

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER SUPPLEMENTARY INFORMATION  
AND INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2014**





# 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, 2014 through December 31, 2014. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

September 16, 2015

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## 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 Authority”), which consist of the statement of net position as of December 31, 2014, and the related statements of revenues, expenses and changes in net position 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 Authority, as of December 31, 2014, 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 Authority's basic financial statements. The accompanying schedule of expenditures of federal awards on page 37 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 39 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 35 – 36, which includes the schedule of net position information by division and the schedule of revenues, expenses, and changes in net position information by division, are presented for purposes of additional analysis, and are 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 29, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Authority's internal control over financial reporting and compliance.

*Gilmore Jasion Mahler, LTD*

Maumee, Ohio  
June 29, 2015



## **TOLEDO-LUCAS COUNTY PORT AUTHORITY**

### ***Management's Discussion and Analysis For the Year Ended December 31, 2014***

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, 2014. This information should be read in conjunction with the basic financial statements included in this report.

#### **FINANCIAL HIGHLIGHTS**

The following financial highlights for 2014 are as follows:

- Total Net Position decreased \$3,555,209 to \$221,590,442 from the year ended December 31, 2013.
- Overall operating revenue increased approximately \$42,700 from 2013. Seaport revenues increased while Property and Development decreased. Airport revenues were approximately the same.
- An operating loss of \$6.55 million was reported which includes \$8.9 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 Position, 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 Position present a summary of how the Authority's net position 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.

## TOLEDO-LUCAS COUNTY PORT AUTHORITY

### Management's Discussion and Analysis For the Year Ended December 31, 2014

#### FINANCIAL ANALYSIS OF THE AUTHORITY

The following tables provide a summary of the Authority's financial position and operations for 2014 and 2013, respectively.

##### Condensed Statements of Net Assets

	December 31, 2014	December 31, 2013	Change Amount	%
Assets:				
Current assets	25,884,326	26,132,479	(248,153)	-0.9%
Capital Assets, Net	221,989,003	226,230,017	(4,241,014)	-1.9%
Other Noncurrent Assets	6,431,484	6,276,875	154,609	2.5%
Total assets	254,304,813	258,639,371	(4,334,558)	-1.7%
Liabilities and Net Position:				
Liabilities:				
Current liabilities (includes long term debt due within one year)	6,772,537	6,789,727	(17,190)	-0.3%
Long-term debt outstanding	25,941,834	26,703,993	(762,159)	-2.9%
Total liabilities	32,714,371	33,493,720	(779,349)	-2.3%
Net Position:				
Net investment in Capital Assets	193,862,524	197,713,164	(3,850,640)	-1.9%
Restricted	10,246,205	7,621,104	2,625,101	34.4%
Unrestricted	17,481,713	19,811,383	(2,329,670)	-11.8%
Total net position	221,590,442	225,145,651	(3,555,209)	-1.6%
Total Liabilities and Net Position	254,304,813	258,639,371	(4,334,558)	-1.7%

Current assets decreased slightly while other noncurrent assets increased by 2.5% due to an increase in receivables.

- Net Capital assets decreased approximately 1.9% due to depreciation exceeding acquisition of fixed assets during the year.
- Liabilities decreased 2.3 % because of a substantial decrease of accounts payable in all operating divisions.
- The Port's assets exceeded liabilities by approximately \$221.6 million at December 31, 2014 (a decrease of over \$3.55 million) because Airport fixed assets decreased due to depreciation and minimal fixed asset acquisition.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2014**

**Changes in Net Position** - The following table shows the changes in revenues and expenses for the Authority between 2014 and 2013:

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b>December 31, <u>2014</u></b>	<b>December 31, <u>2013</u></b>	<b>Change</b>	
			<b><u>Amount</u></b>	<b><u>%</u></b>
Operating revenues				
Airport related	\$ 4,051,430	\$ 4,070,813	\$ (19,383)	-0.5%
Seaport, Financing, Admin and other	8,471,064	8,409,021	62,043	0.7%
<b>Total operating revenues</b>	<u>12,522,494</u>	<u>12,479,834</u>	<u>42,660</u>	<u>0.3%</u>
Operating expenses				
Airport related	10,465,633	10,171,476	294,157	2.9%
Seaport, Financing, Admin and other	8,603,408	8,640,671	(37,263)	-0.4%
<b>Total operating expenses</b>	<u>19,069,041</u>	<u>18,812,147</u>	<u>256,894</u>	<u>1.4%</u>
<b>Operating loss</b>	<u>(6,546,547)</u>	<u>(6,332,313)</u>	<u>(214,234)</u>	<u>3.4%</u>
<b>Nonoperating revenues (expenses)</b>				
Proceeds of property tax levy	2,162,487	2,321,162	(158,675)	-6.8%
Grants	6,372,395	21,534,160	(15,161,765)	-70.4%
Interest income from investments	54,967	89,478	(34,511)	-38.6%
Passenger facility charges	758,084	745,916	12,168	1.6%
Other income (expense)	1,538,034	(693,562)	2,231,596	-321.8%
Interest expense	(1,224,496)	(1,353,003)	128,507	-9.5%
Grant pass through	(6,670,133)	(7,275,408)	605,275	-8.3%
<b>Total nonoperating revenues (expenses)</b>	<u>2,991,338</u>	<u>15,368,743</u>	<u>(12,377,405)</u>	<u>-80.5%</u>
Income (loss) before contributions	(3,555,209)	9,036,430	(12,591,639)	-139.3%
<b>Changes in Net Postion</b>	<u>(3,555,209)</u>	<u>9,036,430</u>	<u>(12,591,639)</u>	<u>-139.3%</u>
Total net position-beginning of year	<u>225,145,651</u>	<u>216,109,221</u>	<u>9,036,430</u>	<u>4.2%</u>
Total net position-end of year	<u>\$ 221,590,442</u>	<u>\$ 225,145,651</u>	<u>\$ (3,555,209)</u>	<u>-1.6%</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

