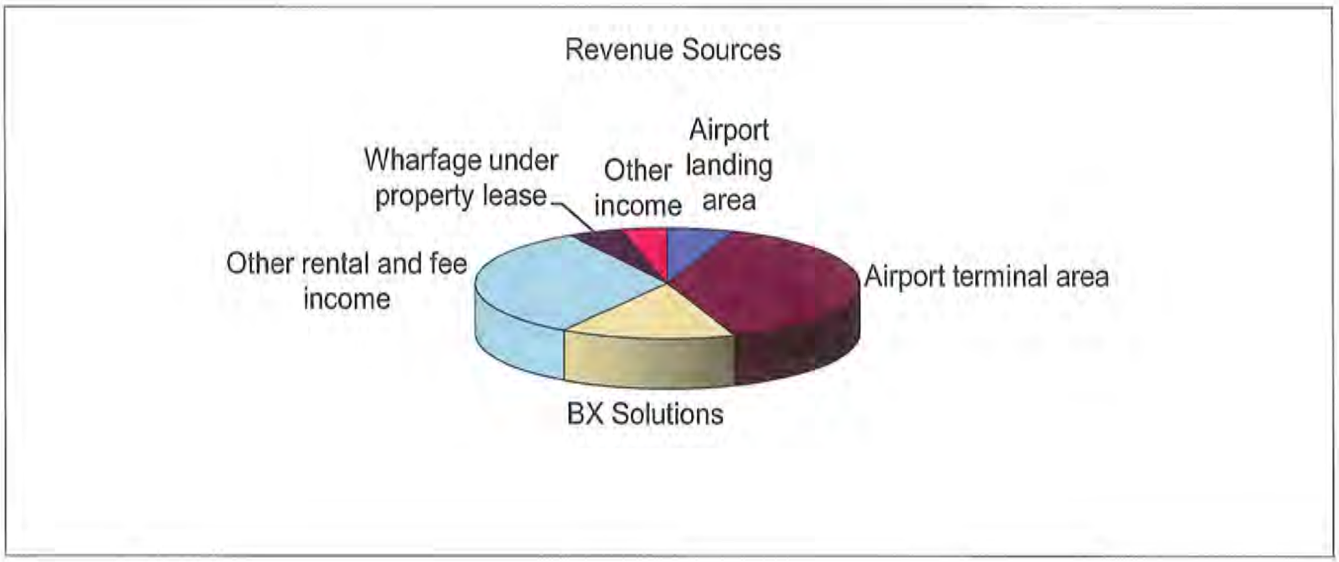
- Operating revenues consist primarily of fees for services, rents and charges for the use of Port Authority facilities, airport landing fees, operating grants and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital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

- Operating revenues for 2012 increased approximately $1.86 million.

- Operating expenses increased for 2012 due mainly to contract services. Personnel expenses decreased.

- Interest expenses, a refunding loss and grant pass through expenditures accounted for the majority of non-operating expenses for 2012.

Revenue Sources	2012	Percent of Total
Rental under property lease	6,504,847	51.50%
Airport landing area	343,123	2.72%
Airport terminal area	2,371,445	18.78%
BX Solutions	900,000	7.13%
Other rental and fee income	1,994,199	15.79%
Wharfage under property lease	272,747	2.16%
Other income	243,879	1.92%
Total Revenue	$12,630,240	100.00%



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012 the Authority had $218,839,514 net of accumulated depreciation invested in land, buildings, equipment and vehicles. This amount represents a net increase, after $8.3 million depreciation expense, of approximately $5.3 million, as compared to 2011 due mainly to the receipt of Federal, State and Local grants utilized for capital assets.

The following table shows fiscal year 2012 and 2011 balances:

Capital Assets at December 31,

	2012	2011	Change
Land	$ 69,287,249	$ 66,853,207	$ 2,434,042
Construction in progress	2,681,517	2,282,596	398,921
Improvements	161,096,049	155,246,315	5,849,734
Property and equipment	62,176,770	59,742,612	2,434,158
Buildings & leasehold improvements	104,349,137	101,872,952	2,476,185
Furniture and fixtures	496,954	496,954	0
Total Cost	$ 400,087,676	$ 386,494,636	$ 13,593,040
Accumulated Depreciation	(181,248,162)	(172,947,250)	(8,300,912)
Net Value	$ 218,839,514	$ 213,547,386	$ 5,292,128

Debt

At December 31, 2012 the Authority had $30,660,000 in debt outstanding, $3,295,629 of which is due within one year. Outstanding debt in the amount of $ 10,607,831 pertains to Airport improvements and $20,052,169 is for Seaport and Development improvements and projects. Total debt decreased significantly due to the defeasance of the BAX bonds.

The following table summarizes the Authority's debt outstanding as of December 31, 2012 and 2011 and should be read in conjunction with Note 5 to the audited financial statements for more detailed information on debt.

