

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

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

**FOR THE YEAR ENDED DECEMBER 31, 2015**





# Dave Yost • Auditor of State

Board of Directors  
Toledo-Lucas County Port Authority  
One Maritime Plaza  
Toledo, OH 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, 2015 through December 31, 2015. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 1, 2016

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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, 2015, 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, 2015, 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.

***Adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities"***

As discussed in Note 3 to the financial statements, the Authority changed its method for accounting and financial reporting of pensions as a result of the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, (GASB 65) effective January 1, 2015. As a result, the net position at December 31, 2014 was restated to reflect this change in accounting. The impact was to decrease the net position by \$1,091,658. Our opinion is not modified with respect to this matter.

***Adoption of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions"***

As discussed in Note 3 to the financial statements, the Authority changed its method for accounting and financial reporting of pensions as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB 68) effective January 1, 2015. As a result, the net position at December 31, 2014 was restated to reflect this change in accounting. The impact was to decrease the net position by \$1,828,479. Our opinion is not modified with respect to this matter.

***Other Matters***

***Prior Period Adjustment***

As discussed more fully in Note 2, net position as of December 31, 2014 has been restated to reflect a prior period adjustment, resulting in a decrease to net position amounting to \$3,645,897. The restatement was related to capital assets at December 31, 2014. Our opinion is not affected with respect to this matter.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 - 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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 47 is presented for purposes of additional analysis, as required by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the accompanying schedule of passenger facility charges collected and expended – cash basis on page 49 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 43 – 46, which includes the schedule of net position information by division and the schedule of revenues, expenses, and changes in net position information by division, schedule of the entity's proportionate share of the net pension liability, and schedule of entity contributions 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, 2016 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, 2016



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

### ***Management's Discussion and Analysis For the Year Ended December 31, 2015***

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, 2015. This information should be read in conjunction with the basic financial statements included in this report.

#### **FINANCIAL HIGHLIGHTS**

The following financial highlights for 2015 are as follows:

- Total Net Position for the year ended December 31, 2015 increased \$7,494,295 to \$222,518,703. Net Position restatement for 2014 was due to Capital Asset reclassification, GASB 65, and GASB 68 with more information to follow.
- Overall operating revenue increased \$479,006 from 2014.
- An operating loss of \$5.85 million was reported which includes approximately \$9 million of depreciation and amortization expense.

#### **GASB 65**

Effective January 1, 2015, the Authority has adopted the guidance found in GASB 65. Prior to the implementation of GASB 65, the costs of issuing long term debt were being amortized over the life of the related debt. With the implementation of GASB 65, net position at January 1, 2014 was restated to reflect a reduction in the amount of \$1,091,658, as a result of removing the previously recorded deferred bond issuance costs from the statement of net position. Future costs of issuing long term debt will be expensed in the period in which they are incurred.

#### **GASB 68**

During 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

### ***Management's Discussion and Analysis For the Year Ended December 31, 2015***

Under the new standards required by GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of reducing net position by \$1,828,479 at December 31, 2014.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net 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

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2015**

means these statements are presented in a manner similar to a private-sector business. The statements are presented using economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Assets presents the Authority's financial position and reports the resources owned by the Authority (assets), obligations owed by the Authority (liabilities) and Authority net assets (the difference between assets and liabilities). The Statement of Revenues, Expenses and Changes in Net 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.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

The following tables provide a summary of the Authority's financial position and operations for 2015 and 2014, respectively.

**Condensed Statements of Net Assets**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>Change Amount</b>	<b>%</b>
<b>Assets:</b>				
Current assets	\$ 25,877,606	\$ 25,884,326	\$ (6,720)	0.0%
Capital Assets, Net	225,394,059	218,343,106	7,050,953	3.2%
Other Noncurrent Assets	14,660,669	5,339,826	9,320,843	174.6%
Deferred Outflows	464,781	309,868	154,913	100.0%
Total assets & deferred outflows	<u>\$ 266,397,115</u>	<u>\$ 249,877,126</u>	<u>\$ 16,519,989</u>	<u>6.6%</u>
<b>Liabilities and Net Position:</b>				
<b>Liabilities:</b>				
Current liabilities (includes long term debt due within one year)	\$ 8,329,072	\$ 6,772,537	\$ 1,556,535	23.0%
Long-term debt outstanding	35,510,905	28,080,181	7,430,724	26.5%
Deferred Inflows	38,435	-	38,435	100.0%
Total liabilities & deferred inflows	<u>43,878,412</u>	<u>34,852,718</u>	<u>9,025,694</u>	<u>25.9%</u>
<b>Net Position:</b>				
Net investment in Capital Assets	189,870,031	193,862,524	(3,992,493)	-2.1%
Restricted	9,883,152	10,246,205	(363,053)	-3.5%
Unrestricted	22,765,520	10,915,679	11,849,841	108.6%
Total Net Position beginning of year	<u>222,518,703</u>	<u>215,024,408</u>	<u>7,494,295</u>	<u>3.5%</u>
Total Liabilities and Net Position	<u>\$ 266,397,115</u>	<u>\$ 249,877,126</u>	<u>\$ 16,519,989</u>	<u>6.6%</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2015**

Current Assets remain steady, while total assets and deferred outflows increased by 6.6% due to an increase in net capital assets and loans receivables. Both current and noncurrent liabilities also increased during the year.

- Net Capital assets increased approximately 3.2% due to improvements at the Airport and Overland Parkway site.
- Liabilities increased 25.9% because of the new Northwest Ohio Improvement Fund, LLC component unit, as well as other increases in debt.
- The Authority's assets exceeded liabilities by approximately \$222.5 million at December 31, 2015, led by an addition of \$9.7 million in capital assets related to grant funding.

**Changes in Net Position** - The following table shows the changes in revenues and expenses for the Authority between 2015 and 2014:

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

	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>Change Amount</b>	<b>%</b>
Operating revenues				
Airport related	\$ 4,214,360	\$ 4,051,430	\$ 162,930	4.0%
Seaport, Financing, Admin and other	8,787,140	8,471,064	316,076	3.7%
<b>Total operating revenues</b>	<u>13,001,500</u>	<u>12,522,494</u>	<u>479,006</u>	<u>3.8%</u>
Operating expenses				
Airport related	10,122,737	10,465,633	(342,896)	-3.3%
Seaport, Financing, Admin and other	8,730,110	8,603,408	126,702	1.5%
<b>Total operating expenses</b>	<u>18,852,847</u>	<u>19,069,041</u>	<u>(216,194)</u>	<u>-1.1%</u>
<b>Operating loss</b>	<u>(5,851,347)</u>	<u>(6,546,547)</u>	<u>695,200</u>	<u>-10.6%</u>
<b>Nonoperating revenues (expenses)</b>				
Proceeds of property tax levy	2,470,854	2,162,487	308,367	14.3%
Grants	16,406,025	6,372,395	10,033,630	157.5%
Interest income from investments	112,874	54,967	57,907	105.3%
Passenger facility charges	742,088	758,084	(15,996)	-2.1%
Other income (expense)	(4,828,031)	1,538,034	(6,366,065)	-413.9%
Interest expense	(1,350,364)	(1,224,496)	(125,868)	10.3%
Grant pass through	(335,776)	(6,670,133)	6,334,357	-95.0%
<b>Total nonoperating revenues</b>	<u>13,217,670</u>	<u>2,991,338</u>	<u>10,226,332</u>	<u>341.9%</u>
Income (loss) before contributions	7,366,323	(3,555,209)	10,921,532	-307.2%
<b>Changes in Net Position</b>	<u>7,366,323</u>	<u>(3,555,209)</u>	<u>10,921,532</u>	<u>-307.2%</u>
Total Net Position-beginning of year	215,024,408	225,145,651	(10,121,243)	-4.5%
Restatement for initial consolidation of component unit	127,972	-		
Restatement of Net Position	-	(6,566,034)		
<b>Total Net Position end of year</b>	<u>\$ 222,518,703</u>	<u>\$ 215,024,408</u>	<u>\$ 7,494,295</u>	<u>3.5%</u>