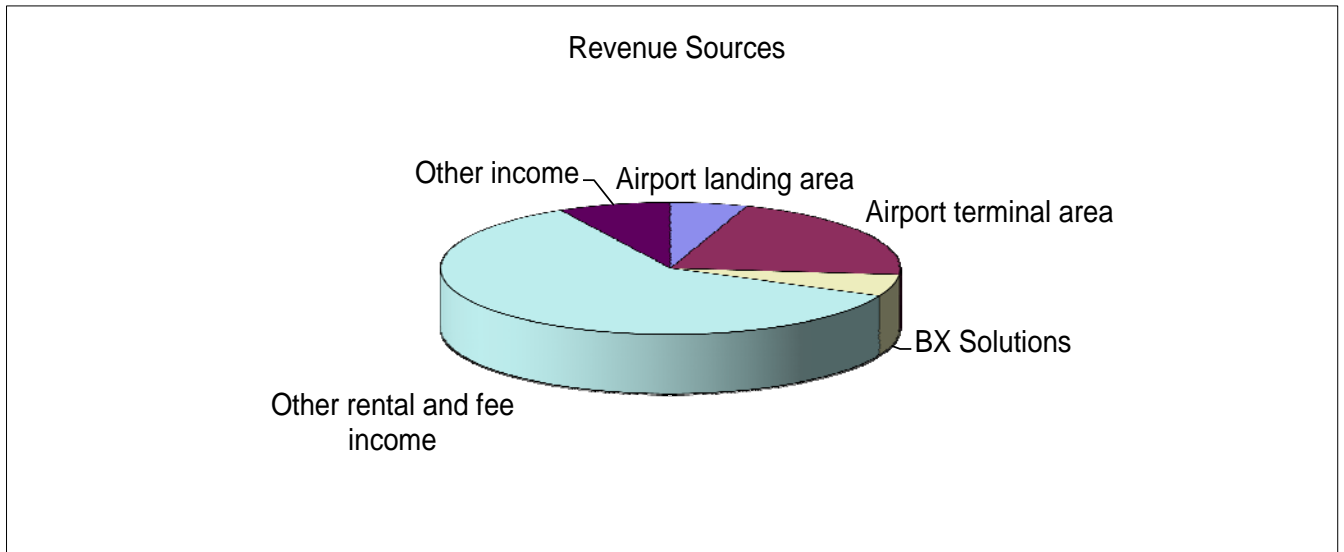
***Management's Discussion and Analysis  
For the Year Ended December 31, 2014***

- Although 2014 reported a net operating loss of approximately \$6.55 million including \$8.9 million of depreciation and amortization expense, non-operating revenues exceeded non-operating expenses by almost \$3 million due to grant revenue of approximately \$6.4 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 2014 increased slightly.
- Operating expenses increased about 1.4% for 2014 due to marketing of the Airport cargo building.
- Interest expenses and grant pass through expenditures accounted for the majority of non-operating expenses for 2014.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2014**

Revenue Sources	2014	Percent of Total
Rental under property lease	\$3,128,710	24.98%
Airport landing area	510,207	4.07%
Airport terminal area	1,985,950	15.86%
BX Solutions	500,000	3.99%
Other rental and fee income	5,654,891	45.16%
Other income	742,736	5.94%
Total Revenue	<u>\$12,522,494</u>	<u>100.00%</u>



**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2014 the Authority reported \$221,989,003 net of accumulated depreciation invested in land, buildings, equipment and vehicles. This amount represents a net decrease of \$4.2 million, after depreciation expense, of approximately \$8.6 million.

The following table shows fiscal year 2014 and 2013 balances:

**Capital Assets at December 31,**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Land	\$ 70,227,625	\$ 70,156,112	\$ 71,513
Construction in progress	4,616,826	2,617,935	1,998,891
Improvements	175,864,202	174,579,897	1,284,305
Property and equipment	62,196,299	62,190,846	5,453
Buildings & leasehold improvements	106,956,708	105,999,997	956,711
Furniture and fixtures	<u>529,092</u>	<u>527,757</u>	<u>1,335</u>
Total Cost	\$ 420,390,752	\$ 416,072,544	\$ 4,318,208
Accumulated Depreciation	<u>(198,401,749)</u>	<u>(189,842,527)</u>	<u>(8,559,222)</u>
Net Value	<u>\$ 221,989,003</u>	<u>\$ 226,230,017</u>	<u>\$ (4,241,014)</u>

## **TOLEDO-LUCAS COUNTY PORT AUTHORITY**

### **Management's Discussion and Analysis For the Year Ended December 31, 2014**

#### **Debt**

At December 31, 2014 the Authority had \$28,126,481 in debt outstanding, \$2,184,644 of which is due within one year. Outstanding debt in the amount of \$ 8,375,709 pertains to Airport improvements and \$19,750,772 is for Seaport and Development improvements and projects.

The following table summarizes the Authority's debt outstanding as of December 31, 2014 and 2013 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,**

	<u>2014</u>	<u>2013</u>
Revenue bonds payable	\$ 24,274,861	\$ 25,404,861
Long-term notes payable	3,851,617	4,563,126
Long-term debt	<u>28,126,478</u>	<u>29,967,987</u>
Current portion	<u>(2,184,644)</u>	<u>(3,263,994)</u>
Long-term debt less current portion	<u>\$ 25,941,834</u>	<u>\$ 26,703,993</u>

#### **ECONOMIC FACTORS**

The following statistics played a key role in the Authority's financial picture in 2014 compared to 2013:

- Cargo moving through the Port of Toledo increased 13.6 %. Coal, iron ore, grain and dry bulk increased during 2014, while petroleum decreased.
- Passengers using Toledo Express Airport were up 11%.
- There was 1.8 % increase in the amount of Passengers using the AMTRAK station in Toledo, at Dr. Martin Luther King, Jr., Plaza owned by the Port Authority.
- Parking revenue from the Port's three downtown parking garages increased 2.4%.