Outstanding Debt at December 31,

		2012	2011
Revenue bonds payable	$	28,314,862	$ 45,480,000
Long-term notes payable		2,345,138	4,605,704
	$	30,660,000	$ 50,085,704

ECONOMIC FACTORS

The following statistics played a key role in the Authority's financial picture in 2012 compared to 2011:

- Cargo moving through the Port of Toledo was down 13 % due to decreases in all commodities except grain and general cargo.
- Passengers using Toledo Express were down 21.4% while air cargo was a fraction of 2011 due to BAX Global operations exit. BX solutions, a logistics company currently leases this property.
- There was 4.6 % decrease in the amount of Passengers using the AMTRAK station in Toledo, at Dr. Martin Luther King, Jr., Plaza owned by the Port Authority.
- The Port's purchase of three parking garages from the City of Toledo and the One Maritime Plaza building increased operating revenues and expenses.
- Three bond issues totaling $21.2 million were issued in 2012 from the Northwest Ohio Bond Fund for Airport debt refinancing and for Department of Energy projects.

REQUESTS FOR INFORMATION

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

Toledo-Lucas County Port Authority
Statement of Net Position
December 31, 2012

ASSETS

Current Assets:		
Cash and cash equivalents	$	12,929,622
Investments		2,789,994
Interest receivable		4,416
Accounts receivable		6,584,179
Current portion of loans receivable		193,409
Prepaid expenses and other assets		200,677
Total Current Assets		**22,702,297**
Noncurrent Assets:		
Nondepreciable capital assets		71,968,766
Depreciable capital assets, net of accumulated depreciation		146,870,748
Restricted:		
Investments		518,512
Amount due from lessee		352,000
Deferred bond issue costs		1,272,977
Loan Receivable		6,925,497
Amount due from Northwest Bond Fund		3,000,000
Total Noncurrent Assets		**230,908,500**
Total Assets		**253,610,797**

(Continued)

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Net Position, Continued
December 31, 2012

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$	5,061,094
Accrued payroll		284,664
Deferred income		12,000
Accrued interest payable		210,493
Deposits		1,273,325
Revenue bonds payable-current		2,535,000
Notes payable-current		385,629
Ohio SIB		375,000
Total Current Liabilities		**10,137,205**
Noncurrent Liabilities:		
Long-term notes payable		1,959,509
Revenue bonds payable		16,349,862
Ohio SIB Loan		9,055,000
Total Noncurrent Liabilities		**27,364,371**
Total Liabilities		**37,501,576**
Net Assets:		
Invested in capital assets, net of related debt		188,179,514
Restricted		8,325,990
Unrestricted		19,603,717
Total Net Assets	**$**	**216,109,221**

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, 2012

Operating Revenues	
Rental under property lease	$ 6,504,847
Airport landing area	343,123
Airport terminal area	2,371,445
BX Solutions	900,000
Other rental and fee income	1,994,199
Wharfage under property lease	272,747
Other income	243,879
Total Operating Revenues	**12,630,240**
Operating Expenses	
Personnel services	4,142,348
Marketing	526,380
Contractual services	4,768,454
Utilities	731,294
Repairs and maintenance	1,291,542
Depreciation	8,300,912
Amortization	57,052
Rental	63,952
Other	133,096
Total Operating Expenses	**20,015,030**
Operating Loss	**(7,384,790)**
Nonoperating Revenues (Expenses)	
Proceeds of property tax levy	2,354,413
Intergovernmental grants	118,375
Grants	16,381,353
Interest income from investments	312,098
Passenger facility charges	725,411
Gain on investment	(40,026)
Loss on lease	225,679
Other nonoperating expenses	(159,648)
Interest expense	(1,625,563)
Grant pass through	(4,559,428)
Loss on refunding	(2,200,229)
Property transfer	572,802
Other nonoperating revenue	664,549
Total Nonoperating Revenues (Expenses)	**12,769,786**
Changes in Net Assets	**5,384,996**
Net assets at beginning of year	210,724,225
Net Assets at End of Year	**$ 216,109,221**

Toledo-Lucas County Port Authority
Statement of Cash Flows
For the Year Ended December 31, 2012

Cash flows from operating activities:	
Cash received from customers	10,952,436
Cash payments for goods and services	(8,201,966)
Cash payments to and on behalf of employees	(3,415,133)
Net cash provided by operating activities	**(664,663)**
Cash flows from noncapital financing activities:	
Intergovernmental grants	118,375
Proceeds of property tax levy	2,354,413
Net cash provided by noncapital financing activities	**2,472,788**
Cash flows from capital and related financing activities:	
Capital grants received	16,381,353
Passenger facility charges received	738,809
Acquisition and construction of capital assets	(13,249,360)
Defeased bonds	(26,095,858)
Garage asset transfer	1,482,229
Interest paid on capital asset debt	(1,625,563)
New Market Escrow	1,177,332
New Market Credit Loan	(5,500,000)
Principal payments on long-term debt	(3,563,745)
Issuance of debt	10,643,176
Grant pass through	(4,559,428)
Net cash used by capital and related financing activities	**(24,171,055)**
Cash flows from investing activities:	
Interest on investments	312,098
Purchase of securities	(1,499,582)
Proceeds on securities	17,942,408
Net cash provided by investing activities	**16,754,924**
Net (decrease) in cash and cash equivalents	**(5,608,006)**
Cash and cash equivalents at beginning of year	18,537,628
Cash and cash equivalents at end of year	**$12,929,622**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Cash Flows, Continued
For the Year Ended December 31, 2012

Reconciliation of operating loss to net cash	
Provided by operating activities:	
Operating loss	(7,384,790)
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation and amortization expense	8,357,964
Changes in assets and liabilities:	
Reductions in loans receivable	
Accounts receivable	(1,618,250)
Prepaid expenses and other assets	(46,206)
Accounts payable	74,710
Deferred income	(13,348)
Accrued payroll	(34,743)
Total adjustments	**6,720,127**
Net cash provided by operating activities	**(664,663)**

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

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

Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position. 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, 2012.