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

***Management's Discussion and Analysis  
For the Year Ended December 31, 2015***

It is important to note the following in regards to the Authority's change in net assets:

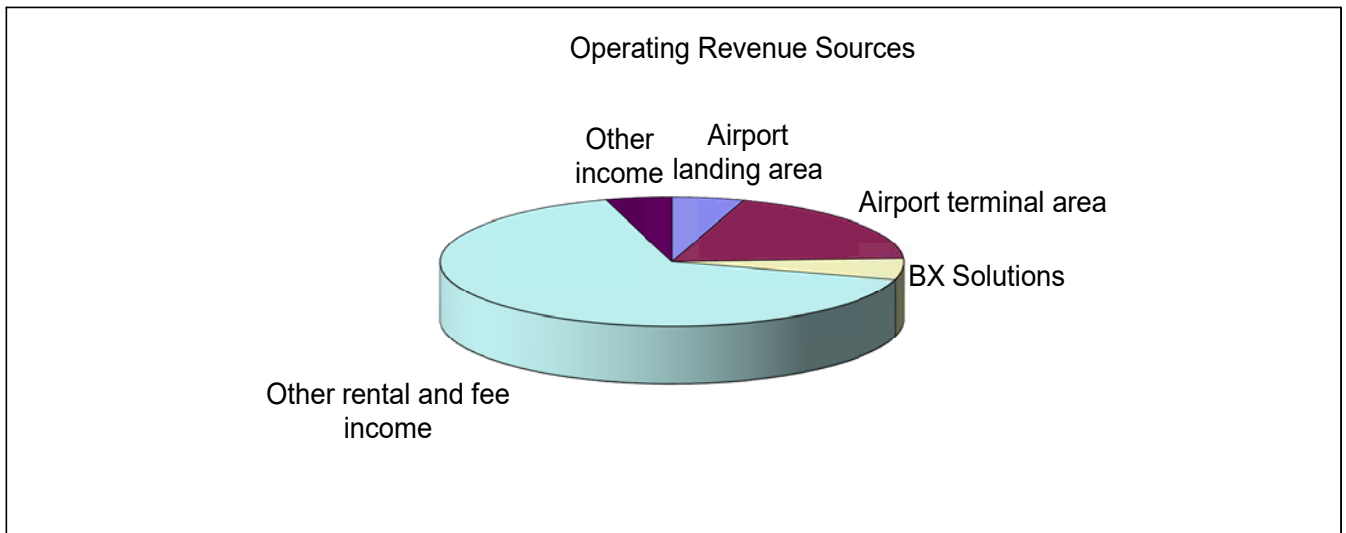
- Although 2015 reported a net operating loss of approximately \$5.9 million including \$8.9 million of depreciation and amortization expense, non-operating revenues exceeded nonoperating expenses by \$13.2 million due to grant revenue of approximately \$16.4 million. Nonoperating expenses include; interest, debt refunding and expenses attributed to the grants received. Other nonoperating 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 2015 increased by 3.8%.
- Operating expenses decreased by 1.1% in 2015.
- Interest expense and pass through expenses related to the construction management of the Ohio Department of Transportation facility accounted for the majority of nonoperating expenses for 2015.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2015**

The following is a summary of the Authority's 2015 operating revenue sources:

<b>Operating Revenue Sources</b>	<b>2015</b>	<b>Percent of Total</b>
Rental under property lease	\$ 3,220,917	24.78%
Airport landing area	485,283	3.73%
Airport terminal area	1,884,471	14.49%
BX Solutions	500,000	3.85%
Other rental and fee income	6,461,929	49.70%
Other income	448,900	3.45%
Total Operating Revenue	<u>\$ 13,001,500</u>	<u>100.00%</u>



**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2015**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2015 the Authority reported \$225,394,059 of capital assets net of accumulated depreciation which was invested in land, buildings, equipment and vehicles. This amount represents a net increase of \$3.4 million, after depreciation expense of approximately \$8.9 million.

The following table shows fiscal year 2015 and 2014 balances:

**Capital Assets at December 31**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Land	\$ 68,692,935	\$ 70,232,668	\$ (1,539,733)
Construction in progress	2,819,335	4,611,783	(1,792,448)
Improvements	206,579,098	202,201,340	4,377,758
Property and equipment	41,974,417	32,384,518	9,589,899
Buildings & leasehold improvements	91,591,241	110,419,874	(18,828,633)
Furniture and fixtures	529,092	529,092	0
Total Cost	\$ 412,186,118	\$ 420,379,275	\$ (8,193,157)
Accumulated Depreciation	(186,792,059)	(198,390,272)	11,598,213
Net Value	<u>\$ 225,394,059</u>	<u>\$ 221,989,003</u>	<u>\$ 3,405,056</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2015**

**Debt**

At December 31, 2015 the Authority had \$35,524,028 in debt outstanding, \$2,200,884 of which is due within one year. Outstanding debt in the amount of \$8,486,369 pertains to Airport improvements and \$27,037,659 is for Seaport and Development improvements and projects.

The following table summarizes the Authority's debt outstanding as of December 31, 2015 and 2014 and should be read in conjunction with Note 7 to the audited financial statements for more detailed information on debt.

**Outstanding Debt at December 31,**

	<u>2015</u>	<u>2014</u>
Revenue bonds payable	\$ 23,080,000	\$ 24,274,861
Long-term notes payable	12,444,028	3,851,617
Long-term debt	<u>35,524,028</u>	<u>28,126,478</u>
Current portion	<u>(2,200,884)</u>	<u>(2,184,644)</u>
Long-term debt less current portion	<u>\$ 33,323,144</u>	<u>\$ 25,941,834</u>

**ECONOMIC FACTORS**

The following statistics played a key role in the Authority's financial picture in 2015 compared to 2014:

- Cargo moving through the Port of Toledo decreased 29.27%. Coal, iron ore, grain and petroleum decreased during 2015, while dry bulk increased.
- Passengers using Toledo Express Airport were up 2%.
- There was a 5.1 % decrease in passenger volume 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 2.5%.

**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, 2015**

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**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$	14,730,276
Restricted cash		1,204,534
Investments		5,503,366
Interest receivable		3,859
Accounts receivable		3,840,492
Loans receivable		90,649
Lease receivable		293,548
Prepaid expenses and other assets		210,882
<b>Total Current Assets</b>		<b><u>25,877,606</u></b>

**Noncurrent Assets:**

Nondepreciable capital assets		71,512,270
Depreciable capital assets, net of accumulated depreciation		153,881,789
Restricted investments		2,002,664
Loans receivable		8,327,953
Lease receivable		1,011,740
Deposits		318,312
Amt due from NW Ohio Bond Fund		3,000,000
<b>Total Noncurrent Assets</b>		<b><u>240,054,728</u></b>

**Total Assets**

**265,932,334**

**Deferred Outflows:**

Deferred Outflows		464,781
<b>Total Deferred Outflows</b>		<b><u>464,781</u></b>

**Total Assets and Deferred Outflows**

**\$ 266,397,115**

(Continued)

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority  
Statement of Net Position, Continued  
December 31, 2015**

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**LIABILITIES AND NET POSITION**