#### **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, 2014**

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**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 15,157,683
Restricted cash	2,500,000
Investments	3,796,636
Interest receivable	3,826
Accounts receivable	3,569,778
Loan receivable	111,618
Lease receivable	390,093
Prepaid expenses and other assets	354,692
<b>Total Current Assets</b>	<b><u>25,884,326</u></b>

**Noncurrent Assets:**

Nondepreciable capital assets	74,844,452
Depreciable capital assets, net of accumulated depreciation	147,144,551
Restricted investments	517,391
Deferred bond issue costs	1,091,658
Loan receivable	711,699
Lease receivable	1,110,736
Amount due from Northwest Bond Fund	3,000,000
<b>Total Noncurrent Assets</b>	<b><u>228,420,487</u></b>

<b>Total Assets</b>	<b><u><u>\$ 254,304,813</u></u></b>
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(Continued)

See accompanying notes to the financial statements.



**Toledo-Lucas County Port Authority**  
**Statement of Net Position, Continued**  
**December 31, 2014**

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**LIABILITIES AND NET POSITION**

**Current Liabilities:**

Accounts payable	\$	3,844,489
Accrued payroll		372,007
Deferred income		68,006
Accrued interest payable		200,000
Deposits		103,391
Revenue bonds payable-current		795,000
Notes payable-current		989,644
Ohio SIB loan-current		400,000

**Total Current Liabilities** 6,772,537

**Noncurrent Liabilities:**

Revenue bonds payable	14,814,861
Notes payable	2,861,973
Ohio SIB Loan	8,265,000

**Total Noncurrent Liabilities** 25,941,834

**Total Liabilities** **32,714,371**

**Net Position:**

Invested in capital assets, net of related debt	193,862,524
Restricted	10,246,205
Unrestricted	17,481,713

**Total Net Position** 221,590,442

**Total Liabilities and Net Position** \$ 254,304,813

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2014**

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**Operating Revenues**

Rental under property lease	\$ 3,128,710
Airport landing area	510,207
Airport terminal area	1,985,950
BX Solutions	500,000
Other rental and fee income	5,654,891
Other income	742,736
<b>Total Operating Revenues</b>	<b><u>12,522,494</u></b>

**Operating Expenses**

Personnel	3,308,941
Marketing	646,561
Contractual services	3,910,483
Utilities	856,761
Repairs and maintenance	1,402,233
Depreciation	8,769,257
Amortization	114,103
Other	60,702
<b>Total Operating Expenses</b>	<b><u>19,069,041</u></b>

**Operating Loss**

**(6,546,547)**

**Nonoperating Revenues (Expenses)**

Proceeds of property tax levy	2,162,487
Grants	6,372,395
Interest income from investments	54,967
Passenger facility charges	758,084
Other nonoperating expenses	(1,952,012)
Interest expense	(1,224,496)
Grant pass through	(6,670,133)
Other nonoperating revenue	3,490,046
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>2,991,338</u></b>

**Changes in Net Position**

**(3,555,209)**

Net Position beginning of year

225,145,651

**Net Position at End of Year**

**\$ 221,590,442**

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2014**

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<u>Cash flows from operating activities:</u>	
Cash received from customers	\$ 14,947,657
Cash payments for goods and services	(7,365,970)
Cash payments to and on behalf of employees	(3,175,248)
Net cash provided by operating activities	<u><b>4,406,439</b></u>
 <u>Cash flows from noncapital financing activities:</u>	
Intergovernmental grants	1,588,867
Proceeds of property tax levy	2,162,487
Net cash provided by noncapital financing activities	<u><b>3,751,354</b></u>
 <u>Cash flows from capital and related financing activities:</u>	
Capital grants received	6,871,170
Passenger and Customer facility charges received	755,282
Acquisition and construction of capital assets	(4,528,243)
Cash expended for capital lease receivable	(1,300,000)
Interest paid on capital asset debt	(1,224,496)
Principal payments on long-term debt	(2,155,409)
Issuance of debt	313,900
Grant pass through	(3,622,133)
Net cash used by capital and related financing activities	<u><b>(4,889,929)</b></u>
 <u>Cash flows from investing activities:</u>	
Interest on investments	109,710
Purchase of securities	(2,535,154)
Proceeds on securities	3,518,714
Net cash provided by investing activities	<u><b>1,093,270</b></u>
Net (decrease) in cash and cash equivalents	4,361,134
Cash and cash equivalents at beginning of year	13,296,549
Cash and cash equivalents at end of year	<u><b>\$ 17,657,683</b></u>

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority  
Statement of Cash Flows, Continued  
For the Year Ended December 31, 2014**

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Reconciliation of operating loss to net cash

Provided by operating activities:

Operating loss	(\$6,546,547)
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation and amortization expense	8,883,360
Changes in assets and liabilities:	
Reductions in loans receivable	2,889,535
Accounts receivable	(117,687)
Prepaid expenses and other assets	82,623
Accrued Payroll	133,693
Accounts payable	(489,229)
Deposits	(398,026)
Deferred income	(31,283)
Total adjustments	<u>10,952,986</u>
Net cash provided by operating activities	<u><u>\$4,406,439</u></u>

See accompanying notes to the financial statements.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**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 purchased garages from the City of Toledo in 2012 and is considered a component unit.

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 FASB after November 30, 1989. 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 position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total revenues, expenses, and changes in net position. 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 position 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 Securities Exchange Committee (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, 2014.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 \$27,022 from \$178,567 at December 31, 2013 to \$205,589 at December 31, 2014.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in net investment in capital assets 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. The restricted component of net position consists of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements. The restricted component of net position also include cash received from the sale of land, unspent grant monies and passenger facility charges, which are restricted per the Federal Aviation Administration.

Revenues and Expenses

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property Tax Levy

A .4 mill real estate tax renewal levy passed by Lucas County voters in 2012 provides financial support for the various activities of the Authority. The levy expires in 2019. The Authority elected to collect the full 0.4 mill in 2014.