Capital Assets

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Bond Issue Costs

The cost of issuing long term debt is amortized over the life of the 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, which is included with accrued payroll on the statement of net position, increased $6,293 from $188,819 at December 31, 2011 to $195,112 at December 31, 2012.

Net Assets

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

Revenues and Expenses

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

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

Property Tax Levy

A .4 mill real estate tax renewal levy passed by Lucas County voters in 2009 provides financial support for the various activities of the Authority. The levy expires in 2014. The Authority elected to collect the full .4 mill in 2012.

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

Budgetary Process

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

Change in Accounting Principle

For 2012 the Port Authority implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*"

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle (Continued)

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

The implementation of this GASB Statement had no impact on beginning of year net position.

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 $12,927,119 and the bank balance was $13,843,566. The Authority also had $750 cash on hand. Federal depository insurance covered $3,426,487 of the bank balance and $10,417,079 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:	$10,417,079

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;

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2012 were as follows:

			Investment Maturities (in Years)			
	Fair Value	Credit Rating	less than 1	1-3	3-5	more than 5
STAR Ohio	1,753	AAAm [1]	1,753	-	-	-
Money Market Fund	1,522,972	A-1+ [1]	1,522,972	-	-	-
Federal Farm Credit Bank	501,370	AAA [1]	-	-	501,370	-
Federal National Mortgage Association	783,169	AAA [1]	277,359	505,810	-	-
Federal Home Loan Mortgage Corp	500,995	AAA [1]	-	500,995	-	-
Total Investments	$3,310,259		1,802,084	1,006,805	501,370	-

[1] Standard & Poor's

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

Concentration of Credit Risk - Concentration of credit risk exists when investments are concentrated in one issue. The Authority's investment policy allows investments of 100% in U.S. Agency or Treasury Obligations, and limits repurchase agreements and investments in STAR Ohio to 25% of total investments (25% limitation was eliminated in January of 2009) and investments in Port Authority Bonds to $200,000, unless the Authority's Board of Directors, by resolution, modifies the limits. The Authority's investments in U.S. Agencies represent approximately 54% and Money Market funds 46 % the Authority's investment portfolio excluding STAR Ohio at year end.

Cash and investments per footnote	
Carrying amount of bank deposits	$ 12,927,119
Cash on hand	750
Investments	3,310,259
Total	$ 16,238,128
Cash and investments per statement of net position	
Cash and cash equivalents	$ 12,929,622
Investments	2,789,994
Restricted investments	518,512
Total	$ 16,238,128

NOTE 3 – CAPITAL ASSETS

Capital assets consist of the following:

Historical Cost:

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Capital assets not being depreciated:				
Land	$ 66,853,207	$ 2,434,042	$ -	$ 69,287,249
Construction in Progress	2,282,596	6,873,027	(6,474,106)	2,681,517
Subtotal	69,135,803	9,307,069	(6,474,106)	71,968,766
Capital assets being depreciated:				
Improvements	155,246,315	5,849,734	-	161,096,049
Property and Equipment	59,742,612	2,445,629	(11,471)	62,176,770
Buildings and Leasehold Improvements	101,872,952	2,476,185	-	104,349,137
Furniture and Fixtures	496,954	-	-	496,954
Subtotal	317,358,833	10,771,548	(11,471)	328,118,910
Total Cost	$ 386,494,636	$ 20,078,617	$ (6,485,577)	$ 400,087,676

Accumulated Depreciation:

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Capital assets being depreciated:				
Land Improvements	$ (95,143,041)	$ (3,670,950)	$ -	$ (98,813,991)
Property and Equipment	(30,561,959)	(1,873,214)	-	(32,435,173)
Buildings and Leasehold Improvements	(46,886,172)	(2,742,092)	-	(49,628,264)
Furniture and Fixtures	(356,078)	(14,656)	-	(370,734)
Total Depreciation	$ (172,947,250)	$ (8,300,912)	$ -	$ (181,248,162)
Net Value:	$ 213,547,386	$ 11,777,705	$ (6,485,577)	$ 218,839,514
Depreciation Expense charged to operating expense		$8,300,912		

Legal title work for the US -23/ Salisbury Interchange project was completed in 2012. An impairment loss of $3.7 million and the reduction of property value were reported in 2011.

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 2012, approximately $12 million of Federal, state and local grant funding was utilized to purchase and acquire Port Authority capital assets.

NOTE 4 – LOANS RECEIVABLE

Loans receivable includes a loan to Ironville Improvement, LLC (Ironville), an Ohio limited liability company. The purpose of the loan is for Ironville to lease certain property at the Port of Toledo, Ohio, containing approximately 181 acres; to construct and own various improvements on the premises, including storage facilities, rail line improvements, dock face improvements, and cargo conveyors; to purchase necessary equipment for the operation of a port terminal; and to sublease the premises and improvements and equipment to Midwest Terminals of Toledo, Inc. The Company has obtained debt financing which constitutes a qualified low-income community investment under the meaning of Section 45D of the Internal Revenue Code, and debt financing which constitutes an Ohio qualified low-income community investment under the meaning of Ohio New Market Tax Credit law. The debt requires Ironville to comply with certain covenants related to maintaining eligibility for the new market tax credits, including maintaining the Company's status as a qualified active low-income community business, under the meaning of Section 45D of the Internal Revenue Code. In addition, Ironville is bound by certain restrictions governing the use of the property, which must be maintained until the maturity of the notes.

