TOLEDO-LUCAS COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Toledo-Lucas County Port Authority, Lucas County, prepared by Gilmore, Jasion & Mahler, LTD, for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2009

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GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of the Toledo-Lucas County Port Authority (the "Port Authority") as of December 31, 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 22, 2008 on our consideration of the Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should considered in assessing the results of our audit.

Kevin M. Gilmore, CPA, CVA
Adele M. Jasion, CPA
J. Stephen Schult, CPA
Linda J. Hillstrom, CPA
Charles F. Heid, CPA
Philip J. Newlove, CPA
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The management's discussion and analysis on pages 3 – 9 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Port Authority taken as a whole. The accompanying schedule of expenditures of federal awards on page 39 is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* the accompanying schedule of passenger facility charges collected and expended – cash basis on pages 40 - 41 is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration; and the supplemental information of pages 33 - 38, which is presented for purposes of additional analysis, are not required parts of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Gilmore, Jasion & Mahler, LTD

October 22, 2008

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, 2007. This information should be read in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

The following financial highlights for 2007 are as follows:

- Total Net Assets increased to $164,503,933 or about 2.7% from the year ended December 31, 2006.
- Operating Revenue decreased approximately $600,000 from 2006 due primarily to a decrease in dredging fees and ground related fees from airport operations. Operating Expenses increased approximately $400,000 from 2006 primarily because of the Port's neighborhood improvement program expenditures and utilities.
- An operating loss of $3,575,628 was reported, however this included about $6.9 million of depreciation and amortization expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statement of Net Assets presents the Authority's financial position and reports the resources owned by the Authority (assets), obligations owed by the Authority (liabilities) and Authority net assets (the difference between assets and liabilities). The Statement of Revenues, Expenses and Changes in Net Assets presents a summary of how the Authority's net assets changed during the year. Revenue is reported when earned and expenses are reported when incurred. The Statement of Cash Flows provides information about the Authority's cash receipts and disbursements during the year. It 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 2007 and 2006, respectively.

	December 31, 2007	December 31, 2006	Change Amount	%
Assets:				
Current assets	16,016,650	18,798,287	(2,781,637)	-14.8%
Capital Assets, Net	174,998,905	168,604,901	6,394,004	3.8%
Other Noncurrent Assets	21,789,880	20,741,970	1,047,910	5.1%
Total assets	212,805,435	208,145,158	4,660,277	2.2%
Liabilities and Net Assets:				
Liabilities:				
Current liabilities	6,904,659	5,850,000	1,054,659	18.0%
Long-term debt outstanding	41,396,843	42,056,948	(660,105)	-1.6%
Total liabilities	48,301,502	47,906,948	394,554	0.8%
Net Assets:				
Invested in capital assets-net of related debt	130,671,957	124,281,826	6,390,131	5.1%
Restricted	19,308,213	21,680,098	(2,371,885)	-10.9%
Unrestricted	14,523,763	14,276,286	247,477	1.7%
Total net assets	164,503,933	160,238,210	4,265,723	2.7%
Total Liabilities and Net Assets	212,805,435	208,145,158	4,660,277	2.2%

- Current assets decreased $2,781,637 as investments decreased due to maturities and calls, however, cash increased approximately $2.8 million. Funds were used for debt service and acquisition of assets.

- Capital assets increased approximately $6.4 million to almost $175 million due to the purchase of a warehouse at the Seaport that was leased to Midwest Terminals of Toledo and the construction and acquisition of the Marine Passenger Terminal Building. Also various airport improvements were completed.

- Total liabilities for 2007 increased $394,554 which was less than a one per cent increase from 2006.

The Authority's assets exceeded liabilities by approximately $164.5 million at December 31, 2007, an increase of about $4.27 million from the net assets as of December 31, 2006. The largest portion of the Authority's net assets represents its investment in capital assets, less related debt outstanding used to acquire those assets. The Authority uses these capital assets to provide services to its tenants, passengers and customers of the Airport and Seaport. Therefore these assets are not available for future spending. The Authority uses operating and nonoperating revenue to repay the debt associated with these capital assets.

Changes in Net Assets - The following table shows the changes in revenues and expenses for the Authority between 2007 and 2006:

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	December 31, 2007	December 31, 2006	Change Amount	Change %
Operating revenues				
Airport related	$ 9,082,732	$ 9,609,153	$ (526,421)	-5.5%
Seaport, Financing, Admin and other	3,602,748	3,656,360	(53,612)	-1.5%
Total operating revenues	12,685,480	13,265,513	(580,033)	-4.4%
Operating expenses				
Economic development	153,544	95,577	57,967	60.6%
Airport related	11,183,936	11,195,744	(11,808)	-0.1%
Seaport, Financing, Admin and other	4,923,628	4,589,031	334,597	7.3%
Total operating expenses	16,261,108	15,880,352	380,756	2.4%
Operating loss	(3,575,628)	(2,614,839)	(960,789)	36.7%
Nonoperating revenues (expenses)				
Proceeds of property tax levy	2,575,683	2,540,767	34,916	1.4%
Intergovernmental Grants	3,006,188	246,631	2,759,557	1118.9%
Interest income from investments	1,544,736	1,422,749	121,987	8.6%
Passenger facility charges	991,773	968,703	23,070	2.4%
Litigation settlement	-	87,500	(87,500)	-100.0%
Interest expense	(2,672,330)	(2,888,202)	215,872	-7.5%
Loss on disposal of asset	-	(1,597,814)	1,597,814	
Other expense	(228,780)	(228,780)	-	0.0%
Total nonoperating revenues (expenses)	5,217,270	551,554	4,665,716	845.9%
Income (loss) before contributions	1,641,642	(2,063,285)	3,704,927	-179.6%
Capital Contributions	2,624,081	9,768,404	(7,144,323)	-73.1%
Changes in Net Assets	4,265,723	7,705,119	(3,439,396)	-44.6%
Total net assets-beginning of year	160,238,210	152,533,091	7,705,119	5.1%
Total net assets-end of year	$164,503,933	$ 160,238,210	$ 4,265,723	2.7%

- Although 2007 reported a net operating loss of $3.6 million including $6.9 million of depreciation and amortization expense, non-operating revenues exceeded non-operating expenses by $5.2 million. Revenues included in this category are proceeds from the tax levy, interest revenue, intergovernmental grants and airport passenger facility charges.

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

- Operating revenues for 2007 decreased approximately $600,000 due to lower dredging income at the Seaport and ground rental fees and rent at the Airport.