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

Budgetary Process

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

**NOTE 2 – CASH AND INVESTMENTS**

Bank Deposits

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

At year end the carrying amount of the Authority's deposits was \$16,152,063 and the bank balance was \$17,908,818. The Authority also had \$750 cash on hand. Federal depository insurance covered \$3,820,281 of the bank balance and \$14,088,537 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: \$14,088,537



**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Investments

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

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

The Authority’s investments at December 31, 2014 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>			
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>	<u>more than 5</u>
STAR Ohio	1,504,869	AAAm <sup>1</sup>	1,504,869	-	-	-
Money Market Fund	2,055,492	A-1+ <sup>1</sup>	2,055,492	-	-	-
Abbey National North America	493,687		493,687		-	-
Federal Farm Credit Bank	223,668	AAA <sup>1</sup>		223,668	-	-
Federal National Mortgage Association	497,995	AAA <sup>1</sup>		497,995	-	-
Federal Home Loan Bank	1,043,186	AAA <sup>1</sup>	747,710		295,476	-
<b>Total Investments</b>	<b>\$5,818,897</b>		<b>4,801,758</b>	<b>721,663</b>	<b>295,476</b>	<b>-</b>

<sup>1</sup> Standard & Poor’s

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

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

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

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

*Concentration of Credit Risk* - Concentration of credit risk exists when investments are concentrated in one issue. The Authority’s investment policy allows investments of 100% in U.S. Agency or Treasury Obligations, and limits repurchase agreements and investments in STAR Ohio to 25% of total investments (25% limitation was eliminated in January of 2009) and investments in Port Authority Bonds to \$200,000, unless the Authority’s Board of Directors, by resolution, modifies the limits. The Authority’s investments in U.S. Agencies represent approximately 41%, Money Market funds 48 % and other 11% of the Authority’s investment portfolio excluding STAR Ohio at year end.

Cash and investments per footnote

Carrying amount of bank deposits	\$ 16,152,063
Cash on hand	750
Investments	<u>5,818,897</u>
Total	<u>\$ 21,971,710</u>

Cash and investments per statement of net position

Cash and cash equivalents	\$ 15,157,683
Restricted cash	2,500,000
Investments	3,796,636
Restricted investments	<u>517,391</u>
Total	<u>\$ 21,971,710</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2014**

**NOTE 3 – CAPITAL ASSETS**

Capital assets consist of the following:

Class	December 31, 2013	Additions	Deletions	December 31, 2014
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$ 70,156,112	\$ 71,514	\$ -	\$ 70,227,626
Construction in Progress	2,617,935	1,998,891	-	4,616,826
Subtotal	72,774,047	2,070,405	-	74,844,452
<b><i>Capital assets being depreciated:</i></b>				
Improvements	174,579,897	1,284,304	-	175,864,201
Property and Equipment	62,190,846	215,488	(210,035)	62,196,299
Buildings and Leasehold				
Improvements	105,999,997	956,711	-	106,956,708
Furniture and Fixtures	527,757	1,335	-	529,092
Subtotal	343,298,497	2,457,838	(210,035)	345,546,300
Total Cost	\$ 416,072,544	\$ 4,528,243	\$ (210,035)	\$ 420,390,752
<b><i>Accumulated Depreciation:</i></b>				
Class	December 31, 2013	Additions	Deletions	December 31, 2014
<b><i>Capital assets being depreciated:</i></b>				
Land Improvements	\$ (102,750,698)	\$ (4,185,535)	\$ -	\$ (106,936,233)
Property and Equipment	(34,724,893)	(2,175,595)	210,035	(36,690,453)
Buildings and Leasehold				
Improvements	(51,989,739)	(2,400,834)	-	(54,390,573)
Furniture and Fixtures	(377,197)	(7,293)	-	(384,490)
Total Depreciation	\$ (189,842,527)	\$ (8,769,257)	\$ 210,035	\$ (198,401,749)
<b><i>Net Value:</i></b>	\$ 226,230,017	\$ (4,241,014)	\$ -	\$ 221,989,003
Depreciation Expense charged to operating expense		\$ 8,769,257		

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 2014, approximately \$1.7 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 in 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. The balance of the note at December 31, 2014 was \$23,371.

In addition, Port Authority has loaned amounts totaling \$955,079 under various loan programs, at interest rates ranging from zero to 6%, with maturities ranging from 2015 through 2028. Future principal payments in years after 2014 for these loans receivable are as follows:

<u>December 31,</u>	
2015	\$ 111,618
2016	103,359
2017	117,719
2018	125,232
2019	53,075
Thereafter	<u>467,447</u>
Total	<u><u>\$ 978,450</u></u>

A Capital Lease was entered into with Midwest Terminals of Toledo, Inc. in 2014. The Port provided funding of \$1,300,000 for infrastructure improvements to be made at the Ironville dock site. Midwest Terminals shall pay the Port commencing January 1, 2015 and ending December 31, 2022 monthly installment of \$15,722, which amounts to \$189,264 annually.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2014**

**NOTE 5 – DEBT**

A summary of Long Term Debt Activity for the year ended December 31, 2014 follows:

	<u>Series</u>	<u>Maturity Date</u>	<u>Balance December 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2014</u>	<u>Due Within One Year</u>
Revenue Bonds:							
Northwest Ohio Development:							
Taxable:							
7.25%	Chevron	2008A 2028	\$4,335,000	-	(\$150,000)	\$4,185,000	\$165,000
5.50%	Parking Garage Project	2011C 2026	4,714,861	-	(\$235,000)	\$4,479,861	255,000
4.61%	Refunding Air Hub Project	2012A 2026	7,300,000	-	(\$355,000)	\$6,945,000	375,000
Tax Exempt:							
Other:							
	State of Ohio Tax Exempt	2011-1 2031	9,055,000	-	(390,000)	8,665,000	400,000
Total Revenue Bonds			25,404,861	-	(1,130,000)	24,274,861	1,195,000
Notes Payable:							
3.00%	Airport ODOT Note	2009 2011	821,993	-	(325,384)	496,609	335,219
1.35%	State Bank-Cargo Hub	2014 2014	1,000,000	-	(500,000)	500,000	500,000
5.13%	Dept. of Energy Note Airport	2014 2014	693,950	240,150	-	934,100	6,519
5.13%	Dept. of Energy Note Garages	2012 2026	707,949	-	(86,011)	621,938	48,503
5.13%	Dept. of Energy Note Maritime	2012 2026	977,957	24,412	(78,969)	923,400	70,440
3.00%	Dept. of Energy Note MLK	2011 2021	361,277	49,338	(35,045)	375,570	28,963
Total Notes Payable			4,563,126	313,900	(1,025,409)	3,851,617	989,644
Total			\$ 29,967,987	\$ 313,900	\$ (2,155,409)	\$ 28,126,478	\$ 2,184,644