The initial loan was in the amount of $5,500,000, and bears interest at 1.449%. Quarterly interest-only payments are required from 2012 through 2019. From 2020 through 2042, quarterly payments of principal and interest are required in an amount to fully amortize the loan over the remaining term, which matures on December 28, 2042.

In addition, Port Authority has loaned amounts totaling $1,618,906 under various loan programs, at interest rates ranging from zero to 6%, with maturities ranging from 2014 through 2028. Future principal payments in years after 2012 for these loans receivable are as follows:

December 31,			
2013		$	193,409
2014			217,900
2015			219,699
2016			288,853
2017			117,807
Thereafter			6,081,238
	Total	$	7,118,906

NOTE 5 – DEBT

A summary of Long Term Debt Activity for the year ended December 31, 2012 follows:

		Series	Maturity Date	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Revenue Bonds:								
Northwest Ohio Development:								
	Taxable:							
7.25%	Chevron	2008A	2028	$4,605,000	-	($130,000)	$4,475,000	$140,000
5.50%	Parking Garage Project	2011C	2026	4,940,000	-	(138)	4,939,862	225,000
6.38%	BAX	2004C	2032	9,810,000	-	(9,810,000)	-	-
4.61%	Refunding Air Hub Project	2012A	2026	-	9,470,000	$0	9,470,000	2,170,000
	Tax Exempt:							
Other:								
6.25-6375%	BAX	2004-1	2013	16,695,000	-	(16,695,000)	-	-
	State of Ohio Tax Exempt	2011-1	2031	9,430,000	-	-	9,430,000	375,000
Total Revenue Bonds				45,480,000	9,470,000	(26,635,138)	28,314,862	2,910,000
Notes Payable:								
3.00%	Airport ODOT Note	2009	2011	1,444,264	-	(306,433)	1,137,831	315,838
1.00%	Huntington Truckland Note *			3,100,000	-	(3,100,000)	-	
5.13%	Dept. of Energy Note Garages	2012	2026	-	575,066	-	575,066	28,939
5.13%	Dept. of Energy Note Maritime	2012	2026	-	444,187	-	444,187	22,358
3.00%	Dept. of Energy Note MLK	2011	2021	61,440	153,926	(27,312)	188,054	18,494
Total Notes Payable				4,605,704	1,173,179	(3,433,745)	2,345,138	385,629
Total				$ 50,085,704	$ 10,643,179	$ (30,068,883)	$ 30,660,000	$ 3,295,629

* Truckland note was paid off and the property was transferred to City of Toledo in 2012. A loss on the disposal of property was recognized in 2011.

NOTE 5 - DEBT (Continued)

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

	2013	2014	2015	2016	2017
Notes Payable					
Airport ODOT Note	$ 315,838	$ 325,384	$ 335,219	$ 161,390	$ -
Dept. of Energy Note Garages	28,939	30,442	32,024	33,688	35,439
Dept. of Energy Note Maritime	22,358	23,520	24,741	26,027	27,380
Dept. of Energy Note MLK	18,494	19,053	19,628	20,222	20,833
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Tax Exemp-Garage	225,000	235,000	255,000	270,000	285,000
Taxable Airport Hub	2,170,000	355,000	375,000	390,000	415,000
Taxable Port Authority	140,000	150,000	165,000	175,000	190,000
State of Ohio Tax Exempt	375,000	390,000	400,000	405,000	415,000
Total	$ 3,295,629	$ 1,528,399	$ 1,606,612	$ 1,481,327	$ 1,388,652

	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	Total
Notes Payable						
Airport ODOT Note	$ -	$ -	$ -	$ -	$ -	$ 1,137,831
Dept. of Energy Note Garages	206,800	207,595	-	-	-	574,927
Dept. of Energy Note Maritime	159,773	160,389	-	-	-	444,188
Dept. of Energy Note MLK	89,824	-	-	-	-	188,054
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Tax Exemp-Garage	1,705,000	1,965,000	-	-	-	4,940,000
Taxable Airport Hub	2,405,000	3,360,000	-	-	-	9,470,000
Taxable Port Authority	1,200,000	1,760,000	695,000	-	-	4,475,000
State of Ohio Tax Exempt	2,260,000	2,660,000	2,525,000	-	-	9,430,000
Total	$ 8,026,397	$ 10,112,984	$ 3,220,000	$ -	$ -	$ 30,660,000

NOTE 5 - DEBT (Continued)

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

	2013	2014	2015	2016	2017
Notes Payable					
Airport ODOT Note	$ 32,083	$ 22,538	$ 12,703	$ 2,571	$ -
Dept. of Energy Note Garages	29,127	27,624	26,042	24,378	22,627
Dept. of Energy Note Maritime	22,503	21,342	20,120	18,834	17,482
Dept. of Energy Note MLK	5,504	4,945	4,369	3,776	3,165
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Tax Exempt-Garage	239,365	228,217	216,458	203,718	190,365
Taxable Airport Hub	390,467	332,496	315,900	298,498	280,173
Taxable-Port Authority	321,900	311,569	300,512	288,369	275,318
State of Ohio Tax Exempt	316,053	299,978	292,128	283,878	274,709
Total	$ 1,357,002	$ 1,248,709	$ 1,188,232	$ 1,124,022	$ 1,063,839