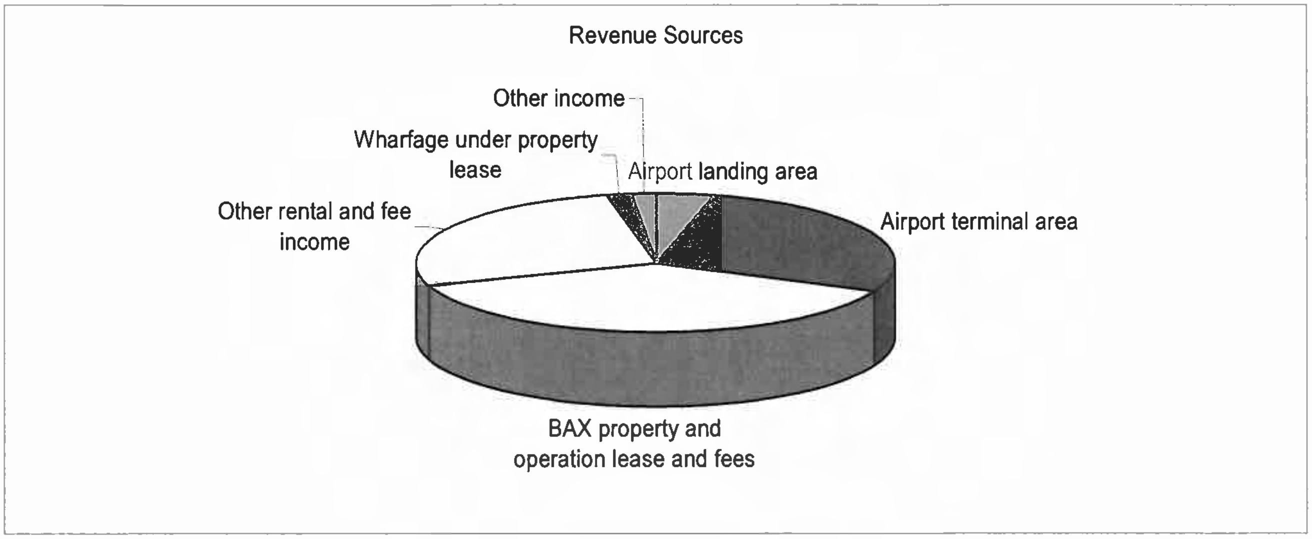
- Interest expenses accounted for 92% of nonoperating expenses for 2007 and decreased approximately 7% from 2006

- An increase in operating expenses occurred in 2007 due mainly to expenditures in neighborhood improvement programs and utility expenses.

- An increase in intergovernmental grants used for area improvements in 2007, and a 2006 recorded loss from the disposal of an asset were major factors in the increase in excess nonoperating revenue over nonoperating expenses compared to 2006.

- Capital contributions decreased approximately $7.1 million due to lower FAA grant awards used for airport projects.

Revenue Sources	2007	Percent of Total
Airport landing area	489,876	3.86%
Airport terminal area	3,515,796	27.72%
BAX property and operation lease and fees	4,827,631	38.06%
Other rental and fee income	3,443,013	27.14%
Wharfage under property lease	185,293	1.46%
Other income	223,871	1.76%
Total Revenue	$12,685,480	100.00%



Management's Discussion and Analysis
For the Year Ended December 31, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007 the Authority had $174,998,908 net of accumulated depreciation invested in land, buildings, equipment and vehicles. This amount represents a net increase of approximately $6.4 million, or 3.7 % as compared to 2006. The following table shows fiscal year 2007 and 2006 balances:

Capital Assets at December 31,

	2007	2006	Change
Land	$ 57,568,923	$ 56,871,867	$ 697,056
Construction in progress	9,875,312	6,465,267	3,410,045
Improvements	144,408,916	139,135,112	5,273,804
Property and equipment	41,548,975	41,237,194	311,781
Buildings & leasehold improvements	71,732,305	68,616,534	3,115,771
Furniture and fixtures	467,498	467,498	0
Total Cost	$ 325,601,929	$ 312,793,472	$ 12,808,457
Accumulated Depreciation	(150,603,024)	(144,188,571)	(6,414,453)
Net Value	$ 174,998,905	$ 168,604,901	$ 6,394,004

Major additions in 2007 were seaport related.

Debt

At December 31, 2007, the Authority had $45,356,948 in debt outstanding, $3,960,105 of which is due within one year. Outstanding debt in the amount of $ 42,056,948 pertains to Airport improvements and $3,300,000 is for a seaport warehouse leased to Midwest Terminals of Toledo.

The following table summarizes the Authority's debt outstanding as of December 31, 2007 and 2006 and should be read in conjunction with Note 4 to the audited financial statements for more detailed information on debt.

Outstanding Debt at December 31,

	2007	2006
Revenue bonds payable	44,295,000	42,935,000
Long-term notes payable	487,603	487,603
Ohio Water Development Authority loan payable	574,345	693,841
Line of Credit	0	206,631
	45,356,948	44,323,075

ECONOMIC FACTORS

The following statistics played a key role in the Authority's financial picture in 2007 compared to 2006:

- Cargo moving through the Port of Toledo was up almost 8% due to an increase in iron ore and coal. However, grain and dry bulk were down.
- Passengers using Toledo Express were down 12%. Air cargo was up 2.4%.
- There was an 8% drop in the amount of Passengers using the AMTRAK station in Toledo, at Dr. Martin Luther King, Jr., Plaza owned by the Port Authority.
- Six bond issues totaling just over $40 million were completed in 2007. Five SBA 504 loans were closed for $2.75 million and seven Ohio 166 Regional Loans were closed for $1.3 million.

REQUESTS FOR INFORMATION

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

Toledo-Lucas County Port Authority
Statement of Net Assets
December 31, 2007

ASSETS

Current Assets:		
Cash and cash equivalents	$	10,525,370
Investments		3,008,271
Interest receivable		48,128
Accounts receivable		2,063,269
Prepaid expenses and other assets		371,612
Total Current Assets		**16,016,650**
Noncurrent Assets:		
Nondepreciable capital assets		67,447,139
Depreciable capital assets, net of accumulated depreciation		107,551,766
Restricted:		
Cash and cash equivalents		499,719
Investments		14,957,690
Amount due from lessee		450,000
Amount due from County		500,000
Deferred bond issue costs		1,789,081
Deferred loss on refunding		593,390
Amount due from Northwest Bond Fund		3,000,000
Total Noncurrent Assets		**196,788,785**
Total Assets		**212,805,435**

(Continued)

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Net Assets, Continued
December 31, 2007