<b>Current Liabilities:</b>	
Accounts payable and other	\$ 5,290,887
Accrued payroll	432,298
Deposits	4,084
Accrued interest	136,695
Revenue bonds payable - current	835,000
Note payable - current	960,884
Ohio SIB loan - current	405,000
Advances	264,224
<b>Total Current Liabilities</b>	<b><u>8,329,072</u></b>
 <b>Noncurrent Liabilities:</b>	
Revenue bonds payable	13,980,000
Notes payable	11,483,144
Ohio SIB loan	7,860,000
Net pension liability	2,187,761
<b>Total Noncurrent Liabilities</b>	<b><u>35,510,905</u></b>
<b>Total Liabilities</b>	<b>43,839,977</b>
 <b>Deferred Inflows:</b>	
Deferred inflows	38,435
<b>Total Deferred Inflows</b>	<b><u>38,435</u></b>
<b>Total Liabilities and Deferred Inflows</b>	<b>43,878,412</b>
 <b>Net Position:</b>	
Invested in capital assets, net of related debt	189,870,031
Restricted	9,883,152
Unrestricted	22,765,520
<b>Total Net Position</b>	<b><u>222,518,703</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 266,397,115</u></b>

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, 2015**

<b>Operating Revenues</b>	
Rental under property leases	\$ 3,220,917
Airport landing area	485,283
Airport terminal area	1,884,471
BX Solutions rent	500,000
Other rental and fee income	6,461,929
Other income	448,900
<b>Total Operating Revenues</b>	<b>13,001,500</b>
 <b>Operating Expenses</b>	
Personnel	3,282,832
Marketing	660,090
Contractual services	3,765,135
Utilities	1,070,679
Repairs and maintenance	1,109,321
Depreciation	8,905,009
Other operating expenses	59,781
<b>Total Operating Expenses</b>	<b>18,852,847</b>
<b>Operating Loss</b>	<b>(5,851,347)</b>
 <b>Nonoperating Revenues (Expenses)</b>	
Proceeds of property tax levy	2,470,854
Interest income from investments	112,874
Passenger facility charges	742,088
Grants	16,406,025
Non-operating revenue	2,280,454
Interest expense	(1,350,364)
Other nonoperating expenses	(6,980,830)
Loss on investments	(23,549)
Loss on disposal of assets	(104,106)
Grant pass through	(335,776)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>13,217,670</b>
<b>Total Change in Net Position</b>	<b>\$ 7,366,323</b>
 <b>Net Position beginning of year</b>	
- as previously reported	221,590,442
<b>Restatement of Net Position at January 1, 2014</b>	(6,566,034)
<b>Net Position beginning of year - as restated</b>	215,024,408
<b>Restatement of Net Position at July 1, 2015</b>	
for merger of component unit	127,972
<b>Total Change in Net Position</b>	7,366,323
<b>Net Position at End of Year</b>	<b>\$ 222,518,703</b>

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

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<u>Cash flows from operating activities:</u>	
Cash received from customers	\$ 13,412,591
Cash payments for goods and services	(5,281,913)
Cash payments to and on behalf of employees	(3,289,604)
Net cash provided by operating activities	<u>4,841,074</u>
 <u>Cash flows from noncapital financing activities:</u>	
Intergovernmental grants	(4,700,376)
Proceeds of property tax levy	2,470,854
Net cash provided by noncapital financing activities	<u>(2,229,522)</u>
 <u>Cash flows from capital and related financing activities:</u>	
Capital grants received	16,042,747
Passenger and Customer facility charges received	756,196
Acquisition and construction of capital assets	(16,060,073)
Interest paid on capital asset debt	(1,350,364)
Principal payments on long-term debt	(2,080,332)
Issuance of debt	1,717,882
Grant pass through	(335,776)
Net cash used by capital and related financing activities	<u>(1,309,720)</u>
 <u>Cash flows from investing activities:</u>	
Interest on investments	89,325
Cash received in merger of component unit	77,973
Purchase of securities	(4,731,779)
Proceeds on securities	1,539,777
Net cash provided by investing activities	<u>(3,024,704)</u>
Net (decrease) in cash and cash equivalents	(1,722,872)
Cash and cash equivalents at beginning of year	17,657,682
Cash and cash equivalents at end of year	<u>\$ 15,934,810</u>

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority**  
**Statement of Cash Flows, Continued**  
**For the Year Ended December 31, 2015**

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Reconciliation of operating loss to net cash

Provided by operating activities:

Operating loss	(\$5,851,347)
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation and amortization expense	8,905,009
Implementation of Net Pension Liability	(67,064)

Changes in assets and liabilities:

Reductions in loans receivable	164,683
Reductions in leases receivable	195,542
Accounts receivable	128,455
Prepaid expenses and other assets	143,811
Accrued Payroll	60,292
Accounts payable	1,383,093
Deposits	(417,620)
Advances	196,220

Total adjustments	<u>10,692,421</u>
Net cash provided by operating activities	<u><u>\$4,841,074</u></u>

See accompanying notes to the financial statements.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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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”). 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 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; the garages are operated by Downtown Toledo Development Corporation (DTDC), which is considered a component unit. In 2011, the Northwest Ohio Improvement Fund, LLC (“NOIF”) was established for the purpose of providing financing through loans, equity and other financial services to businesses and real estate development projects located in low-income communities in Northwest Ohio. In 2015, NOIF was the intermediary related to the Promedica Downtown project involving new market tax credits. The activities of NOIF are directed by the Authority and the Authority is the primary beneficiary of NOIF, therefore, NOIF is considered a blended 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. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Effective January 1, 2012, the Authority has adopted the guidance found in GASB 62.

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

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net 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 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 Commission 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, 2015.

**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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Compensated Absences

Employees of the Authority are entitled to paid vacation days depending on job classification, length of service, and other factors. Accrued vacation, which is included with accrued payroll on the statement of net assets, increased \$42,872 from \$205,589 at December 31, 2014 to \$248,461 at December 31, 2015.

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. The restricted component also includes cash received from other entities for Authority programs.

Revenues and Expenses

Operating revenues consist primarily of fees for services, rents and charges for use of Authority 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 .4 mill in 2015.

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 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment is included in the Statement of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2014. In various years prior to 2014, depreciable assets were acquired which were initially recorded as nondepreciable. Consequently, no depreciation was ever taken on these assets. We have adjusted these assets to reflect what should have been recorded in those prior years. The effect of this adjustment resulted in a decrease to the value of capital assets, and net position, in the amount of \$3,645,897.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

GASB 65

Effective January 1, 2015, the Authority has adopted the guidance found in GASB 65. Prior to the implementation of GASB 65, the costs of issuing long term debt were being amortized over the life of the related debt. With the implementation of GASB 65, net position at January 1, 2014 was restated to reflect a reduction in the amount of \$1,091,658, as a result of removing the previously recorded deferred bond issuance costs from the statement of net position. Future costs of issuing long term debt will be expensed in the period in which they are incurred.