	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	Total
Notes Payable						
Airport ODOT Note	$ -	$ -	$ -	$ -	$ -	$ 69,895
Dept. of Energy Note Garages	83,530	24,670	-	-	-	237,998
Dept. of Energy Note Maritime	64,535	19,060	-	-	-	183,876
Dept. of Energy Note MLK	6,168	-	-	-	-	27,927
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Tax Exemp- Garage	720,913	239,852	-	-	-	2,038,888
Taxable Airport Hub	1,090,842	432,186	-	-	-	3,140,562
Taxable-Port Authority	1,141,874	623,137	25,194	-	-	3,287,873
State of Ohio Tax Exempt	1,187,992	795,436	239,559	-	-	3,689,733
Total	$ 4,295,854	$ 2,134,341	$ 264,753	$ -	$ -	$ 12,676,752

A. Port Authority-Chevron Property

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

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.

B. Airport Improvement Revenue Bonds and Note (Continued)

In March 1994 the Authority issued $36,120,000 of Airport Refunding and Improvement Revenue Bonds, Series 1994-1, in part to refinance the 1989 issue of Airport Improvement Revenue Bonds and in part to finance an additional project and improvements at Toledo Express Airport, substantially all of which are

NOTE 5 - DEBT (Continued)

used by and leased to BAX. The bonds, which are tax exempt, paid interest at various rates ranging between 7% and 7.5% and matured in installments which began in 1995 and were to continue through 2019. The bonds could 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 had 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 had agreed to pay the remaining bond financing payments from revenues other than those derived from property tax levies. The lessee was 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 were invested in obligations guaranteed as to both principal and interest by the United States and were placed in irrevocable escrow accounts which, included interest earned, were used to pay the principal and interest on the refunded bonds. The refunded bonds were 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, 2004-1 totaled $18,670,000 and were 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, 2004-C of bonds totaled $9,810,000 and were issued by the Northwest Ohio Bond Fund. These bonds were scheduled to mature on November 15, 2032 with an interest rate of 6.38%. The Authority had 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.

The BAX Global lease was terminated in October 2011. Provisions in the termination agreement provided funding by BAX Global for the defeasance of the 2004-1 bonds, which occurred in March 2012. In addition to the defeased 2004-1 bonds, the series 2004-C bonds were defeased by the Authority and financed by issuing series 2012-A bonds in the amount of $9,470,000. Unamortized bond issue costs amounting to $1.3 million relating to the defeased bonds were written off the Port's financial statements in 2012. Additional costs were incurred in this transaction resulting in a total loss of $2.2 million which is reflected in the Schedule of Revenues, Expenses and Changes in Net Assets.

NOTE 5 – DEBT (Continued)

C. Ohio Department of Transportation State Infrastructure Bank

The Authority incurred additional debt during 2009 in the form of a promissory note with the State of Ohio in the amount of $1,743,068 for the purpose of constructing a car rental facility at Toledo Express Airport. This loan is scheduled to be paid back by August of 2015 with an interest rate of 3%. A car rental fee has been assessed as a source to provide principal and interest payments. As of December 31, 2012 $1,137,831 is the remaining outstanding debt.

D. Toledo Parking Garage Project

In October 2011, the Authority purchased parking facilities from the City of Toledo. This project was financed by issuing $4,940,000 of taxable development revenue bonds within the Northwest Ohio Bond Fund. In addition, bonds were issued from the SIB GRF Bond Fund Program in the amount of $9,430,000. Terms for these issuances extend through 2031.

NOTE 6 - RETIREMENT PLAN

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

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

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

The Ohio Revised Code provides statutory authority for members and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate was 10%. The 2012 employer contribution rate for local government employer units was 14% of covered payroll. The Authority's contributions to OPERS for the years ending December 31, 2012, 2011, and 2010 were $411,278, $427,004 and $454,683, respectively, which were equal to the required contributions for each year.

NOTE 6 – RETIRMENT PLAN (continued)

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of post-retirement health care benefits. OPERS' Post-employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post- employment health care benefits. The portion of employer contributions allocated to health care for members in the TP Plan was 4% for calendar year 2012. The portion of employer contributions allocated to health care for members in the CO Plan was 6.05%. The Authority's contribution to fund post-employment benefits for 2012 was $117,502.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1 per cent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

<u>Information from employer's records</u>

The rates stated in Section B, above, are the contractually required contribution rates for OPERS. As part of this disclosure, it will be necessary for the employer to disclose the employer contributions actually made to fund post-employment benefits. The portion of your employer contributions that were used to fund post-employment benefits can be approximated by multiplying actual employer contributions for calendar year 2012 by 0.2857 for state and local employers, and 0.2210 for law enforcement and public safety employers.