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$	1,922,718
Accrued payroll		674,351
Deferred income		16,800
Accrued interest payable		330,685
Notes payable-current		61,669
Revenue bonds payable-current		3,770,000
Ohio Water Development Authority loan payable-current		128,436
Total Current Liabilities		**6,904,659**
Noncurrent Liabilities:		
Long-term notes payable		425,934
Revenue bonds payable		40,525,000
Ohio Water Development Authority loan payable		445,909
Total Noncurrent Liabilities		**41,396,843**
Total Liabilities		**48,301,502**
Net Assets:		
Invested in capital assets, net of related debt		129,636,957
Restricted		19,308,213
Unrestricted		15,558,763
Total Net Assets	**$**	**164,503,933**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2007

Operating Revenues	
BAX rental under property lease	$ 3,001,659
Airport landing area	489,876
Airport terminal area	3,515,796
BAX operation lease and fees	1,825,972
Other rental and fee income	3,443,013
Wharfage under property lease	185,293
Other income	223,871
Total Operating Revenues	**12,685,480**
Operating Expenses	
Personnel services	5,193,824
Marketing	494,833
Contractual services	1,774,876
Utilities	810,104
Repairs and maintenance	749,033
Depreciation	6,498,813
Amortization	361,667
Rental	126,089
Other	251,869
Total Operating Expenses	**16,261,108**
Operating Loss	**(3,575,628)**
Nonoperating Revenues (Expenses)	
Proceeds of property tax levy	2,575,683
Intergovernmental grants	3,006,188
Interest income from investments	1,544,736
Passenger facility charges	991,773
Borrower disbursements	(228,780)
Interest expense	(2,672,330)
Total Nonoperating Revenues (Expenses)	**5,217,270**
Income Before Contributions	**1,641,642**
Capital contributions	2,624,081
Changes in Net Assets	**4,265,723**
Net assets at beginning of year	160,238,210
Net Assets at End of Year	**$ 164,503,933**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Cash Flows
For the Year Ended December 31, 2007

Cash flows from operating activities:	
Cash received from customers	12,891,065
Cash payments for goods and services	(4,827,371)
Cash payments to and on behalf of employees	(5,212,576)
Net cash provided by operating activities	**2,851,118**
Cash flows from noncapital financing activities:	
Intergovernmental grants	2,904,939
Payment to County	(500,000)
Proceeds of property tax levy	2,575,683
Net cash provided by noncapital financing activities	**4,980,622**
Cash flows from capital and related financing activities:	
Capital grants received	2,472,572
Passenger facility charges received	1,007,399
Acquisition and construction of capital assets	(12,843,145)
Interest paid on capital asset debt	(2,675,670)
Issuance of debt	3,371,300
Principal payments on long-term debt	(2,266,126)
Net cash used by capital and related financing activities	**(10,933,670)**
Cash flows from investing activities:	
Interest on investments	1,571,677
Borrower disbursements	(228,780)
Purchase of securities	(1,003,377)
Proceeds on sale of securities	5,489,525
Net cash provided by investing activities	**5,829,045**
Net Increase in cash and cash equivalents	**2,727,115**
Cash and cash equivalents at beginning of year	8,297,974
Cash and cash equivalents at end of year	**$11,025,089**

See accompanying notes to the financial statements.

Toledo-Lucas County Port Authority
Statement of Cash Flows, Continued
For the Year Ended December 31, 2007

Reconciliation of operating loss to net cash Provided by operating activities:	
Operating loss	(3,575,628)
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation and amortization expense	6,860,480
Changes in assets and liabilities:	
Accounts receivable	152,881
Prepaid expenses and other assets	52,704
Accounts payable	(620,567)
Accrued payroll	(18,752)
Total adjustments	**6,426,746**
Net cash provided by operating activities	**2,851,118**

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

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

Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

Use of Estimates

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

Cash and Investments

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

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Deferred Bond Issue Costs and Bond Discount

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

Deferred Loss on Bond Refunding

The difference between the reacquisition price of the new debt and the carrying amount of the old debt is deferred and amortized over ten years.

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, decreased $1,751 from $507,406 at December 31, 2006 to $505,655 at December 31, 2007. Approximately $200,000 of the accrued vacation will be paid within one year.

Net Assets

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

Revenues and Expenses

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Levy

A .4 mill real estate tax renewal levy passed by Lucas County voters in 2004 provides financial support for the various activities of the Authority. The levy expires in 2009. The Authority elected to collect the full .4 mill in 2007.

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

Budgetary Process

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

NOTE 2 – CASH AND INVESTMENTS

Bank Deposits

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

At year end the carrying amount of the Authority's deposits was $11,001,248 and the bank balance was $11,213,491. The Authority also had $750 cash on hand. Federal depository insurance covered $100,000 of the bank balance and $11,113,491 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:	$11,113,491

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments

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

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

The Authority's investments at December 31, 2007 were as follows:

			Investment Maturities (in Years)			
	Fair Value	Credit Rating	less than 1	1-3	3-5	more than 5
STAR Ohio	23,092	AAAm [1]	23,092	-	-	-
Money Market Fund	1,225,933	AAAm [1]	1,225,933	-	-	-
CDC Funding Corp Guaranteed Investment Contract	1,867,000	N/A	-	-	-	1,867,000
Transamerica Life Insurance Guaranteed Investment Contract	981,000	N/A	-	-	-	981,000
Toledo-Lucas County Port Authority Bond	9,810,454	BBB+ [2]	-	-	-	9,810,454
US Treasury	943,983	N/A	943,983			
Federal Home Loan Bank	1,000,000	AAA [1]	-	1,000,000		-
Federal National Mortgage Association	2,137,591	AAA [1]	-	2,137,591		-
Total Investments	$17,989,053		2,193,008	3,137,591	-	12,658,454

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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

Concentration of Credit Risk - Concentration of credit risk exists when investments are concentrated in one issue. The Authority's investment policy allows investments of 100% in U.S. Agency or Treasury Obligations, and limits repurchase agreements and investments in STAR Ohio to 25% of total investments and investments in Port Authority Bonds to $200,000, unless the Authority's Board of Directors, by resolution, modifies the limits. The Authority's investments in U.S. Agencies represent approximately 17.4%, U.S. Treasuries 5.2%, Money Market funds 6.8%, Toledo-Lucas County Port Authority Bond 54.5% and Guaranteed Investment Contracts 15.9%, respectively, of the Authority's investment portfolio at year end.