GASB 68

For 2015, the Toledo-Lucas County Port Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION (Continued)**

The implementation of this pronouncement, and the correction of error in Note 2, had the following effects on net position as reported December 31, 2014:

	<u>Authority Activities</u>
Net position December 31, 2014	\$221,590,442
Restatement for Prior Period Adjustment (see Note 2)	(3,645,897)
Adjustments:	
Removal of Bond Issue Costs - GASB 65	(1,091,658)
Net Pension Liability	(2,138,347)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>309,868</u>
Total GASB 68 Adjustment	(\$1,828,479)
Restated Net Position December 31, 2014	<u><u>\$215,024,408</u></u>

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NOTE 4 – 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 (FDIC) 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 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 \$15,934,060 and the bank balance was \$16,077,597. The Authority also had \$750 cash on hand. Federal depository insurance covered \$4,001,731 of the bank balance and \$12,075,865 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:	\$11,262,787
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**NOTE 4 – 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, 2015 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Less than 1</u>	<u>1-3</u>	<u>3-5</u>	<u>More than 5</u>
United States Treasury Bill	\$ 1,126,578	AA+ <sup>1</sup>	\$ 637,669	\$ 488,909	\$ -	\$ -
Natixis NY BRH Disc Com	1,445,010	A-1 <sup>1</sup>	1,445,010			
Money Market Fund	253,253	A-2 <sup>1</sup>	253,253			
Ally Bank FDIC Insured CD	249,727		249,727			
BMO Harris Bank NA FDIC Insured CD	249,490			249,490		
Capital One Bank USA NA FDIC Insured CD	249,220			249,220		
Santander Bank NA FDIC Insured CD	249,605		249,605			
Fannie Mae	501,597	AA+ <sup>1</sup>	89,338	412,259		
Freddie Mac	285,413	AA+ <sup>1</sup>	140,813	144,600		
Federal Farm Credit Bank	990,741	AA+ <sup>1</sup>	45,000	572,446	373,295	
Federal National Mortgage Association	298,028	AA+ <sup>1</sup>	199,744		98,284	
Federal Home Loan Banks	1,607,368	AA+ <sup>1</sup>	536,168	1,071,200		
<b>Total Investments</b>	<b>\$ 7,506,030</b>		<b>\$ 3,846,327</b>	<b>\$ 3,188,124</b>	<b>\$ 471,579</b>	<b>\$ -</b>

<sup>1</sup> Standard & Poor’s

**NOTE 4 – 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 64%, Money Market funds 3% and other 33% of the Authority’s investment portfolio excluding STAR Ohio at year end.

Cash and investments per footnote

Carrying amount of bank deposits	\$15,934,060
Cash on hand	750
Investments	<u>7,506,030</u>
Total	<u>\$ 23,440,840</u>

Cash and investments per statement of net assets

Cash and cash equivalents	\$ 14,730,276
Restricted cash	1,204,534
Investments	5,503,366
Restricted investments	<u>2,002,664</u>
Total	<u>\$ 23,440,840</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2015**

**NOTE 5 – CAPITAL ASSETS**

Capital assets consist of the following:

Class	December 31, 2014	Additions	Deletions	December 31, 2015
<i>Capital assets not being depreciated:</i>				
Land	\$ 70,232,668	\$ 1,424,099	\$ (2,963,832)	\$ 68,692,935
Construction in Progress	4,611,783	209,547	(2,001,995)	2,819,335
Subtotal	74,844,451	1,633,646	(4,965,827)	71,512,270
<i>Capital assets being depreciated:</i>				
Land Improvements	202,201,340	9,408,486	(5,030,728)	206,579,098
Property and Equipment	32,384,518	10,061,491	(471,592)	41,974,417
Buildings and Leasehold Improvements	110,419,874	4,980,679	(23,809,312)	91,591,241
Furniture and Fixtures	529,092	-	-	529,092
Subtotal	345,534,824	24,450,656	(29,311,632)	340,673,848
Total Cost	\$ 420,379,275	\$ 26,084,302	\$ (34,277,459)	\$ 412,186,118
<i>Accumulated Depreciation:</i>				
Class	December 31, 2014	Additions	Deletions	December 31, 2015
<i>Capital assets being depreciated:</i>				
Land Improvements	\$ (117,211,987)	\$ (4,480,784)	\$ 4,582,091	\$ (117,110,680)
Property and Equipment	(26,961,015)	(1,508,219)	534,777	(27,934,457)
Buildings and Leasehold Improvements	(53,725,264)	(2,941,400)	15,409,439	(41,257,225)
Furniture and Fixtures	(492,006)	(5,386)	7,695	(489,697)
Total Depreciation	\$ (198,390,272)	\$ (8,935,789)	\$ 20,534,002	\$ (186,792,059)
<i>Net Value:</i>	\$ 221,989,003	\$ 17,148,513	\$ (13,743,457)	\$ 225,394,059
Depreciation Expense charged to operating expense		\$ 8,905,009		

**RECLASSIFICATIONS**

Certain balances in the December 31, 2014 column of the above table have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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 2015, approximately \$9.7 million of Federal, state and local grant funding was utilized to purchase and acquire Port Authority capital assets.

**NOTE 6 – LOANS AND CAPITAL LEASE RECEIVABLE**

A summary of loans and capital lease receivable at December 31 follows:

	Balance December 31, <u>2014</u>		Change in <u>Discount</u>			Balance December 31, <u>2015</u>		Due Within <u>One Year</u>
	<u>Additions</u>	<u>Payments</u>	<u>Bad Debt</u>					
Ironville Loan Receivable	\$ 23,371	\$ 0	\$ (23,371)	\$ 0	\$ 0	\$ 0	\$ 0	
NOIF Loan Receivable	0	7,760,000				7,760,000	0	
Various Loans Receivable	823,317	(159,139)	54,712	(60,288)		658,602	90,649	
<b>Total Loans Receivable</b>	<b>\$ 846,688</b>	<b>\$ 7,760,000</b>	<b>\$ (182,510)</b>	<b>\$ 54,712</b>	<b>\$ (60,288)</b>	<b>\$ 8,418,602</b>	<b>\$ 90,649</b>	
<b>Capital Lease Receivable</b>	<b>\$ 1,500,829</b>	<b>\$ 0</b>	<b>\$ (195,541)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,305,288</b>	<b>\$ 293,548</b>	

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. This loan was paid off during 2015.

The Northwest Ohio Improvement Fund, LLC (“NOIF”) also entered into two loan receivables at the end of 2015 with ProMedica Downtown Campus Landlord, LLC for a total of \$7,760,000. These loans are directly related to the conduit debt that was incurred by NOIF, at the time NOIF served as an intermediary in the Promedica project financing. This structure was created to facilitate the use of new market tax credits, the exposure for the notes is minimal due to the pass through structure of the agreements in place. The loans are interest only for the first seven years, and then bear interest rates of 2.58%. From 2023 through 2045, quarterly payments of principal and interest are required in an amount to fully amortize the loan over the remaining term, which matures on December 23, 2045. The Authority is not a guarantor of this debt.

**NOTE 6 – LOANS AND CAPITAL LEASE RECEIVABLE (Continued)**

In addition, the Authority has loaned amounts totaling \$759,023 under various loan programs, at interest rates ranging from zero to 6%, with maturities ranging from 2016 through 2028. The total loan receivable amount of \$759,023 shown in the table below is netted against a discount of \$100,421 for financials statement presentation in the Statement of Net Position. The discount represents the net present value calculation performed on the loans that are not charged interest. During 2015, a loan given to Viva South Toledo with a balance of \$60,288 was charged to bad debt expense due to its closure. Future principal payments in years after 2015 for these loans receivable are as follows:

<u>December 31,</u>	
2016	\$ 90,649
2017	110,052
2018	117,565
2019	45,408
2020	45,409
Thereafter	<u>8,109,940</u>
Total	<u>\$ 8,519,023</u>

Capital Lease Receivable

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, 2015. All costs, expenses, and obligations relating to the property are to be paid by Teledyne.