<u>OPERS Board of Trustees Adopt Changes to the Health Care Plan</u>

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

NOTE 7 - 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, 2012 consists of the following:

	Property and Development Division	Seaport Leases	Total
Capitalized Interest	$ -	$ -	$ -
Facilities and Equipment	-	-	-
Land	2,667,783	10,584,857	13,252,640
Construction in Progress	-	-	-
Improvements	-	22,871,828	22,871,828
Property and Equipment	28,941	14,851,823	14,880,764
Building and Leasehold Improvements	12,484,081	9,839,058	22,323,139
Total Cost	15,180,805	58,147,566	73,328,371
Less: Accumulated Depreciation	(4,742,176)	(17,314,705)	(22,056,881)
	$10,438,629	$40,832,861	$51,271,490

*Did not renew lease

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	Administration	Development Leases	Seaport Leases	Total
2013	$ 65,000	$ 862,799	$ 749,827	$ 1,677,626
2014	65,000	738,599	749,827	1,553,426
2015	65,000	525,484	682,467	1,272,951
2016	65,000	291,002	682,467	1,038,469
2017	65,000	161,364	682,467	908,831
2018-2022	27,000	169,235	3,389,023	3,585,258
2023-2027	-	-	1,886,941	1,886,941
2028-2032	-	-	-	-
Totals	$352,000	$ 2,748,483	$8,823,019	$11,923,502

The BAX lease agreement, scheduled to expire in 2013, was not renewed by BAX management. A lease termination agreement was executed in October 2011. This resulted in a cash payment to the Authority of $1,862,161 along with acquisition of capital assets valued at $7,215,513. A cash payment of $6,578,007 was made to the trustee for the purpose of defeasing the BAX bonds in 2012. These amounts are stated in

NOTE 7 - OPERATING LEASES (continued)

the Changes of Net Assets under Nonoperating Revenues along with a refund of $710,169 for funds previously contributed to the Authority from BAX for improvements.

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

Under the agreement covering the car rental agencies, revenues are based on percentages of gross receipts. During 2012 the Authority received $523,710. The agreement with the parking lot operator provides them with a management fee of $98,550 per year with the remainder of all collected receipts remitted to the Authority which totaled $394,097 for the year 2012.

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, 2012, there were forty nine series of Revenue Bonds outstanding. The original issue amounts for the series issued after July 1, 1995 was $653,544,900 of which $314,681,395 remained outstanding at December 31, 2012. The aggregate principal amount issued for the nine remaining series issued prior to July 1, 1995 could not be determined; however, their original issue amounts totaled $191,890,000.

NOTE 9 – AMOUNT DUE FROM LESSEE

On June 2, 2003, the United States transferred ownership of property occupied by Teledyne Technologies to the Authority for $10. A lease agreement between the Authority and Teledyne Technologies was entered into on August 23, 2001 and commenced on the date the property was transferred to the Authority (June 2, 2003). Lease payments are due in the amount of $65,000 per year with periodic increases based upon the consumer price index. The original lease term is five years with options to extend the lease for four additional periods of five years. On November 29, 2012 Teledyne exercised the second five year option period thereby extending the lease through May 31, 2018. Teledyne has the option to purchase the property for $450,000. The option price is considered a bargain purchase and, under the provision of Financial Accounting Board Standard No. 13, “Accounting for Leases”, the lease is being accounted for as a direct financing lease. The present value of the bargain purchase option and the lease payments during the original lease term are recorded as amount due from lessee in the statement of net position at December 31, 2012. 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 self-insured plan for employee health insurance coverage. The Port pays a portion of the employees' costs of medical services. Related expense in 2012 was $577,833.

NOTE 11 – CONTINGENCIES

A. Guarantees

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

B. Litigation

In the normal course of operations, the Authority may be subject to litigation, claims, and unasserted possible claims. As of December 31, 2012, the Authority was involved in several such matters. The outcome of such matters cannot presently be determined.

C. Grants

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

Any disallowed claims resulting from such audits would become a liability of the Port Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial positions of the Port Authority and December 31, 2012.

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, 2012:

Statement of Net Assets	
Current Assets	$ 1,544,288
Capital Assets	133,421,362
Other Assets	(4,191,521)
Total Assets	130,774,129
Current Liabilities	3,527,154
Noncurrent Liabilities	8,121,993
Total Liabilities	11,649,147
Invested in Capital Assets, Net of Related Debt	122,813,531
Restricted	3,481,084
Unrestricted	(7,169,633)
Total Net Assets	$ 119,124,982
Statement of Revenues, Expenses, and Changes in Net Assets	
Operating Revenues	$ 4,245,142
Depreciation and Amortization	5,907,411
Other Operating Expenses	5,080,577
Operating Loss	(6,742,846)
Nonoperating revenues (expenses):	
Grants	4,603,811
Investment Income	166,950
Interest Expense	(753,521)
Other Nonoperating Revenues (Expenses)	520,887
Transfers net	357,712
Loss on Refunding	(2,200,229)
Change in Net Assets	(4,047,236)
Beginning Net Assets	123,172,218
Ending Net Assets	$ 119,124,982
Statement of Cash Flows	
Net Cash Provided (Used) by:	
Operating Activities	(2,365,049)
Noncapital Finance	118,375
Capital and Related Financing	(16,797,061)
Investing	12,825,882
Cash at Beginning of Year	9,699,437
Cash at End of Year	$ 3,481,584

Toledo-Lucas County Port Authority
Schedules of Net Position by Division
December 31, 2012