NOTE 3 – CAPITAL ASSETS

Capital assets consist of the following:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Capital assets not being depreciated:				
Land	$ 56,871,867	$ 697,056	$ -	$ 57,568,923
Construction in Progress	6,465,267	3,412,949	-	9,878,216
Subtotal	63,337,134	4,110,005	-	67,447,139
Capital assets being depreciated:				
Improvements	139,135,112	2,380,092	(10,288)	141,504,916
Property and Equipment	41,237,194	336,802	(25,021)	41,548,975
Buildings and Leasehold Improvements	68,616,534	6,016,867	-	74,633,401
Furniture and Fixtures	467,498	-	-	467,498
Subtotal	249,456,338	8,733,761	(35,309)	258,154,790
Total Cost	$ 312,793,472	$ 12,843,766	$ (35,309)	$ 325,601,929

Accumulated Depreciation:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Capital assets being depreciated:				
Land Improvements	$ (81,873,026)	$ (3,704,086)	$ 223,966	$ (85,353,146)
Property and Equipment	(24,453,196)	(1,312,189)	25,021	(25,740,364)
Buildings and Leasehold Improvements	(37,590,601)	(1,647,165)	-	(39,237,766)
Furniture and Fixtures	(271,748)	-	-	(271,748)
Total Depreciation	$ (144,188,571)	$ (6,663,440)	$ 248,987	$ (150,603,024)
Net Value:	$ 168,604,901	$ 6,180,326	$ 213,678	$ 174,998,905
Depreciation Expense charged to operating expense		$6,498,813		

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 2007, approximately $2.6 million of Federal, state and local grant funding was utilized to purchase capital assets. Certain amounts have been reclassed from Improvements to Land and Construction in Progress.

NOTE 4 – DEBT

A summary of Long Term Debt Activity for the year ended December 31, 2007 follows:

	Series	Maturity Date	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
Revenue Bonds:							
Northwest Ohio Development:							
Taxable:							
7.22% Port Authority	1998B	2008	$ 650,000	$ -	$ (315,000)	$ 335,000	$ 335,000
Tax Exempt:							
6.00% Port Authority-Midwest	2007C	2027	-	3,300,000	-	3,300,000	55,000
6.38% BAX	2004C	2032	9,810,000	-	-	9,810,000	-
Other:							
6.25-6.375% BAX	2004-1	2013	25,800,000		(1,295,000)	24,505,000	1,775,000
5.55% Airport Improvement Refunding	1998	2020	6,675,000	-	(330,000)	6,345,000	1,605,000
Total Revenue Bonds			42,935,000	3,300,000	(1,940,000)	44,295,000	3,770,000
Notes Payable:							
3.00% Airport ODOT Note	2006	2011	487,603	-	-	487,603	61,669
Total Notes Payable			487,603	-	-	487,603	61,669
Ohio Water Development Authority Loans (OWDA):							
7.50% Water Pollution Control Plant		2011	693,841	-	(119,496)	574,345	128,436
Total			$ 44,116,444	$ 3,300,000	$ (2,059,496)	$ 45,356,948	$ 3,960,105

NOTE 4 - DEBT (Continued)

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

	2008	2009	2010	2011	2012
Notes Payable					
Airport ODOT Note	$ 61,669	$ 166,578	$ 171,613	$ 87,743	$ -
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Taxable-Port Authority	335,000	-	-	-	-
BAX	1,775,000	1,890,000	2,010,000	2,135,000	2,270,000
Tax Exempt-BAX	-	-	-	-	-
Tax Exempt-Port Authority-Midwest	55,000	80,000	85,000	90,000	100,000
Airport Improvement Refunding Bonds	1,605,000	605,000	620,000	655,000	670,000
OWDA Loan Payable					
Water Pollution Control Plant	128,436	138,044	148,371	159,494	-
Total	$ 3,960,105	$ 2,879,622	$ 3,034,984	$ 3,127,237	$ 3,040,000

	2013-2017	2018-2022	2023-2027	2028-2032	2033-2037	Total
Notes Payable						
Airport ODOT Note	$ -	$ -	$ -	$ -	$ -	$ 487,603
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	-	-	-	-	-	335,000
BAX	6,050,000	2,385,000	2,120,000	3,870,000	-	24,505,000
Tax Exempt-BAX	1,435,000	2,385,000	2,120,000	3,870,000	-	9,810,000
Tax Exempt-Port Authority-Midwest	595,000	825,000	1,470,000			3,300,000
Airport Improvement Refunding Bonds	1,470,000	720,000	-	-	-	6,345,000
OWDA Loan Payable						
Water Pollution Control Plant	-	-	-	-	-	574,345
Total	$ 9,550,000	$ 6,315,000	$ 5,710,000	$ 7,740,000	$ -	$ 45,356,948

NOTE 4 - DEBT (Continued)

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

	2008	2009	2010	2011	2012
Notes Payable					
Airport ODOT Note	$ 22,389	$ 11,538	$ 6,503	$ 1,316	$ -
Revenue Bonds Payable					
Northwest Ohio Development Revenue Bonds					
Taxable-Port Authority	12,093	-	-	-	-
BAX	1,516,481	1,403,825	1,283,825	1,156,324	1,020,856
Tax Exempt-BAX	625,387	625,388	625,387	625,388	625,388
Tax Exempt-Port Authority-Midwest	178,850	193,500	188,700	183,450	177,900
Airport Improvement Refunding Bonds	276,512	244,063	210,375	175,312	138,875
OWDA Loan Payable					
Water Pollution Control Plant	50,350	33,359	23,032	11,908	
Total	$ 2,682,062	$ 2,511,673	$ 2,337,822	$ 2,153,698	$ 1,963,019

	2013-2017	2018-2022	2023-2027	2028-2032	2033-2037	Total
Notes Payable						
Airport ODOT Note	$ -	$ -	$ -	$ -	$ -	41,746
Revenue Bonds Payable						
Northwest Ohio Development Revenue Bonds						
Taxable-Port Authority	-	-	-	-	-	12,093
BAX	3,224,577	2,347,114	1,622,748	842,135	-	14,417,885
Tax Exempt-BAX	2,974,735	2,347,127	1,622,747	842,135	-	10,913,682
Tax Exempt-Port Authority-Midwest	791,400	583,500	296,100	-	-	2,593,400
Airport Improvement Refunding Bonds	349,523	61,049	-	-	-	1,455,709
OWDA Loan Payable						
Water Pollution Control Plant	-	-	-	-	-	118,649
Total	$ 7,340,235	$ 5,338,790	$ 3,541,595	$ 1,684,270	$ -	$ 29,553,164

A. Port Authority-Midwest

The Authority issued $3,300,000 of tax exempt development revenue bonds from the Northwest Ohio Bond Fund for a recently constructed 70,000 square foot warehouse. The warehouse was constructed by Midwest Terminals of Toledo Inc., the existing stevedore at the Port's General Cargo Docks. The Port Authority will lease the warehouse to MTTI on a twenty year term. The financing will provide MTTI with long term 6% fixed rate financing resulting in lease payments with an estimated monthly debt service of approximately $24,000 per month.