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2014**

**NOTE 5 - DEBT (Continued)**

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

	2015	2016	2017	2018	2019
<b>Notes Payable</b>					
Airport ODOT Note	\$ 335,219	\$ 161,390	\$ -	\$ -	\$ -
State Bank Cargo Hub	500,000	-	-	-	-
Dept. of Energy Note Airport	6,519	50,017	52,877	55,902	59,099
Dept. of Energy Note Garages	48,503	49,970	51,479	53,035	54,639
Dept. of Energy Note Maritime	70,440	72,872	75,386	77,988	80,680
Dept. of Energy Note MLK	28,963	29,368	29,779	30,195	30,617
<b>Revenue Bonds Payable</b>					
Northwest Ohio Development Revenue Bonds					
Tax Exemp-Garage	255,000	270,000	285,000	305,000	320,000
Taxable Airport Hub	375,000	390,000	415,000	435,000	455,000
Taxable Port Authority	165,000	175,000	190,000	205,000	225,000
<b>State of Ohio Tax Exempt</b>	400,000	405,000	415,000	425,000	440,000
Total	<u>\$ 2,184,644</u>	<u>\$ 1,603,617</u>	<u>\$ 1,514,521</u>	<u>\$ 1,587,120</u>	<u>\$ 1,665,035</u>

	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	Total
<b>Notes Payable</b>						
Airport ODOT Note	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 496,609
State Bank Cargo Hub	-	-	-	-	-	500,000
Dept. of Energy Note Airport	350,233	359,453	-	-	-	934,100
Dept. of Energy Note Garages	298,985	65,327	-	-	-	621,938
Dept. of Energy Note Maritime	447,139	98,896	-	-	-	923,401
Dept. of Energy Note MLK	159,628	67,019	-	-	-	375,569
<b>Revenue Bonds Payable</b>						
Northwest Ohio Development Revenue Bonds						
Tax Exemp-Garage	1,915,000	1,129,861	-	-	-	4,479,861
Taxable Airport Hub	2,660,000	2,215,000	-	-	-	6,945,000
Taxable Port Authority	1,395,000	1,830,000	-	-	-	4,185,000
<b>State of Ohio Tax Exempt</b>	2,405,000	2,860,000	1,315,000	-	-	8,665,000
Total	<u>\$ 9,630,985</u>	<u>\$ 8,625,556</u>	<u>\$ 1,315,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,126,478</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2014**

**NOTE 5 - DEBT (Continued)**

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

	2015	2016	2017	2018	2019	
<b>Notes Payable</b>						
Airport ODOT Note	\$ 12,703	\$ 2,571	\$ -		\$ -	
State Bank Cargo Hub	15,121				-	
Dept. of Energy Note Airport	44,299	51,620	48,759	45,735	42,538	
Dept. of Energy Note Garages	18,297	16,832	15,321	13,765	12,162	
Dept. of Energy Note Maritime	31,001	28,570	26,055	23,453	20,762	
Dept. of Energy Note MLK	5,133	4,728	4,317	3,901	3,479	
<b>Revenue Bonds Payable</b>						
Northwest Ohio Development Revenue Bonds						
Tax Exempt-Garage	216,458	203,718	190,365	176,155	161,088	
Taxable Airport Hub	315,900	298,498	280,173	260,811	240,527	
Taxable-Port Authority	300,512	288,369	275,318	261,366	246,138	
<b>State of Ohio Tax Exempt</b>	292,128	283,878	274,709	264,265	252,165	
Total	\$ 1,251,552	\$ 1,178,784	\$ 1,115,017	\$ 1,049,451	\$ 978,859	
	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	Total
<b>Notes Payable</b>						
Airport ODOT Note	\$ -	\$ -	\$ -	\$ -	\$ -	15,274
State Bank Cargo Hub	-	-				15,121
Dept. of Energy Note Airport	157,950	47,094				437,995
Dept. of Energy Note Garages	35,016	1,473				112,866
Dept. of Energy Note Maritime	60,071	2,545				192,457
Dept. of Energy Note MLK	10,852	1,171				33,581
<b>Revenue Bonds Payable</b>						
Northwest Ohio Development Revenue Bonds						
Tax Exemp- Garage	546,350	77,174				1,571,308
Taxable Airport Hub	860,456	161,235				2,417,600
Taxable-Port Authority	957,543	325,162	-			2,654,408
<b>State of Ohio Tax Exempt</b>	1,044,391	593,899	68,268			3,073,703
Total	\$ 3,672,629	\$ 1,209,753	\$ 68,268	\$ -	\$ -	\$ 10,524,313

**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. As of December 31, 2014 \$4,185,000 remains outstanding.

**B. Airport Improvement Revenue Bonds**

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. As of December 31, 2014 \$6,945,000 remains outstanding.

**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, 2014 \$ 496,609 is the remains outstanding.

**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. The total remaining balance for both bonds was approximately \$13,145,000 as of December 31, 2014 and both issuances have a term which ends in 2031.

**E. Department of Energy**

During 2014 the Authority was the borrower of four Department of Energy Notes totaling \$3,199,197 for the purpose of capital improvements to the garage facilities, headquarters building, airport terminal and the Martin Luther King terminal. As of December 31, 2014 \$2,855,010 remains outstanding.