	Administration	Seaport	Airport	Development & Property	Total
ASSETS					
Current Assets:					
Cash	$ 2,702,377	$ -	$ 3,481,584	$ 6,745,661	12,929,622
Investments	1,004,460	1,785,534	-	-	2,789,994
Interest receivable	-	2,208	-	2,208	4,416
Accounts receivable	61,259	3,228,003	1,952,942	1,341,975	6,584,179
Current portion of loan receivable	10,214		49,742	133,453	193,409
Due (to) from other divisions	1,159,587	7,732,027	(3,939,980)	(4,951,634)	-
Prepaid expenses and other assets	64,768	12,080	-	123,829	200,677
Total Current Assets	5,002,665	12,759,852	1,544,288	3,395,492	22,702,297
Noncurrent Assets:					
Nondepreciable capital assets	435,000	17,584,859	41,393,122	12,555,785	71,968,766
Depreciable capital assets, Net of accumulated depreciation	83,270	30,248,004	92,028,240	24,511,234	146,870,748
Restricted:					
Investments	-	-	-	518,512	518,512
Amount due from lessee	-	-	-	352,000	352,000
Deferred bond issuance cost	-	-	907,430	365,547	1,272,977
Loans Receivable	612,152	-	259,671	6,053,674	6,925,497
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	1,130,422	57,938,866	129,229,841	42,609,371	230,908,500
Total Assets	**6,133,087**	**70,698,718**	**130,774,129**	**46,004,863**	**253,610,797**
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts payable	$ 316,564	$ 2,637,239	$ 659,840	$ 1,447,451	$ 5,061,094
Accrued payroll	81,453	2,315	165,155	35,741	284,664
Accrued interest payable	-	-	210,493	-	210,493
Deferred income	-	-	-	12,000	12,000
Deposits	-	7,500	5,828	1,259,997	1,273,325
Notes payable-current	-	-	315,838	69,791	385,629
Revenue bonds payable-current	-	-	2,170,000	365,000	2,535,000
Ohio SIB				375,000	375,000
Total Current Liabilities	398,017	2,647,054	3,527,154	3,564,980	10,137,205
Long-term notes payable	-	-	821,993	1,137,516	1,959,509
Revenue bonds payable	-	-	7,300,000	9,049,862	16,349,862
Ohio SIB	-	-	-	9,055,000	9,055,000
Total Noncurrent Liabilities	-	-	8,121,993	19,242,378	27,364,371
Total Liabilities	**398,017**	**2,647,054**	**11,649,147**	**22,807,358**	**37,501,576**
Net Assets:					
Invested in capital assets, net of related debt	518,270	47,832,863	122,813,531	17,014,850	188,179,514
Restricted	-	-	3,481,084	4,844,906	8,325,990
Unrestricted	5,216,800	20,218,801	(7,169,633)	1,337,749	19,603,717
Total Net Assets (Deficit)	**$ 5,735,070**	**$ 68,051,664**	**$ 119,124,982**	**$ 23,197,505**	**$ 216,109,221**

Toledo-Lucas County Port Authority
Schedule of Revenues, Expenses and Changes in Net Assets Information by Division
For the Period Ended December 31, 2012

	Administration	Seaport	Airport	Development & Property	Total
Operating Revenues					
Rental under property leases	$ -	$ 1,152,070	$ -	$ 5,352,777	$ 6,504,847
Airport landing area	-	-	343,123	-	343,123
Airport terminal area	-	-	2,371,445	-	2,371,445
BX Solutions	-	-	900,000	-	900,000
Other rental and fee income	-	-	528,399	1,465,800	1,994,199
Wharfage under property lease	-	272,747	-	-	272,747
Other income	-	7,302	102,175	134,402	243,879
Total Operating Revenues	**-**	**1,432,119**	**4,245,142**	**6,952,979**	**12,630,240**
Operating Expenses					
Personal services	984,050	155,371	2,179,477	823,450	4,142,348
Marketing	57,524	16,913	359,197	92,746	526,380
Contractual services	(318,338)	334,319	919,613	3,832,860	4,768,454
Utilities	14,075	7,110	530,650	179,459	731,294
Repairs and maintenance	-	81,933	1,047,843	161,766	1,291,542
Depreciation	19,780	1,407,861	5,873,803	999,468	8,300,912
Amortization	-	-	33,608	23,444	57,052
Rental expense	63,952	-	-	-	63,952
Other operating expenses	54,765	-	43,797	34,534	133,096
Total operating expenses	**875,808**	**2,003,507**	**10,987,988**	**6,147,727**	**20,015,030**
Operating Income (Loss)	**(875,808)**	**(571,388)**	**(6,742,846)**	**805,252**	**(7,384,790)**
Nonoperating Revenues (Expenses)					
Proceeds of property tax levy	2,354,413	-	-	-	2,354,413
Intergovernmental grants	-	-	118,375	-	118,375
Grants	-	6,796,567	4,485,436	5,099,350	16,381,353
Interest income from investments	-	21,692	166,950	123,456	312,098
Passenger facility charges	-	-	725,411	-	725,411
Gain on investment	-	(40,026)	-	-	(40,026)
Lease receivable adjustment			-	225,679	225,679
Other nonoperating expenses	-	-	-	(159,648)	(159,648)
Interest expense	-	-	(753,521)	(872,042)	(1,625,563)
Grant pass through	-	(3,125,077)	(204,524)	(1,229,827)	(4,559,428)
Loss on refunding	-	-	(2,200,229)	-	(2,200,229)
Property transfer	-	-	-	572,802	572,802
Other nonoperating revenue	-	-	-	664,549	664,549
Total Nonoperating Revenues (Expenses)	**2,354,413**	**3,653,156**	**2,337,898**	**4,424,319**	**12,769,786**
Income (Loss) Before Contributions	**1,478,605**	**3,081,768**	**(4,404,948)**	**5,229,571**	**5,384,996**
Interdivisional transfers in	-	-	1,298,750	-	1,298,750
Interdivisional transfers out	(357,712)	-	(941,038)	-	(1,298,750)
Change in Net Assets	**1,120,893**	**3,081,768**	**(4,047,236)**	**5,229,571**	**5,384,996**
Net assets (deficit) at beginning of year	4,614,177	64,969,896	123,172,218	17,967,934	210,724,225
Net Assets (Deficit) at End of Year	**$ 5,735,070**	**$ 68,051,664**	**$ 119,124,982**	**$ 23,197,505**	**$ 216,109,221**