B. Airport Improvement Revenue Bonds and Note

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

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

NOTE 4 - DEBT (Continued)

B. Airport Improvement Revenue Bonds and Note (Continued)

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

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

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

In May 1998, the Authority defeased $6,815,000 of Airport Improvement Revenue Bonds and $2,965,000 of Tax-Exempt Development Revenue Bonds (Series 1990A) through the issuance of $8,770,000 of Airport Improvement Revenue Bonds and $2,500,000 of Taxable Development Revenue Bonds (Series 1998B issued through the Northwest Bond Fund). The net proceeds of these bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of $3,690 ,000 and $2,285 ,000 at December 31, 2007 are not included in the Authority's outstanding debt since the Authority has in substance satisfied its obligations through the advance refunding.

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

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

NOTE 5 - RETIREMENT PLAN

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10%. The 2007 employer contribution rate for local government employer units was 13.85% of covered payroll, 8.85% to fund the pension and 5% to fund health care. The contribution requirements of plan members and the Authority are established and may be amended by the Public Employees Retirement Board. The Authority's contributions to the Ohio PERS for the years ending December 31, 2007, 2006, and 2005 were $527,030, 499,124 and $488,167 respectively, which were equal to the required contributions for each year.

NOTE 5 – RETIREMENT PLAN (Continued)

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care for the year 2007 was 5% from January 1 through June 30 and 6% from July 1 through December 31.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 374,979. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2006 is $12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $30.7 billion and $18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which will allow additional funds to be allocated to the health care plan.

NOTE 6 - OPERATING LEASES

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

Property under lease at December 31, 2007 consists of the following:

	BAX Global Rentals and Debt Service	Dr. Martin Luther King Plaza	Seaport Leases	Total
Capitalized Interest	$ 1,869,601	$ -	$ -	$ 1,869,601
Facilities and Equipment	32,104,750	-	-	32,104,750
Land	-	-	10,545,733	10,545,733
Construction in Progress	-	-	5,364,576	5,364,576
Improvements	-	-	12,281,137	12,281,137
Property and Equipment	-	7,682	1,630,119	1,637,801
Building and Leasehold Improvements	-	7,735,269	6,757,206	14,492,475
Total Cost	33,974,351	7,742,951	36,578,771	78,296,073
Less: Accumulated Depreciation	(21,095,480)	(2,904,013)	(12,085,894)	(36,085,387)
	$12,878,871	$4,838,938	$24,492,877	$42,210,686

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

Years	BAX Global Rentals and Debt Service	Administration	Dr. Martin Luther King Plaza	Seaport Leases	Total
2008	3,667,270	70,140	419,921	1,133,683	5,291,014
2009	3,665,394	70,140	310,398	1,299,857	5,345,789
2010	3,658,733	70,140	310,398	1,242,511	5,281,782
2011	3,651,882	70,140	310,398	1,291,543	5,323,963
2012	3,647,614	70,140	310,398	1,294,587	5,322,739
2013-2017	3,822,549	29,225	1,049,534	6,563,495	11,464,803
2018-2022				6,817,172	6,817,172
2023-2027				5,354,025	5,354,025
Totals	$22,113,442	$379,925	$2,711,047	$24,996,873	$50,201,287

Under the BAX lease agreement, scheduled to expire in 2013, BAX was required to make monthly payments for the "basic" rent on the air cargo distribution facility in scheduled amounts calculated to be sufficient to meet the debt service requirements of the 1989 Airport Improvement Revenue Bonds. Rental income amounted to $3,001,659 in 2007.

NOTE 6 - OPERATING LEASES, Continued

In addition to the basic rent, the agreement also provides for monthly landing fees and fixed payments for land rental and ramp fees. Fixed payments range from $664,042 to be received in 2008 to $538,968 scheduled for 2013. Landing fees which are calculated based on aircraft weight amounted to $1,109,335 in 2007. The Authority is entitled to increase landing fees annually commensurate with the increase in airport operating costs, with a maximum increase of 5% per year. BAX is also being charged fuel royalty fees based on gallons used. Total rentals and fees (other than basic rent) from BAX recognized in 2007 amounted to $1,909,397.

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

The rent and landing fees received from the airlines totaled $1,231,892 in 2007. Under the agreement covering the operation of the parking lot, rentals are based on percentages of gross parking lot receipts. During 2007 parking lot rentals received totaled $941,647.

NOTE 7 - LEASE COMMITMENTS AND RENTAL EXPENSE

The Authority leases its office space under an operating lease that expires March 31, 2017. Certain expenses of operating and maintaining the leased facilities are paid by the Authority. The Authority also leases various vehicles and equipment under non-cancelable operating leases. Total rent expense for 2007 was $126,089.

Following is a schedule of the future minimum lease payments required under these non-cancelable operating leases at December 31, 20077:

Year Ending December 31,	Amount
2008	$ 140,976
2009	137,958
2010	134,986
2011	135,061
2012	135,061
2013-2017	542,276
Total	$ 1,226,318

NOTE 8 - CONDUIT DEBT

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

As of December 31, 2007, there were sixty-seven series of Revenue Bonds outstanding. The original issue amounts for the fifty-five series issued after July 1, 1995 was $606,284,900 of which $493,046,594 remained outstanding at December 31, 2007. The aggregate principal amount issued for the twelve series issued prior to July 1, 1995 could not be determined; however, their original issue amounts totaled $197,725,000.

NOTE 9 – AMOUNT DUE FROM LESSEE

On June 2, 2003, the United States transferred ownership of property occupied by Teledyne Technologies to the Authority for $10. A lease agreement between the Authority and Teledyne Technologies was entered into on August 23, 2001 and commenced on the date the property was transferred to the Authority (June 2, 2003). Lease payments are due in the amount of $65,000 per year with periodic increases based upon the consumer price index. The original lease term is five years with options to extend the lease for four additional periods of five years. After the commencement of the fifth year of the initial term, Teledyne has the option to purchase the property for $450,000. Based on the estimated fair value of the property at the option date, the option price is considered a bargain purchase and, under the provision of Financial Accounting Board Standard No. 13, "Accounting for Leases", the lease is being accounted for as a direct financing lease. The present value of the bargain purchase option and the lease payments during the original lease term are recorded as amount due from lessee in the statement of net assets at December 31, 2007. All costs, expenses, and obligations relating to the property are to be paid by Teledyne.