On May 13, 2008, the Authority and Midwest Terminals of Toledo, Inc. entered into an agreement for the lease of approximately 181 acres of land commonly known as “Ironville” for the development and management of logistics, maritime related businesses and or other commercial or industrial uses. On August 1, 2014, a first amendment to the lease agreement was signed as a result of ongoing development at Ironville, in which the Authority would provide \$1.3 million in funding for additional capital improvements at the site. Commencing January 1, 2015 and ending December 31, 2022, Midwest shall pay the Authority \$15,772 a month, which amounts to \$189,264 annually as additional rent for these improvements.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2015**

**NOTE 7 – DEBT**

A summary of Long Term Debt Activity for the year ended December 31, 2015 follows:

	<u>Series</u>	<u>Maturity Date</u>	<u>Balance December 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2015</u>	<u>Due Within One Year</u>
<b>Revenue Bonds:</b>							
Northwest Ohio Development:							
Taxable:							
7.25%	Chevron	2008A 2028	\$ 4,185,000	\$ -	\$ (165,000)	\$ 4,020,000	\$ 175,000
4.90%	Parking Garage Project	2011C 2026	4,479,861	-	(254,861)	4,225,000	270,000
4.61%	Refunding Air Hub Project	2012A 2026	6,945,000	-	(375,000)	6,570,000	390,000
Tax Exempt:							
<b>Other:</b>							
2.25%	State of Ohio Tax Exempt	2011-1 2031	8,665,000	-	(400,000)	8,265,000	405,000
<b>Total Revenue Bonds</b>			<b>24,274,861</b>	<b>-</b>	<b>(1,194,861)</b>	<b>23,080,000</b>	<b>1,240,000</b>
<b>Notes Payable:</b>							
3.00%	Airport ODOT Note	2009 2016	496,609	-	(325,219)	171,390	171,390
1.35%	State Bank-Cargo Hub	2014 2016	500,000	-	-	500,000	500,000
1.00%	ODSA	2015 2028	-	1,282,871	-	1,282,871	92,885
4.83%	Dept. of Energy Note Airport	2014 2028	934,100	384,274	(491,846)	826,528	39,450
3.00%	Dept. of Energy Note Garages	2012 2026	621,938	6,451	(27,974)	600,415	51,586
3.42%	Dept. of Energy Note Maritime	2012 2026	923,400	9,996	(23,048)	910,348	78,009
1.39%	Dept. of Energy Note MLK	2011 2021	375,570	34,290	(17,384)	392,476	27,564
2.58%	NWO Impr. Fund, LLC	2015 2045	-	7,760,000	-	7,760,000	-
<b>Total Notes Payable</b>			<b>3,851,617</b>	<b>9,477,882</b>	<b>(885,471)</b>	<b>12,444,028</b>	<b>960,884</b>
<b>Total</b>			<b>\$ 28,126,478</b>	<b>\$ 9,477,882</b>	<b>\$ (2,080,332)</b>	<b>\$ 35,524,028</b>	<b>\$ 2,200,884</b>



**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2015**

**NOTE 7 - DEBT (Continued)**

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

	2016	2017	2018	2019	2020	
<b>Notes Payable</b>						
Airport ODOT Note	\$ 171,390	\$ -	\$ -	\$ -	\$ -	
State Bank Cargo Hub	500,000	-	-	-	-	
ODSA	92,885	93,816	94,756	95,706	96,666	
Dept. of Energy Note Airport	39,450	42,337	44,261	47,148	50,034	
Dept. of Energy Note Garages	51,586	46,809	48,224	49,681	51,183	
Dept. of Energy Note Maritime	78,009	69,720	72,127	74,616	77,191	
Dept. of Energy Note MLK	27,564	29,606	30,021	30,441	30,866	
NWO Impr. Fund, LLC	-	-	-	-	-	
<b>Revenue Bonds Payable</b>						
Northwest Ohio Development Revenue Bonds						
Tax Exempt-Garage	270,000	285,000	305,000	320,000	340,000	
Taxable Airport Hub	390,000	415,000	435,000	455,000	480,000	
Taxable Port Authority	175,000	190,000	205,000	225,000	240,000	
<b>State of Ohio Tax Exempt</b>	<b>405,000</b>	<b>415,000</b>	<b>425,000</b>	<b>440,000</b>	<b>450,000</b>	
Total	<b>\$ 2,200,884</b>	<b>\$ 1,587,288</b>	<b>\$ 1,659,389</b>	<b>\$ 1,737,592</b>	<b>\$ 1,815,940</b>	
	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	Total
<b>Notes Payable</b>						
Airport ODOT Note	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,390
State Bank Cargo Hub	-	-	-	-	-	500,000
ODSA	498,061	310,981	-	-	-	1,282,871
Dept. of Energy Note Airport	296,357	306,941	-	-	-	826,528
Dept. of Energy Note Garages	352,932	-	-	-	-	600,415
Dept. of Energy Note Maritime	538,685	-	-	-	-	910,348
Dept. of Energy Note MLK	160,931	83,047	-	-	-	392,476
NWO Impr. Fund, LLC	774,291	1,429,090	1,622,589	1,842,291	2,091,739	7,760,000
<b>Revenue Bonds Payable</b>						
Northwest Ohio Development Revenue Bonds						
Tax Exempt-Garage	2,030,000	675,000	-	-	-	4,225,000
Taxable Airport Hub	2,800,000	1,595,000	-	-	-	6,570,000
Taxable Port Authority	1,505,000	1,480,000	-	-	-	4,020,000
<b>State of Ohio Tax Exempt</b>	<b>2,485,000</b>	<b>2,975,000</b>	<b>670,000</b>	<b>-</b>	<b>-</b>	<b>8,265,000</b>
Total	<b>\$ 11,441,257</b>	<b>\$ 8,855,059</b>	<b>\$ 2,292,589</b>	<b>\$ 1,842,291</b>	<b>\$ 2,091,739</b>	<b>\$ 35,524,028</b>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2015**

**NOTE 7 - DEBT (Continued)**

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

	2016	2017	2018	2019	2020
<b>Notes Payable</b>					
Airport ODOT Note	\$ 2,571	\$ -	\$ -	\$ -	\$ -
State Bank Cargo Hub	3,375	-	-	-	-
ODSA	12,449	14,722	13,535	12,336	11,125
Dept. of Energy Note Airport	39,457	37,505	35,460	33,275	30,975
Dept. of Energy Note Garages	11,339	16,116	14,702	13,244	11,742
Dept. of Energy Note Maritime	19,602	27,891	25,485	22,996	20,421
Dept. of Energy Note MLK	5,381	4,984	4,570	4,150	3,724
NWO Impr. Fund, LLC	197,709	197,709	197,709	197,709	197,709
<b>Revenue Bonds Payable</b>					
Northwest Ohio Development Revenue Bonds					
Tax Exempt-Garage	203,718	190,365	176,155	161,088	145,163
Taxable Airport Hub	298,498	280,173	260,811	240,527	219,231
Taxable-Port Authority	288,369	275,318	261,363	246,138	229,463
<b>State of Ohio Tax Exempt</b>	<b>283,878</b>	<b>274,709</b>	<b>264,265</b>	<b>252,165</b>	<b>238,468</b>
Total	<b>\$ 1,366,346</b>	<b>\$ 1,319,492</b>	<b>\$ 1,254,055</b>	<b>\$ 1,183,628</b>	<b>\$ 1,108,021</b>

	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	Total
<b>Notes Payable</b>						
Airport ODOT Note	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,571
State Bank Cargo Hub	-	-	-	-	-	3,375
ODSA	37,035	6,896	-	-	-	108,098
Dept. of Energy Note Airport	115,302	31,463	-	-	-	323,437
Dept. of Energy Note Garages	34,551	-	-	-	-	101,694
Dept. of Energy Note Maritime	60,254	-	-	-	-	176,649
Dept. of Energy Note MLK	12,022	1,041	-	-	-	35,872
NWO Impr. Fund, LLC	961,795	805,358	611,855	392,155	142,707	3,902,415
<b>Revenue Bonds Payable</b>						
Northwest Ohio Development Revenue Bonds						
Tax Exempt-Garage	451,045	27,318	-	-	-	1,354,852
Taxable Airport Hub	736,217	66,154	-	-	-	2,101,611
Taxable-Port Authority	854,594	198,650	-	-	-	2,353,895
<b>State of Ohio Tax Exempt</b>	<b>966,639</b>	<b>480,724</b>	<b>20,728</b>	<b>-</b>	<b>-</b>	<b>2,781,576</b>
Total	<b>\$ 4,229,454</b>	<b>\$ 1,617,604</b>	<b>\$ 632,583</b>	<b>\$ 392,155</b>	<b>\$ 142,707</b>	<b>\$ 13,246,045</b>

**NOTE 7 - DEBT (Continued)**

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, 2015 \$4,020,000 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, 2015 \$6,570,000 remains outstanding.