**F. State Bank and Trust Note**

During 2013 the Authority was a borrower of \$1 million note with the State Bank and Trust Company to help service the 2012A Airport Hub refinancing debt. As of December 31, 2014, there remains a \$500,000 balance.

**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."

In June 2012, GASB issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions". This Accounting Standard will replace GASB Statement No. 27, and will be effective in the 2015 Financial Statements



**NOTE 6 – RETIREMENT PLAN (continued)**

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 2014, member and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate was 10%. The 2014 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, 2014, 2013, and 2012 were \$309,868, \$355,803 and \$411,278 respectively, which were equal to the required contributions for each year.

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of post-retirement health care benefits. OPERS' Post-employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post- employment health care benefits. The portion of employer contributions allocated to health care for members in the TP Plan was 2%, 1%, and 4% for calendar years 2014, 2013, and 2012, respectively. The portion of employer contributions allocated to health care for members in the CO Plan was 2%, 1%, and 6.05% for calendar years 2014, 2013, and 2012, respectively. The Authority's contribution to fund post-employment benefits for 2014, 2013, and 2012 were \$44,249, \$25,404, and \$117,502, respectively.

**NOTE 6 – RETIREMENT PLAN (continued)**

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 2% during calendar year 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 2% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care will be 2% 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.

Information from employer's records

The rates stated 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 2014 by 0.1428 for state and local employers, and 0.1111 for law enforcement and public safety employers.

OPERS Board of Trustees Adopt Changes to the Health Care Plan

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 percent of the employer contributions toward the health care fund after the end of the transition period.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2014**

**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, 2014 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	-	22,908,068	22,908,068
Property and Equipment	35,838	14,851,823	14,887,661
Building and Leasehold			
Improvements	13,789,139	9,839,058	23,628,197
Total Cost	<u>16,492,760</u>	<u>58,183,806</u>	<u>74,676,566</u>
Less: Accumulated			
Depreciation	(5,756,138)	(20,202,090)	(25,958,228)
	<u>\$10,736,622</u>	<u>\$37,981,716</u>	<u>\$48,718,338</u>

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	Project & Development Leases	Seaport Leases	Total
2015	\$ -	\$ 992,325	\$ 682,467	\$ 1,674,792
2016	-	773,768	682,467	1,456,235
2017	-	618,132	682,467	1,300,599
2018	-	596,284	682,467	1,278,751
2019	-	424,522	682,467	1,106,989
2020-2024	-	845,325	3,262,335	4,107,660
2025-2029	-	845,325	501,174	1,346,499
2030-2034	-	803,058	-	803,058
Totals	<u>\$ -</u>	<u>\$ 5,898,739</u>	<u>\$7,175,844</u>	<u>\$13,074,583</u>

**NOTE 7 - OPERATING LEASES (Continued)**

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 2014 the Authority received \$523,031. 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 \$547,286 for the year 2014.

**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, 2014, there were forty nine series of Revenue Bonds outstanding issued after July 1, 1995. The original issue amounts for the series was \$721,966,912 of which \$300,197,898 remained outstanding at December 31, 2014. The aggregate principal amount issued for twelve series issued prior to July 1, 1995 could not be determined; however, their original issue amounts totaled \$197,725,000.

**NOTE 9 – AMOUNT DUE FROM LESSEE**

On June 2, 2003, the United States transferred ownership of property occupied by Teledyne Technologies to the Authority for \$10. A lease agreement between the Authority and Teledyne Technologies was entered into on August 23, 2001 and commenced on the date the property was transferred to the Authority (June 2, 2003). Lease payments are due in the amount of \$65,000 per year with periodic increases based upon the consumer price index. The original lease term is five years with options to extend the lease for four additional periods of five years. On 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 FASB ASC 840, “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, 2014. 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 2014 was \$329,594.

**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. During 2014, Xunlight failed to make monthly debt service payments. The bond reserve was used to make the semi-annual May 2014 bond payment. Approximately \$1.685 million of the bonds are outstanding. On July 24, 2014 the Authority appropriated the sum of \$600,000 to purchase the bonds and pay related expenses thereby eliminating any further exposure. The actual cost to redeem the bonds was \$503,502. The Authority is expecting to receive funds from the sale of the related assets.

B. Litigation

In the normal course of operations, the Authority may be subject to litigation, claims, and unasserted possible claims. As of December 31, 2014, 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, 2014.

**NOTE 12 - TOLEDO PARKING GARAGE PROJECT**

The Port Authority acquired the off-street Parking Facilities from the City of Toledo that included Port Lawrence Parking Garage, Superior Street Parking Garage, and the Vistula Street Parking Garage. The Port Authority also, entered in to an agreement to acquire the City of Toledo's on-street parking equipment and the on-street parking franchise from the city to operate, maintain and improve the on-street parking meters and provide enforcement services within the designated boundaries. To finance the acquisition the Port issued \$4,940,000 of taxable revenue bonds within the Northwest Ohio Bond Fund and \$9,430,000 of tax exempt bonds issued within the Ohio Department of Transportation, State Infrastructure Bank. In 2012 a management agreement was implemented that includes sharing of the excess revenues generated from the Parking Facilities with the City of Toledo. Maintenance costs are financed from these same revenues. The operation of the Parking Facilities is performed by the Downtown Parking Authority, Inc. (DTPA). Management has determined that DTPA is a component unit of the Authority, and has included its financial position and its results of operations in the Authority's financial statements as a blended component unit.