NOTE 10 - RISK MANAGEMENT

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

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

The Authority has a premium based PPO for employee health insurance coverage. The Port Authority pays a portion of the employees' deductible. Premium expense for 2007 was $444,488. The Authority continues to provide a dental plan, which provides various benefits after a deductible. Maximum dental benefits are limited to $1,000 per year for preventive care and major dental services and $1,000 per lifetime for orthodontics.

NOTE 11 - CONTINGENCIES

In the normal course of operations, the Authority may be subject to litigation, claims, and unasserted possible claims. As of December 31, 2007, the Authority was involved in several such matters. The outcome of such matters cannot presently be determined.

NOTE 12 – DELTA AIRLINES DEPARTURE

The Port Authority reports that Delta Airlines and their contracted air service carriers, Comaire and ASA discontinued all passenger service to and from Toledo Express Airport effective September 2008. This includes service to Cincinnati and Atlanta. The Port Authority received approximately $533,000 in revenue during the calendar year 2007 and $233,000 through September of 2008 from rent, landing fees and apron maintenance charges from Delta related operations.

NOTE 13 - SEGMENT INFORMATION

Significant financial data for the airport division, which meets the requirements for segment reporting under GASB 34, is as follows for the year ended December 31, 2007:

Statement of Net Assets

Current Assets	$	4,344,423
Capital Assets		128,862,931
Other Assets		12,019,857
Total Assets		145,227,211
Current Liabilities		5,337,290
Noncurrent Liabilities		38,151,843
Total Liabilities		43,489,133
Invested in Capital Assets, Net of Related Debt		86,800,983
Restricted		18,821,536
Unrestricted		(3,884,441)
Total Net Assets	$	101,738,078

Statement of Revenues, Expenses, and Changes in Net Assets

Operating Revenues	$	9,082,732
Depreciation and Amortization		5,997,147
Other Operating Expenses		5,186,789
Operating Loss		(2,101,204)
Nonoperating revenues (expenses):		
Investment Income		1,029,160
Interest Expense		(2,672,330)
Other Nonoperating Revenues (Expenses)		1,080,128
Capital Contributions		2,344,107
Change in Net Assets		(320,139)
Beginning Net Assets		102,058,217
Ending Net Assets	$	101,738,078

Statement of Cash Flows

Net Cash Provided (Used) by:		
Operating Activities		2,727,025
Noncapital Finance		46,302
Capital and Related Financing		(2,859,577)
Investing		352,094
Cash at Beginning of Year		1,681,079
Cash at End of Year	$	1,946,923

Toledo-Lucas County Port Authority
Schedule of Net Assets Information by Division
December 31, 2007

	Administration	Seaport	Airport	Economic Development	New Project Development	Total
ASSETS						
Current Assets:						
Cash	$ 8,794,337	$ -	$ 1,447,204	$ 283,829	$ -	$ 10,525,370
Investments	-	3,008,271	-	-	-	3,008,271
Interest receivable	-	47,722	-	406	-	48,128
Accounts receivable	536,491	255,049	1,000,011	212,713	59,005	2,063,269
Due (to) from other divisions	(4,335,812)	6,221,994	1,638,263	3,066,885	(6,591,330)	-
Prepaid expenses and other assets	32,413	27,898	258,945	-	52,356	371,612
Total Current Assets	5,027,429	9,560,934	4,344,423	3,563,833	(6,479,969)	16,016,650
Noncurrent Assets:						
Nondepreciable capital assets	435,000	22,910,309	38,554,362	287,804	5,259,664	67,447,139
Depreciable capital assets, Net of accumulated depreciation	33,430	5,726,967	90,308,569	3,454,018	8,028,782	107,551,766
Restricted:						
Cash and cash equivalents	-	-	499,719	-	-	499,719
Investments	-	-	14,612,802	344,888	-	14,957,690
Amount due from County					500,000	500,000
Amount due from lessee	-	-	-	450,000	-	450,000
Deferred bond issuance cost	-	-	1,672,568	116,513	-	1,789,081
Deferred loss on refunding	-	-	593,390	-	-	593,390
Amount due from Northwest Bond Fund	-	3,000,000	-	-	-	3,000,000
Interdivisional receivables (payables)	-	7,106,003	(5,358,622)	(1,747,381)	-	-
Total Noncurrent Assets	468,430	38,743,279	140,882,788	2,905,842	13,788,446	196,788,785
Total Assets	**5,495,859**	**48,304,213**	**145,227,211**	**6,469,675**	**7,308,477**	**212,805,435**
LIABILITIES AND EQUITY						
Current Liabilities:						
Accounts payable	$ 372,882	$ 397,408	$ 787,349	$ 119,056	$ 246,023	$ 1,922,718
Accrued payroll	344,483	20,017	297,351	-	12,500	674,351
Deferred income	-	-	16,800	-	-	16,800
Accrued interest payable	-	-	330,685	-	-	330,685
Notes payable-current	-	-	61,669	-	-	61,669
Revenue bonds payable-current	-	-	3,715,000	55,000	-	3,770,000
Ohio Water Development Authority loan payable-current	-	-	128,436	-	-	128,436
Total Current Liabilities	717,365	417,425	5,337,290	174,056	258,523	6,904,659
Noncurrent Liabilities:						
Long-term notes payable	-	-	425,934	-	-	425,934
Revenue bonds payable	-	-	37,280,000	3,245,000	-	40,525,000
Ohio Water Development Authority loan payable	-	-	445,909	-	-	445,909
Total Noncurrent Liabilities	-	-	38,151,843	3,245,000	-	41,396,843
Total Liabilities	717,365	417,425	43,489,133	3,419,056	258,523	48,301,502
Net Assets:						
Invested in capital assets, net of related debt	468,430	28,637,276	86,800,983	441,822	13,288,446	129,636,957
Restricted	-	202,848	18,821,536	283,829	-	19,308,213
Unrestricted	4,310,064	19,046,664	(3,884,441)	2,324,968	(6,238,492)	15,558,763
Total Net Assets (Deficit)	**$ 4,778,494**	**$ 47,886,788**	**$ 101,738,078**	**$ 3,050,619**	**$ 7,049,954**	**$ 164,503,933**

Toledo-Lucas County Port Authority
Schedule of Revenues, Expenses and Changes in Net Assets Information by Division
For the Year Ended December 31, 2007