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 February of 2016 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, 2015, \$171,390 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 \$12,490,000 as of December 31, 2015.

E. Department of Energy

The Authority was the borrower of four Department of Energy Notes for the purpose of capital improvements to the garage facilities, headquarters building, airport terminal and the Martin Luther King terminal. As of December 31, 2015, \$2,729,767 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, 2015 there remains a \$500,000 balance.

**NOTE 7 - DEBT (Continued)**

G. Ohio Development Services Agency

During 2015, the Authority borrowed funds from the Ohio Development Services Agency (“ODSA”). These funds relate to the series 2013A bond issuance. This series was issued to the Northwest Ohio Advanced Energy Improvement District (“ESID”), which is an entity the Authority created to assist with financing related to the BetterBuildings Northwest Ohio Energy Program. As funds for energy efficiency projects were expended, disbursement requests were submitted to ODSA for a 50% reimbursement to the Authority. All of the funds received from ODSA will be provided to the ESID by the end of 2016. The loan from ODSA will be a liability to the Authority, as the loan with ODSA is with the Authority and not the ESID; however the risk is minimal due to the agreements in place with the ESID. Following the 2016 disbursements to the ESID, the Authority will show a loan receivable from the ESID. As of December 31, 2015 there remains a \$1,282,871 balance.

H. Northwest Ohio Improvement Fund, LLC

During 2015, the Northwest Ohio Improvement Fund, LLC (“NOIF”) entered into two loans totaling \$7,760,000, which relate to the receivables discussed previously in Note 5. NOIF serves as an intermediary between Finance Fund and ProMedica Downtown Landlord, LLC (“ProMedica”). Loan payments to NOIF are made by Promedica quarterly, and ten days following those payments, a payment is due from NOIF to Finance Fund in an amount less than that which was received. The risk to NOIF is minimal due to the pass through structure of the arrangement. The Authority is not a guarantor of this debt. As of December 31, 2015 there remains a \$7,760,000 balance.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority’s obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description – The Authority's employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. The Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2015 Statutory Maximum Contribution Rates</b>			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
<b>2015 Actual Contribution Rates</b>			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	<u>2.0%</u>	<u>2.0%</u>	<u>2.0%</u>
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$348,408 for 2015. Of this amount, \$0 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportionate Share of the Net Pension Liability	\$2,187,761
Proportion of the Net Pension Liability	0.018139%
Pension Expense	\$238,862

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

	<u>OPERS</u>
<b>Deferred Outflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$116,733
Entity contributions subsequent to the measurement date	<u>348,048</u>
Total Deferred Outflows of Resources	<u><u>\$464,781</u></u>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$38,435

The \$348,048 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>
2016	\$11,449
2017	11,449
2018	26,216
2019	29,184
2020	-
Thereafter	<u>-</u>
Total	<u><u>\$78,298</u></u>

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Entity's approximate proportionate share of the net pension liability	\$4,025,000	\$2,188,000	\$640,000

**NOTE 9 – POST-EMPLOYMENT BENEFITS**

Health Care Plan Description - OPERS maintains two cost-sharing multiple employer defined benefit post-employment healthcare trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the TP Plan and the CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the TP Plan and the CO Plan must have 20 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 permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer’s contributions to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)**

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the TP and the CO plans. The third trust is a Voluntary Employee’s Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for MD Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the TP and CO Plans was 2%, 2%, and 1% for calendar years 2015, 2014, and 2013, respectively. The Authority’s contribution to fund health care benefits for 2015, 2014, and 2013 were \$49,753, \$44,249, and \$25,404, respectively. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of the covered payroll deposited to the VEBA for participants in the MD Plan for 2015 was 4.5%.

**NOTE 10 - OPERATING LEASES**

The Authority has entered into a number of operating lease agreements with various companies to lease certain of its facilities for periods from five to forty years.

Property under lease at December 31, 2015 consists of the following:

	<b>Property and Development Division</b>	<b>Seaport Leases</b>	<b>Total</b>
Land	\$ 2,919,373	\$ 6,938,961	\$ 9,858,334
Improvements	3,995,382	18,278,200	22,273,582
Property and Equipment Building and Leasehold	35,838	14,689,361	14,725,199
Improvements	<u>10,204,376</u>	<u>6,077,935</u>	<u>16,282,311</u>
Total Cost	<u>17,154,969</u>	<u>45,984,457</u>	<u>63,139,426</u>
Less: Accumulated Depreciation	<u>(6,306,199)</u>	<u>(13,126,149)</u>	<u>(19,432,348)</u>
	<u><u>\$ 10,848,770</u></u>	<u><u>\$ 32,858,308</u></u>	<u><u>\$ 43,707,078</u></u>

**NOTE 10 - OPERATING LEASES (Continued)**

The minimum future rentals to be received under the lease agreements are as follows:

<u>Years</u>	<u>Project &amp; Development Leases</u>	<u>Seaport Leases</u>	<u>Total</u>
2016	\$ 1,054,498	\$ 1,410,957	\$ 2,465,455
2017	1,054,439	1,415,604	2,470,043
2018	975,986	1,415,604	2,391,590
2019	769,953	1,415,604	2,185,557
2020	514,745	1,345,476	1,860,221
2021-2025	1,768,265	6,982,794	8,751,059
2026-2030	918,833	4,130,479	5,049,312
2031-2035	635,063	4,010,439	4,645,502
Totals	<u>\$ 7,691,782</u>	<u>\$22,126,957</u>	<u>\$ 29,818,739</u>

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 2015, the Authority received \$507,678. 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 \$573,200 for the year 2015.

**NOTE 11 - 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, 2015, there were thirty-seven series of revenue bonds outstanding issued after July 1, 1995. The original issue amounts for the series was \$355,018,813 of which \$259,883,232 remained outstanding at December 31, 2015. The principal amount for the one remaining series issued prior to July 1, 1995 was \$29,700,000, and the original issue amount was \$29,700,000.

**NOTE 12 – 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 2015 was \$318,561.

**NOTE 13 – CONTINGENCIES**

A. Litigation

In the normal course of operations, the Authority may be subject to litigation, claims, and unasserted possible claims. As of December 31, 2015, the Authority was involved in several such matters. The outcome of such matters cannot presently be determined.

B. 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 at December 31, 2015.

**NOTE 14 – SUBSEQUENT EVENT**

During construction of the 100,000 square foot warehousing facility on Overland Parkway, the Authority was in negotiations with JobsOhio in regards to a loan. The loan, in the amount of \$2,500,000, was received in 2016 and will bear an interest rate of 0% for the first year, 3% for years two through six, and 4% for years seven through twelve. In May of 2016, it was announced that Dana Corporation will lease the warehousing facility. The announcement of a tenant and a pending final lease arrangement may lead to further restructuring regarding the repayment terms of the current \$2,500,000 loan.