In 2014, revenues in the amount of \$3,587,258 were generated and \$3,227,791 of operating expenses (including debt service of \$1,212,811) were incurred. The revenue and operational expense numbers are reported under the Development & Property Division in the Schedule of Revenues, Expenses and Changes in Net Position Information by Division. The Parking Facility asset and related debt are reported under the same division in the Schedule on Net Position Information by Division. To obtain Downtown Parking Authority financial information, please contact Daniel Fortinberry at 215 North St. Clair St. Toledo, Oh 43604.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2014**

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**NOTE 13 - SEGMENT INFORMATION**

Significant financial data for the airport division, which meets the requirements for segment reporting under GASB 34, is as follows for the year ended December 31, 2014:

**Statement of Net Position**

Current Assets	\$ (2,298,803)
Capital Assets	133,657,892
Other Assets	<u>(4,433,002)</u>
Total Assets	126,926,087
Current Liabilities	1,983,758
Noncurrent Liabilities	<u>7,658,971</u>
Total Liabilities	9,642,730
Invested in Capital Assets, Net of Related Debt	124,782,183
Restricted	4,185,769
Unrestricted	<u>(11,684,596)</u>
Total Net Position	<u><u>\$ 117,283,356</u></u>

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

Operating Revenues	\$ 4,051,429
Depreciation and Amortization	6,020,147
Other Operating Expenses	<u>4,445,486</u>
Operating Loss	(6,414,204)
Nonoperating revenues (expenses):	
Grants	908,673
Investment Income	25,867
Interest Expense	(376,369)
Other Nonoperating Revenues (Expenses)	<u>701,860</u>
Change in Net Position	<u>(5,154,173)</u>
Beginning Net Position	<u>122,437,529</u>
Ending Net Position	<u><u>\$ 117,283,356</u></u>

**Statement of Cash Flows**

Net Cash Provided (Used) by:	
Operating Activities	4,270,597
Noncapital Finance	(56,222)
Capital and Related Financing	(3,879,984)
Investing	25,867
Cash at Beginning of Year	3,826,011
Cash at End of Year	<u><u>\$ 4,186,269</u></u>

**Toledo-Lucas County Port Authority**  
**Schedule of Net Position Information by Division**  
**December 31, 2014**

<u>ASSETS</u>	<u>Administration</u>	<u>Seaport</u>	<u>Airport</u>	<u>Development &amp; Property</u>	<u>Total</u>
<b>Current Assets:</b>					
Cash	\$ 6,501,477	\$ -	\$ 4,186,269	\$ 4,469,937	15,157,683
Restricted Cash	-	-	-	2,500,000	2,500,000
Investments	1,538,101	1,764,849	-	493,686	3,796,636
Interest receivable	-	1,913	-	1,913	3,826
Accounts receivable	58,857	1,275,436	1,428,434	807,051	3,569,778
Due (to) from other divisions	(594,207)	11,879,475	(7,971,558)	(3,313,710)	-
Loans Receivable	30,195	-	58,052	23,371	111,618
Lease Receivable	-	189,264	-	200,829	390,093
Prepaid expenses and other assets	106,537	-	-	248,155	354,692
<b>Total Current Assets</b>	<b>7,640,960</b>	<b>15,110,937</b>	<b>(2,298,803)</b>	<b>5,431,232</b>	<b>25,884,326</b>
<b>Noncurrent Assets:</b>					
Nondepreciable capital assets	435,000	17,591,811	41,682,817	15,134,824	74,844,452
Depreciable capital assets, Net of accumulated depreciation	184,925	27,397,655	91,975,075	27,586,896	147,144,551
Restricted Investments	-	-	-	517,391	517,391
Deferred bond issuance cost	-	-	772,997	318,661	1,091,658
Loans Receivable	559,076	-	152,623	-	711,699
Lease Receivable	-	1,110,736	-	-	1,110,736
Amount due from Northwest Bond Fund	-	3,000,000	-	-	3,000,000
Interdivisional receivables (payables)	-	7,106,004	(5,358,622)	(1,747,382)	-
<b>Total Noncurrent Assets</b>	<b>1,179,001</b>	<b>56,206,206</b>	<b>129,224,890</b>	<b>41,810,390</b>	<b>228,420,487</b>
<b>Total Assets</b>	<b>8,819,961</b>	<b>71,317,143</b>	<b>126,926,087</b>	<b>47,241,622</b>	<b>254,304,813</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 331,031	\$ 73,599	\$ 411,823	\$ 3,028,036	\$ 3,844,489
Accrued payroll	86,717	6,810	136,045	142,435	372,007
Accrued interest payable	-	-	200,000	-	200,000
Deferred income	-	-	14,821	53,185	68,006
Deposits	46,086	7,500	4,332	45,473	103,391
Notes payable-current	-	-	841,738	147,906	989,644
Revenue bonds payable-current	-	-	375,000	420,000	795,000
Ohio SIB	-	-	-	400,000	400,000
<b>Total Current Liabilities</b>	<b>463,834</b>	<b>87,909</b>	<b>1,983,759</b>	<b>4,237,035</b>	<b>6,772,537</b>
Long-term notes payable	-	-	1,088,971	1,773,002	2,861,973
Revenue bonds payable	-	-	6,570,000	8,244,861	14,814,861
Ohio SIB	-	-	-	8,265,000	8,265,000
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>7,658,971</b>	<b>18,282,863</b>	<b>25,941,834</b>
<b>Total Liabilities</b>	<b>463,834</b>	<b>87,909</b>	<b>9,642,730</b>	<b>22,519,898</b>	<b>32,714,371</b>
<b>Net Position:</b>					
Invested in capital assets, net of related debt	619,925	44,989,465	124,782,183	23,470,951	193,862,524
Restricted	-	-	4,185,769	6,060,436	10,246,205
Unrestricted	7,736,202	26,239,768	(11,684,596)	(4,809,661)	17,481,713
<b>Total Net Position</b>	<b>\$ 8,356,127</b>	<b>\$ 71,229,233</b>	<b>\$ 117,283,356</b>	<b>\$ 24,721,726</b>	<b>\$ 221,590,442</b>



**Toledo-Lucas County Port Authority**  
**Schedule of Revenues, Expenses and Changes in Net Position Information by Division**  
**For the Period Ended December 31, 2014**