	Administration	Seaport	Airport	Economic Development	New Project Development	Total
Operating Revenues						
Rental under property leases	$ -	$ -	$ 3,001,659	$ -	$ -	$ 3,001,659
Airport landing area	-	-	489,876	-	-	489,876
Airport terminal area	-	-	3,515,796	-	-	3,515,796
BAX Global	-	-	1,825,972	-	-	1,825,972
Other rental and fee income	1,463,746	1,229,171	108,867	-	641,229	3,443,013
Wharfage under property lease	-	185,293	-	-	-	185,293
Other income	6,126	76,708	140,562	-	475	223,871
Total Operating Revenues	**1,469,872**	**1,491,172**	**9,082,732**	**-**	**641,704**	**12,685,480**
Operating Expenses						
Personal services	2,014,340	265,594	2,723,923	-	189,967	5,193,824
Marketing	148,574	27,890	271,787	-	46,582	494,833
Contractual services	32,338	358,381	724,369	99,245	560,543	1,774,876
Utilities	20,418	15,189	705,337	-	69,160	810,104
Repairs and maintenance	-	12,006	691,793	-	45,234	749,033
Depreciation	23,570	463,866	5,638,467	48,400	324,510	6,498,813
Amortization	-	-	358,680	2,987	-	361,667
Rental expense	126,089	-	-	-	-	126,089
Other operating expenses	57,398	120,761	69,580	2,912	1,218	251,869
Total operating expenses	**2,422,727**	**1,263,687**	**11,183,936**	**153,544**	**1,237,214**	**16,261,108**
Operating Income (Loss)	**(952,855)**	**227,485**	**(2,101,204)**	**(153,544)**	**(595,510)**	**(3,575,628)**
Nonoperating Revenues (Expenses)						
Proceeds of property tax levy	2,575,683	-	-	-	-	2,575,683
Intergovernmental grants	-	-	46,302	2,959,886	-	3,006,188
Interest income from investments	139,357	352,758	1,029,160	23,461	-	1,544,736
Passenger facility charges	-	-	991,773	-	-	991,773
Borrower disbursements	-	-	(228,780)	-	-	(228,780)
Interest expense	-	-	(2,672,330)	-	-	(2,672,330)
Total Nonoperating Revenues (Expenses)	**2,715,040**	**352,758**	**(833,875)**	**2,983,347**	**-**	**5,217,270**
Income (Loss) Before Contributions	**1,762,185**	**580,243**	**(2,935,079)**	**2,829,803**	**(595,510)**	**1,641,642**
Capital contributions	-	131,467	2,344,107	-	148,507	2,624,081
Interdivisional transfers in	-	-	1,150,133	-	-	1,150,133
Interdivisional transfers out	(270,833)	-	(879,300)	-	-	(1,150,133)
Change in Net Assets	**1,491,352**	**711,710**	**(320,139)**	**2,829,803**	**(447,003)**	**4,265,723**
Net assets (deficit) at beginning of year	3,287,142	47,175,078	102,058,217	220,816	7,496,957	160,238,210
Net Assets (Deficit) at End of Year	**$ 4,778,494**	**$ 47,886,788**	**$ 101,738,078**	**$ 3,050,619**	**$ 7,049,954**	**$ 164,503,933**

Toledo-Lucas County Port Authority
Seaport Division
Schedule of Net Assets Information
December 31, 2007

ASSETS	General	Presque Isle	Total
Current assets:			
Investments	$ 3,008,271	$ -	$ 3,008,271
Interest receivable	47,722	-	47,722
Accounts receivable	255,049	-	255,049
Settlement receivable	-	-	-
Due from other divisions	6,221,994	-	6,221,994
Prepaid expenses and other assets	27,898	-	27,898
Total Current Assets	9,560,934	-	9,560,934
Noncurrent Assets:			
Nondepreciable capital assets	15,910,309	7,000,000	22,910,309
Depreciable capital assets, Net of accumulated depreciation	5,726,967	-	5,726,967
Amount due from Northwest Bond Fund	3,000,000	-	3,000,000
Interdivisional receivables	7,106,003	-	7,106,003
Total Noncurrent Assets	31,743,279	7,000,000	38,743,279
Total Assets	**41,304,213**	**7,000,000**	**48,304,213**
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts payable	$ 397,408	$ -	$ 397,408
Accrued payroll	20,017	-	20,017
Deferred income	-	-	-
Total Current Liabilities	417,425	-	417,425
Total Liabilities	**417,425**	**-**	**417,425**
Net Assets:			
Invested in capital assets, net of related debt	21,637,276	7,000,000	28,637,276
Restricted	202,848	-	202,848
Unrestricted	19,046,664	-	19,046,664
Total Net Assets	**$ 40,886,788**	**$ 7,000,000**	**$ 47,886,788**

Toledo-Lucas County Port Authority
Seaport Division
Schedule of Revenues, Expenses and Changes in Net Assets Information
For the Year Ended December 31, 2007

	General	Presque Isle	Total
Operating Revenues			
Other rental and fee income	$ 1,229,171	$ -	$ 1,229,171
Wharfage under property lease	185,293	-	185,293
Other income	76,708	-	76,708
Total Operating Revenues	**1,491,172**	**-**	**1,491,172**
Operating Expenses			
Personal services	265,594	-	265,594
Marketing	27,890	-	27,890
Contractual services	358,381	-	358,381
Utilities	15,189	-	15,189
Repairs and maintenance	12,006	-	12,006
Depreciation	463,866	-	463,866
Rental	120,761	-	120,761
Total Operating Expenses	**1,263,687**	**-**	**1,263,687**
Operating (Loss)	**227,485**	**-**	**227,485**
Nonoperating Revenues			
Intergovernmental grants	-	-	-
Interest income from investments	352,758	-	352,758
Total Nonoperating Revenues (Expenses)	**352,758**	**-**	**352,758**
Income (Loss) Before Contributions and Transfers	**580,243**	-	**580,243**
Capital contributions	131,467	-	131,467
Change in Net Assets	**711,710**	**-**	**711,710**
Net assets at beginning of year	40,175,078	7,000,000	47,175,078
Net Assets at End of Year	**$ 40,886,788**	$ 7,000,000	$ **47,886,788**

Toledo-Lucas County Port Authority
Economic Development Division
Schedule of Net Assets Information
December 31, 2007