**NOTE 15 - TOLEDO PARKING GARAGE PROJECT**

The 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 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 Authority 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.

**NOTE 15 - TOLEDO PARKING GARAGE PROJECT (Continued)**

The operation of the Parking Facilities is performed by the Downtown Parking Authority, Inc. (DTPA). As of July 1, 2015, DTPA was merged into the Downtown Toledo Development Corporation (DTDC) and became a division of DTDC known as ParkSmart. DTDC is a non-profit organization formed for the purpose of furthering development and commercial activity in downtown Toledo. Management has determined that DTDC 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. The merger of DTPA into DTDC, and the recognition of DTDC as a component unit, resulted in an adjustment to net position amounting to a \$127,972 increase.

In 2015, revenues in the amount of \$3,710,201 were generated and \$3,376,027 of operating expenses (including debt service of \$1,221,923) 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 Assets Information by Division. The Parking Facility asset and related debt are reported under the same division in the Schedule on Net Assets Information by Division. To obtain Downtown Parking Authority financial information, please send correspondence to 215 North St. Clair St. Toledo, OH 43604.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2015**

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**NOTE 16 - 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, 2015:

**Statement of Net Assets**

Current Assets	\$ (3,803,249)
Capital Assets	136,478,285
Other Assets	<u>(4,234,328)</u>
Total Assets	128,440,708
Deferred Outflow	163,030
Current Liabilities	2,246,877
Noncurrent Liabilities	<u>8,122,628</u>
Total Liabilities	10,369,505
Deferred Inflows	13,482
Invested in Capital Assets, Net of Related Debt	127,991,916
Restricted	4,577,902
Unrestricted	<u>(14,349,067)</u>
Total Net Position	<u><u>\$ 118,220,751</u></u>

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

Operating Revenues	\$ 4,214,360
Depreciation	6,028,449
Other Operating Expenses	<u>4,094,288</u>
Operating Loss	(5,908,377)
Nonoperating revenues (expenses):	
Grants	7,701,490
Investment Income	20,477
Interest Expense	(405,958)
Other Nonoperating Revenues	<u>944,132</u>
Change in Net Position	<u>2,351,764</u>
Beginning Net Position	117,283,356
Adjustment to Net Position	(1,414,369)
Adjusted Beginning Net Position	<u>115,868,987</u>
Ending Net Position	<u><u>\$ 118,220,751</u></u>

**Statement of Cash Flows**

Net Cash Provided (Used) by:	
Operating Activities	\$ 1,331,552
Noncapital Finance	195,486
Capital and Related Financing	(1,157,950)
Investing	<u>(926,763)</u>
Cash at Beginning of Year	4,186,269
Cash at End of Year	<u><u>\$ 3,628,594</u></u>

**Toledo-Lucas County Port Authority**  
**Schedule of Net Position Information by Division**  
**December 31, 2015**

<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 and cash equivalents	\$ 6,011,994	\$ -	\$ 3,628,594	\$ 5,089,688	\$ 14,730,276
Restricted cash	-	-	-	1,204,534	1,204,534
Investments	3,238,404	2,264,962	-	-	5,503,366
Interest receivable	-	1,929	-	1,930	3,859
Accounts receivable	54,484	314,988	1,173,498	2,297,522	3,840,492
Due from (to) other funds	77,440	20,337,145	(8,668,012)	(11,746,573)	-
Loans receivable	32,978	-	57,671	-	90,649
Lease receivable	-	146,922	-	146,626	293,548
Prepaid expenses and other assets	91,547	3,696	5,000	110,639	210,882
<b>Total Current Assets</b>	<b>9,506,847</b>	<b>23,069,642</b>	<b>(3,803,249)</b>	<b>(2,895,634)</b>	<b>25,877,606</b>
<b>Noncurrent Assets:</b>					
Nondepreciable capital assets	26,330	13,938,962	41,593,299	15,953,679	71,512,270
Depreciable capital assets, net	145,140	26,054,990	94,884,986	32,796,673	153,881,789
Restricted investments	-	-	949,809	1,052,855	2,002,664
Loans receivable	478,045	-	89,908	7,760,000	8,327,953
Lease receivable	-	1,011,740	-	-	1,011,740
Deposits	-	-	84,577	233,735	318,312
Amt due from NW Ohio Bond Fund	-	3,000,000	-	-	3,000,000
Interdivisional receivables (payables)	-	7,106,003	(5,358,622)	(1,747,381)	-
<b>Total Noncurrent Assets</b>	<b>649,515</b>	<b>51,111,695</b>	<b>132,243,957</b>	<b>56,049,561</b>	<b>240,054,728</b>
<b>Total Assets</b>	<b>10,156,362</b>	<b>74,181,337</b>	<b>128,440,708</b>	<b>53,153,927</b>	<b>265,932,334</b>
<b>Deferred Outflows:</b>					
Deferred Outflows	180,135	20,483	163,030	101,133	464,781
<b>Total Deferred Outflows</b>	<b>180,135</b>	<b>20,483</b>	<b>163,030</b>	<b>101,133</b>	<b>464,781</b>
<b>Total Assets and Deferred Outflows</b>	<b>10,336,497</b>	<b>74,201,820</b>	<b>128,603,738</b>	<b>53,255,060</b>	<b>266,397,115</b>
<b><u>LIABILITIES AND NET POSITION</u></b>					
<b>Current Liabilities:</b>					
Accounts payable and other	249,277	631,239	922,013	3,488,358	5,290,887
Accrued payroll	97,298	12,411	141,780	180,809	432,298
Deposits	-	-	3,384	700	4,084
Accrued interest	-	-	48,563	88,132	136,695
Revenue bonds payable	-	-	390,000	445,000	835,000
Note payable	-	-	741,137	219,747	960,884
Ohio SIB loan - current	-	-	-	405,000	405,000
Advances	-	-	-	264,224	264,224
<b>Total Current Liabilities</b>	<b>346,575</b>	<b>643,650</b>	<b>2,246,877</b>	<b>5,091,970</b>	<b>8,329,072</b>
<b>Noncurrent Liabilities:</b>					
Revenue bonds payable	-	-	6,180,000	7,800,000	13,980,000
Notes payable	-	-	1,175,232	10,307,912	11,483,144
Ohio SIB loan	-	-	-	7,860,000	7,860,000
Net pension liability	847,910	96,413	767,396	476,042	2,187,761
<b>Total Noncurrent Liabilities</b>	<b>847,910</b>	<b>96,413</b>	<b>8,122,628</b>	<b>26,443,954</b>	<b>35,510,905</b>
<b>Total Liabilities</b>	<b>1,194,485</b>	<b>740,063</b>	<b>10,369,505</b>	<b>31,535,924</b>	<b>43,839,977</b>
<b>Deferred Inflows:</b>					
Deferred inflows	14,896	1,694	13,482	8,363	38,435
<b>Total Deferred Inflows</b>	<b>14,896</b>	<b>1,694</b>	<b>13,482</b>	<b>8,363</b>	<b>38,435</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>1,209,381</b>	<b>741,757</b>	<b>10,382,987</b>	<b>31,544,287</b>	<b>43,878,412</b>
<b>Net Position:</b>					
Invested in capital assets, net of related debt	171,470	39,993,952	127,991,916	21,712,693	189,870,031
Restricted	-	-	4,577,902	5,305,250	9,883,152
Unrestricted	8,955,646	33,466,111	(14,349,067)	(5,307,170)	22,765,520
<b>Total Net Position</b>	<b>\$ 9,127,116</b>	<b>\$ 73,460,063</b>	<b>\$ 118,220,751</b>	<b>\$ 21,710,773</b>	<b>\$ 222,518,703</b>