	Administration	Seaport	Airport	Development & Property	Total
<b>Operating Revenues</b>					
Rental under property leases	\$ -	\$ 1,430,342	\$ -	\$ 1,698,368	\$ 3,128,710
Airport landing area	-	-	510,207	-	510,207
Airport terminal area	-	-	1,985,950	-	1,985,950
BX Solutions	-	-	500,000	-	500,000
Other rental and fee income	-	-	814,908	4,839,983	5,654,891
Other income	-	494,465	240,364	7,907	742,736
<b>Total Operating Revenues</b>	<b>-</b>	<b>1,924,807</b>	<b>4,051,429</b>	<b>6,546,258</b>	<b>12,522,494</b>
<b>Operating Expenses</b>					
Personnel	1,007,193	121,920	1,450,160	729,668	3,308,941
Marketing	77,121	26,520	527,926	14,994	646,561
Contractual services	(140,342)	210,355	659,613	3,180,857	3,910,483
Utilities	14,193	3,929	653,097	185,542	856,761
Repairs and maintenance	-	99,671	1,138,293	164,269	1,402,233
Depreciation	32,186	1,437,382	5,952,930	1,346,759	8,769,257
Amortization	-	-	67,217	46,886	114,103
Other operating expenses	38,370	3,893	16,397	2,042	60,702
<b>Total operating expenses</b>	<b>1,028,721</b>	<b>1,903,670</b>	<b>10,465,633</b>	<b>5,671,017</b>	<b>19,069,041</b>
<b>Operating Income (Loss)</b>	<b>(1,028,721)</b>	<b>21,137</b>	<b>(6,414,204)</b>	<b>875,241</b>	<b>(6,546,547)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Proceeds of property tax levy	2,162,487	-	-	-	2,162,487
Grants	-	4,899,405	908,673	564,317	6,372,395
Interest income from investments	-	11,539	25,867	17,561	54,967
Passenger facility charges	-	-	758,084	-	758,084
Loss on lease	-	-	-	(50,831)	(50,831)
Other nonoperating expenses	(1,346)	(519,741)	(56,224)	(1,323,870)	(1,901,181)
Other nonoperating revenue	-	-	-	3,490,046	3,490,046
Interest expense	-	-	(376,369)	(848,127)	(1,224,496)
Grant pass through	-	(835,456)	-	(5,834,677)	(6,670,133)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,161,141</b>	<b>3,555,747</b>	<b>1,260,031</b>	<b>(3,985,581)</b>	<b>2,991,338</b>
<b>Income (Loss) Before Contributions</b>	<b>1,132,420</b>	<b>3,576,884</b>	<b>(5,154,173)</b>	<b>(3,110,340)</b>	<b>(3,555,209)</b>
Interdivisional transfers in	-	-	-	-	-
Interdivisional transfers out	-	-	-	-	-
<b>Change in Net Position</b>	<b>1,132,420</b>	<b>3,576,884</b>	<b>(5,154,173)</b>	<b>(3,110,340)</b>	<b>(3,555,209)</b>
Net Position at beginning of year	7,223,707	67,652,348	122,437,529	27,832,067	225,145,651
<b>Net Position at End of Year</b>	<b>\$ 8,356,127</b>	<b>\$ 71,229,232</b>	<b>\$ 117,283,356</b>	<b>\$ 24,721,727</b>	<b>\$ 221,590,442</b>

**TOLEDO LUCAS COUNTY PORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2014**

<u>Federal Grantor/Pass - Through Grantor Program Titles</u>	<u>CFDA Number</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Transportation</u> Airport Improvement Program	20.106	\$ 908,673
<u>U.S. Department of Housing and Urban Development</u> HUD B10SPOH0353	14.251	136,886
<u>U.S. Department of Energy</u> DOE Revolving Loans	81.128	3,048,497
<u>U.S. Department of Homeland Security</u> FEMA 2011PUK00106	97.056	835,457
		<u>\$ 4,929,513</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2014**

**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 Office of Management and Budget (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, 2014**

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Totals
<b>PFC Fees Collected</b>	\$ 73,251	\$ 142,896	\$ 77,398	\$ 95,827	\$ 389,372
<b>Interest Income</b>	1,172	1,240	1,310	1,350	5,072
<b>PFC Fees Expended*</b>	-	-	-	-	-
<b>Net Increase in Cash</b>	74,423	144,136	78,708	97,177	394,444
<b>Cash at Beginning of Period</b>	2,348,540	2,422,963	2,567,099	2,645,807	2,348,540
<b>Cash at End of Period</b>	<u>\$ 2,422,963</u>	<u>\$ 2,567,099</u>	<u>\$ 2,645,807</u>	<u>\$ 2,742,984</u>	<u>\$ 2,742,984</u>

\*No fees were transferred from the PFC account.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY  
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES  
COLLECTED AND EXPENDED - CASH BASIS  
YEAR ENDED DECEMBER 31, 2014**

*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 (“the 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 Authority bank account.

*Basis of Accounting*

The 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 Authority from the airline and expenditures are recorded when paid.

**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 (“the Authority”) with the types of 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, 2014.

***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 the 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 the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Compliance for Passenger Facility Charge Program***

In our opinion, the 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, 2014.

## **Report on Internal Control Over Compliance**

Management of the 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 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 the 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*

Maumee, Ohio  
June 29, 2015

**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 Authority"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 29, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*

Maumee, Ohio  
June 29, 2015

**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 ("the 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 Authority's major federal programs for the year ended December 31, 2014. The 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 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 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 the Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the 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, 2014.

### **Report on Internal Control Over Compliance**

Management of the 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 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 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*

Maumee, Ohio  
June 29, 2015

**TOLEDO-LUCAS COUNTY PORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2014**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
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:	Unmodified
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**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
81.128	Dept of Energy – Energy Efficiency and Conservation Block Grant Program
Dollar threshold used to distinguish between type A and type B programs	\$300,000
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 (2013) AUDIT FINDINGS**  
**For the Year Ended December 31, 2014**

None.

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