ASSETS	General	Financing Activities	Total
Current Assets:			
Cash	$ 283,829	$ -	$ 283,829
Interest receivable	-	406	406
Accounts receivable	212,713	-	212,713
Due from other divisions	3,066,885	-	3,066,885
Total Current Assets	3,563,427	406	3,563,833
Noncurrent Assets:			
Nondepreciable capital assets	287,804		287,804
Depreciable capital assets, Net of accumulated depreciation	598,418	2,855,600	3,454,018
Restricted investments	-	344,888	344,888
Amount due from lessee	-	450,000	450,000
Deferred bond issue costs		116,513	116,513
Interdivisional payables	(1,747,381)	-	(1,747,381)
Total Noncurrent Assets	(861,159)	3,767,001	2,905,842
Total Assets	**2,702,268**	**3,767,407**	**6,469,675**
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts payable	$ 47,756	$ 71,300	$ 119,056
Revenue bonds payable-current	-	55,000	55,000
Total Current Liabilities	47,756	126,300	174,056
Noncurrent Liabilities:			
Revenue bonds payable	-	3,245,000	3,245,000
Total Noncurrent Liabilities	-	3,245,000	3,245,000
Total Liabilities	**47,756**	**3,371,300**	**3,419,056**
Net Assets:			
Invested in capital assets, net of related debt	886,222	(444,400)	441,822
Restricted	283,829	-	283,829
Unrestricted	1,484,461	840,507	2,324,968
Total Net Assets (Deficit)	**$ 2,654,512**	**$ 396,107**	**$ 3,050,619**

Toledo-Lucas County Port Authority
Economic Development Division
Schedule of Revenues, Expenses and Changes in Net Assets Information
For the Year Ended December 31, 2007

	General	Financing Activities	Total
Operating Revenues			
Total Operating Revenues	$ -	$ -	$ -
Operating Expenses			
Contractual services	99,245	-	99,245
Depreciation	-	48,400	48,400
Amortization	-	2,987	2,987
Other operating expenses	-	2,912	2,912
Total Operating Expenses	**99,245**	54,299	**153,544**
Operating (Loss)	**(99,245)**	(54,299)	**(153,544)**
Nonoperating Revenues (Expenses)			
Intergovernmental grant	2,959,886	-	2,959,886
Interest income from investments	23,055	406	23,461
Total Nonoperating Revenues (Expenses)	**2,982,941**	**406**	2,983,347
Income Before Contributions	2,883,696	**(53,893)**	**2,829,803**
Capital contributions	-	-	-
Change in Net Assets	**2,883,696**	**(53,893)**	**2,829,803**
Net assets (deficit) at beginning of year	(229,184)	450,000	220,816
Net Assets (Deficit) at End of Year	**$ 2,654,512**	$ 396,107	$ 3,050,619

TOLEDO LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2007

Federal Grantor/Pass - Through Grantor Program Titles	CFDA Number	Grant Expenditures
U.S. Department of Transportation		
Airport Improvement Program	20.106	2,228,107
Marine Passenger Terminal - Federal Highway Administration/ODOT	20.205	1,934,886
		4,162,993
U.S. Department of Homeland Security		
Port Security Grant Program	97.056	131,466
U.S. Department of Housing and Urban Development		
HUD B03SP0H0611	14.246	319,795
HUD B03SP0H0615	14.246	292,417
		612,212
U.S Department of Energy		
Wind Turbine Grant	81.087	99,245
U.S. Department of the Interior		
National Park Service	15.929	148,940
U.S. Department of Defense		
Special Projects - Shipyard High Bay Facility - Direct Assistance	Unknown	1,278,551
Teledyne Remediation - Office of Economic Adjustment	12.600	313,542
		1,592,093
Total		$ 6,746,949

The accompanying note is an integral part of this schedule.

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2007

Note 1–Basis of presentation

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

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
FOR EACH QUARTER DURING THE YEAR ENDED DECEMBER 31, 2007

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Totals
PFC Fees Collected	173,835	177,403	178,002	188,659	717,899
Interest Income	7,325	9,374	11,254	11,453	39,406
PFC Fees Expended*	0	0	0	0	0
Net Increase (Decrease) in Cash	181,160	186,777	189,256	200,112	757,305
Cash at Beginning of Period	688,787	869,947	1,056,724	1,245,980	688,787
Cash at End of Period	869,947	1,056,724	1,245,980	1,446,092	1,446,092

See Notes to Schedule of Passenger Facility Charges

TOLEDO-LUCAS COUNTY PORT AUTHORITY
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED - CASH BASIS
YEAR ENDED DECEMBER 31, 2007

General

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

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

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

The Toledo-Lucas County Port Authority ("Port Authority"), for its operation at Toledo Express Airport, had been granted FAA approval to collect PFC fees for application #4 from December 1, 2003 to December 1, 2007, at the rates of $4.50 for each enplaned passenger. Starting in December 2007, the Airport began to collect PFC fees for application #5, at the same rates, which will continue through December 1, 2010. The PFC amounts collected are maintained in a separate Port Authority bank account.

Basis of Accounting

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

GILMORE, JASION & MAHLER, LTD

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

Compliance

We have audited the compliance of Toledo-Lucas County Port Authority ("Port Authority") with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2007. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of Port Authority's management. Our responsibility is to express an opinion on Port Authority's compliance based on our audit.

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

In our opinion, Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2007.

Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Gilmore, Jasion & Mahler, LTD

October 22, 2008

GILMORE, JASION & MAHLER, LTD

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 the financial statements of Toledo-Lucas County Port Authority ("Port Authority") as of and for the year ended December 31, 2007, and have issued our report thereon dated October 22, 2008. 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.

Internal Control Over Financial Reporting

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

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

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

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

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

This report is intended solely for the information and use of the board of directors, management and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jasion & Mahler, LTD

October 22, 2008

GILMORE, JASION & MAHLER, LTD

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

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

Compliance

We have audited the compliance of Toledo-Lucas County Port Authority ("Port Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended December 31, 2007. Port Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Port Authority's management. Our responsibility is to express an opinion on Port Authority's compliance based on our audit.

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

In our opinion, Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2007.

Internal Control over Compliance

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

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

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

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

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

Gilmore, Jasion & Mahler, LTD

October 22, 2008

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs

CFDA Number	Name of Federal Program
20.106	Airport Improvement Program
20.205	Marine Passenger Terminal – Federal Highway Administration /ODOT
12.600	Department of Defense – Teledyne remediation (Office of Economic Adjustment)

Dollar threshold used to distinguish between type A and type B programs	$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

TOLEDO-LUCAS COUNTY PORT AUTHORITY
SCHEDULE OF STATUS OF PRIOR YEAR (2006) AUDIT FINDINGS
For the Year Ended December 31, 2007

None.

Mary Taylor, CPA
Auditor of State

TOLEDO-LUCAS COUNTY PORT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 20, 2009

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