**Toledo-Lucas County Port Authority**  
**Schedule of Revenues, Expenses and Changes in Net Position Information by Division**  
**For the Year Ended December 31, 2015**

	Administration	Seaport	Airport	Development & Property	Total
<b>Operating Revenues</b>					
Rental under property leases	\$ -	\$ 1,412,059	\$ -	\$ 1,808,858	\$ 3,220,917
Airport landing area	-	-	485,283	-	485,283
Airport terminal area	-	-	1,884,471	-	1,884,471
BX Solutions rent	-	-	500,000	-	500,000
Other rental and fee income	-	-	987,890	5,474,039	6,461,929
Other income	-	92,052	356,716	132	448,900
<b>Total Operating Revenues</b>	<b>-</b>	<b>1,504,111</b>	<b>4,214,360</b>	<b>7,283,029</b>	<b>13,001,500</b>
<b>Operating Expenses</b>					
Personnel	1,146,714	139,974	1,253,276	742,868	3,282,832
Marketing	112,877	32,567	498,847	15,799	660,090
Contractual services	(343,405)	289,112	578,581	3,240,847	3,765,135
Utilities	13,335	3,614	829,215	224,515	1,070,679
Repairs and maintenance	-	11,394	924,414	173,513	1,109,321
Depreciation	39,302	1,372,427	6,028,449	1,464,831	8,905,009
Amortization	-	-	-	-	-
Other operating expenses	46,697	295	9,955	2,834	59,781
<b>Total Operating Expenses</b>	<b>1,015,520</b>	<b>1,849,383</b>	<b>10,122,737</b>	<b>5,865,207</b>	<b>18,852,847</b>
<b>Operating Income (Loss)</b>	<b>(1,015,520)</b>	<b>(345,272)</b>	<b>(5,908,377)</b>	<b>1,417,822</b>	<b>(5,851,347)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Proceeds of property tax levy	2,470,854	-	-	-	2,470,854
Interest income from investments	-	67,306	20,477	25,091	112,874
Passenger facility charges	-	-	742,088	-	742,088
Grants	-	6,342,714	7,701,490	2,361,821	16,406,025
Non-operating revenue	24,801	7,500	205,488	2,042,665	2,280,454
Interest expense	-	-	(405,958)	(944,406)	(1,350,364)
Other nonoperating expenses	-	-	(10,001)	(6,970,829)	(6,980,830)
Gain (Loss) on investments	-	(7,328)	2,567	(18,788)	(23,549)
Gain (Loss) on disposal of assets	(483)	(107,613)	3,990	-	(104,106)
Grant pass through	-	-	-	(335,776)	(335,776)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,495,172</b>	<b>6,302,579</b>	<b>8,260,141</b>	<b>(3,840,222)</b>	<b>13,217,670</b>
<b>Total Change in Net Position</b>	<b>1,479,652</b>	<b>5,957,307</b>	<b>2,351,764</b>	<b>(2,422,400)</b>	<b>7,366,323</b>
<b>Net Position beginning of year</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>
<b>Restatement of Net Position at January 1, 2014</b>	<b>(708,663)</b>	<b>(3,726,477)</b>	<b>(1,414,369)</b>	<b>(716,525)</b>	<b>(6,566,034)</b>
<b>Total adjusted Net Position beginning of year</b>	<b>7,647,464</b>	<b>67,502,756</b>	<b>115,868,987</b>	<b>24,005,201</b>	<b>215,024,408</b>
<b>Restatement of Net Position at January 1, 2015 for merger of component unit</b>				<b>127,972</b>	<b>127,972</b>
<b>Total change in Net Position</b>	<b>1,479,652</b>	<b>5,957,307</b>	<b>2,351,764</b>	<b>(2,422,400)</b>	<b>7,366,323</b>
<b>Net Position at End of Year</b>	<b>\$ 9,127,116</b>	<b>\$ 73,460,063</b>	<b>\$ 118,220,751</b>	<b>\$ 21,710,773</b>	<b>\$ 222,518,703</b>

**Toledo-Lucas County Port Authority**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the Entity's Proportionate Share of the Net Pension Liability*  
*Last Two Fiscal Years (1)*

	<u>2014</u>	<u>2013</u>
<b><i>Ohio Public Employees Retirement System (OPERS)</i></b>		
Entity's proportion of the net pension liability	0.0181390%	0.0181390%
Entity's proportionate share of the net pension liability	\$ 2,187,761	\$ 2,138,347
Entity's covered-employee payroll	\$ 2,213,343	\$ 2,541,450
Entity's proportionate share of the net pension liability as a percentage of its covered-employee payroll	98.84%	84.14%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the Entity's measurement date which is the prior fiscal year end.

**Toledo-Lucas County Port Authority**  
**Lucas County, Ohio**  
*Required Supplementary Information*  
*Schedule of Entity Contributions*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Ohio Public Employees Retirement System (OPERS)</b>										
Contractually required contribution	\$ 348,408	\$ 309,868	\$ 355,803	\$ 411,278	\$ 427,004	\$ 454,683	\$ 471,830	\$ 517,635	\$ 527,030	\$ 499,124
Contributions in relation to the contractually required contribution	<u>(348,408)</u>	<u>(309,868)</u>	<u>(355,803)</u>	<u>(411,278)</u>	<u>(427,004)</u>	<u>(454,683)</u>	<u>(471,830)</u>	<u>(517,635)</u>	<u>(527,030)</u>	<u>(499,124)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Entity's covered-employee payroll	\$ 2,488,629	\$ 2,213,343	\$ 2,541,450	\$ 2,937,700	\$ 3,050,029	\$ 3,247,736	\$ 3,370,214	\$ 3,697,393	\$ 3,805,271	\$ 3,643,241
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.85%	13.70%

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2015**

<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	\$ 7,661,516
Federal Highway Administration	20.205	64,225
<u>U.S. Department of Housing and Urban Development</u>		
HUD B10SPOH0353	14.251	25,396
<u>U.S Department of Energy</u>		
DOE Environmental Mgmt.- EECBG	81.128	226,609
		<u>\$ 7,977,746</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2015**

**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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2015**

	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>	<b>Totals</b>
<b>PFC Fees Collected</b>	\$ 101,217	\$ 126,488	\$ 77,607	\$ 80,321	\$ 385,633
<b>Interest Income</b>	1,368	1,442	1,411	1,347	5,568
<b>PFC Fees Expended*</b>					
<b>Net Increase in Cash</b>	102,585	127,930	79,018	81,668	391,201
<b>Cash at Beginning of Period</b>	2,742,983	2,845,568	2,973,498	3,052,516	2,742,983
<b>Cash at End of Period</b>	<u>\$ 2,845,568</u>	<u>\$ 2,973,498</u>	<u>\$ 3,052,516</u>	<u>\$ 3,134,184</u>	<u>\$ 3,134,184</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, 2015**

*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, 2015.

***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, 2015.



## **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, 2016

**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, 2015, 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, 2016.

**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, 2016

**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 UNIFORM GUIDANCE**

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 *OMB 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, 2015. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2015.

## **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 Uniform Guidance, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Gilmore Jasion Mahler, LTD*

Maumee, Ohio  
June 29, 2016

**TOLEDO-LUCAS COUNTY PORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015**

**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 Uniform Guidance?	No

**Identification of major programs**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program
Dollar threshold used to distinguish between type A and type B programs	\$750,000
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 (2014) AUDIT FINDINGS**  
**For the Year Ended December 31, 2015**

None.

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# Dave Yost • Auditor of State

TOLEDO LUCAS COUNTY PORT AUTHORITY

LUCAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 13, 2016