TOLEDO LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Federal Grantor/Pass - Through Grantor Program Titles	CFDA Number	Grant Expenditures
U.S. Department of Transportation		
Airport Improvement Program	20.106	1,002,094
U.S. Department of Housing and Urban Development		
HUD B05SPOH0220	14.251	103,342
HUD B10SPOH0353	14.251	217,838
HUD B10SPOH0393	14.251	88,597
		409,777
U.S Department of Energy		
DOE Environmental Mgmt.- EECBG - ARRA	81.128	1,806,730
DOE Revolving Loans - ARRA	81.128	5,655,553
		7,462,283
U.S. Department of Homeland Security		
FEMA 2008GBT80073	97.056	293,901
FEMA 2008GBT80067	97.056	985,672
FEMA 2010PUT0K041	97.056	704,285
FEMA 2009PUT9K054	97.056	4,656
		1,988,514
U.S. Environmental Protection Agency		
City of Toledo Sub-Grant Jeep Site Clean-up - ARRA	66.818	27,568
		$ 10,890,236

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Note 1–Basis of presentation

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

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
FOR EACH QUARTER DURING THE YEAR ENDED DECEMBER 31, 2012

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Totals
PFC Fees Collected	$ 69,077	$ 94,897	$ 72,008	$ 59,617	$ 295,599
Interest Income	860	904	954	989	3,707
PFC Fees Expended*					
Net Increase in Cash	69,937	95,801	72,962	60,606	299,306
Cash at Beginning of Period	1,691,444	1,761,381	1,857,182	1,930,144	1,691,444
Cash at End of Period	$ 1,761,381	$ 1,857,182	$ 1,930,144	$ 1,990,750	$ 1,990,750

*No fees were transferred from the PFC account.

At December 31, 2012, expenditures amounting to approximately $1.5 million had been made by the Port Authority, which will be reimbursed from PFC Cash in the future.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
YEAR ENDED DECEMBER 31, 2012

General

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

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

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

The Toledo-Lucas County Port Authority ("Port Authority"), for its operation at Toledo Express Airport, had been granted FAA approval to collect PFC fees for application #5 in December 2007 through December 31, 2011, at the rates of $4.50 for each enplaned passenger. Starting in December 2011, the Airport began to collect PFC fees for application #6, at the same rates, which will continue through December 1, 2018. The 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.

GILMORE, JASION & MAHLER, LTD

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

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

Report on Compliance for Passenger Facility Charge Program

We have audited the compliance of Toledo-Lucas County Port Authority ("Port Authority") with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2012.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Compliance for Passenger Facility Charge Program

In our opinion, Port Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

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

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

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

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

Gilmore, Jasion & Mahler, LTD

June 28, 2013

GILMORE, JASION & MAHLER, LTD

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Toledo-Lucas County Port Authority (the "Port Authority"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements, and have issued our report thereon dated June 28, 2013.

Internal Control Over Financial Reporting

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

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

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

1715 Indian Wood Circle, Suite 100, Maumee, Ohio 43537-4055
Phone 419.794.2000 Fax 419.794.2090

Compliance and Other Matters

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

Purpose of this Report

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

Gilmore, Jasion & Mahler, LTD

June 28, 2013

GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Toledo-Lucas County Port Authority's ("Port Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Port Authority's major federal programs for the year ended December 31, 2012. The Port Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Example Entity's compliance.

Opinion on Each Major Federal Program

In our opinion, the Port Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

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Report on Internal Control Over Compliance

Management of the Port Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gilmore, Jasion & Mahler, LTD

June 28, 2013

GJ&M
GILMORE, JASION & MAHLER, LTD

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs

CFDA Number	Name of Federal Program
14.251	Dept of Housing and Urban Development – Economic Development Initiative
20.106	Department of Transportation – Airport Improvement Program
81.128	Dept of Energy – Energy Efficiency and Conservation Block Grant Program
97.056	Department of Homeland Security – Port Security Grant Program

Dollar threshold used to distinguish between type A and type B programs	$326,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF STATUS OF PRIOR YEAR (2011) AUDIT FINDINGS
For the Year Ended December 31, 2012

None.

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Dave Yost · Auditor of State

TOLEDO-LUCAS COUNTY PORT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 1, 2013