

TOLEDO-LUCAS COUNTY PORT AUTHORITY  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002





**Auditor of State  
Betty Montgomery**

Board of Directors  
Toledo Lucas County Port Authority

We have reviewed the Independent Auditor's Report of the Toledo Lucas County Port Authority, Lucas County, prepared by Weber O'Brien LTD. for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 4, 2004

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TOLEDO-LUCAS COUNTY PORT AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of the Toledo-Lucas County Port Authority ("Authority") as of December 31, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audits provide a reasonable basis for our opinion.

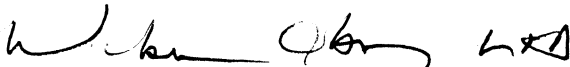
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 2, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of and for the year ended December 31, 2003, and the accompanying financial statements for 2002 have been restated for comparative purposes.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2004 on our consideration of the Authority's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 - 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which 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 audits were conducted for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards on page 42 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the accompanying schedule of passenger facility charges collected and expended - cash basis on page 43 is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and the supplemental information on pages 36 - 41, which is presented for purposes of additional analysis, is not a required part of the financial statements. Such additional information, which is the responsibility of the Authority's management, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



June 10, 2004



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

### ***Management's Discussion and Analysis For the Year Ended December 31, 2003***

***Unaudited***

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, 2003. This information should be read in conjunction with the basic financial statements included in this report.

### **FINANCIAL HIGHLIGHTS**

The key financial highlights for 2003 are as follows:

- Total Net Assets remained constant at approximately \$130,977,000.
- Owens Corning negotiated with the Port Authority to modify its lease agreement, effective in 2003. Due to the change, the transaction is now being treated as conduit debt. As a result, the Authority has removed from the financial statements all capital assets, debt, and certain other accounts resulting from this transaction. This change has resulted in significant changes to many accounts in the Economic Development Division, including capital assets, debt, revenues and depreciation.
- Total outstanding debt, consisting largely of financing provided for others, was reduced to approximately \$217 million at December 31, 2003 from approximately \$285 million as of December 31, 2002. This change is due primarily to the Owens Corning lease conversion, which resulted in the debt (\$62 million) being removed from the Authority's books and accounted for as conduit debt. The remainder of the decrease is due to scheduled debt repayments netted with new issues of debt of approximately \$7.4 million.
- Passenger facility fees increased approximately 4% from 2002.

### **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 Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements 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 Statements 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 Statements 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 Statements of Cash Flows provide information about the Authority's cash receipts and disbursements during the year. It summarized net changes in cash resulting from operating, investing and financing activities. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2003**

**Unaudited**

**FINANCIAL ANALYSIS OF THE AUTHORITY**

The statement of net assets provides the prospective of the Authority as a whole. This is the first year for adoption of GASB Statement No. 34, therefore a financial analysis of the prior year is not available. A comparative analysis will be provided in future years when prior year information is available.

The following tables provide a summary of the Authority's financial positions and operations for 2003 and 2002, respectively. The Authority implemented Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* in 2003.

**Condensed Statements of Net Assets  
December 31,**

	2003	2002	Change	
			Amount	%
<u>Assets</u>				
Current assets - Unrestricted	\$11,812,370	\$10,482,036	\$1,330,334	12.7%
Current assets - Restricted	3,936,560	6,054,108	(2,117,548)	-35.0%
Capital assets, Net	277,202,281	321,044,672	(43,842,391)	-13.7%
Other Noncurrent Assets - Unrestricted	5,897,486	9,167,410	(3,269,924)	-35.7%
Other Noncurrent Assets - Restricted	56,865,763	88,219,334	(31,353,571)	-35.5%
<b>Total assets</b>	<b>355,714,460</b>	<b>434,967,560</b>	<b>(79,253,100)</b>	<b>-18.2%</b>
<u>Liabilities</u>				
Current liabilities - Unrestricted	4,739,821	3,981,770	758,051	19.0%
Current liabilities - Restricted	10,272,057	16,317,462	(6,045,405)	-37.0%
Long-term debt outstanding - Unrestricted	10,859,636	11,745,123	(885,487)	-7.5%
Long-term debt outstanding - Restricted	196,433,414	259,135,190	(62,701,776)	-24.2%
Other liabilities - Restricted	2,432,247	13,036,001	(10,603,754)	-81.3%
<b>Total liabilities</b>	<b>224,737,175</b>	<b>304,215,546</b>	<b>(79,478,371)</b>	<b>-26.1%</b>

During 2003, net assets increased by \$225,271. The majority of this increase was due to the following:

- ❑ Restricted investments decreased \$27,719,213
- ❑ Loans receivable decreased \$4,036,665
- ❑ Capital assets decreased \$43,842,391
- ❑ Deferred bond issuance costs decreased \$3,737,607
- ❑ Long-term notes payables decreased \$9,123,824
- ❑ Revenue bonds decreased \$58,516,370
- ❑ Accrued loss from lease modification decreased \$9,626,214

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2003**

*Unaudited*

The above changes are due primarily to the Owens Corning lease renegotiation discussed elsewhere in the Management Discussion and Analysis. In addition, the restricted investments decreased mainly due to the Dana project, as the Authority had issued bonds in 2002 before the project was complete. The excess funds were invested until needed for construction of the building. The building was nearly complete at December 31, 2003 and so all the bond proceeds and related investments have been used. Loans receivable decreased due to payments received and long-term notes payables decreased due to scheduled principal payments on the debt.

The Authority's assets exceeded liabilities by \$131 million, a slight increase over net assets as of December 31, 2002. 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's operating revenue is used 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 2003 and 2002:

**Condensed Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended December 31,**

	2003	2002	Change	
			Amount	%
Operating revenues:				
Airport related	\$ 7,644,214	\$ 7,650,956	\$ (6,742)	-0.1%
Economic development	15,125,586	27,802,894	(12,677,308)	-45.6%
Seaport and other	2,958,081	3,215,126	(257,045)	-8.0%
<b>Total operating revenues</b>	<b>25,727,881</b>	<b>38,668,976</b>	<b>(12,941,095)</b>	<b>-33.5%</b>
Operating expenses				
Economic development	10,165,072	13,470,201	(3,305,129)	-24.5%
Airport related	9,384,249	9,133,911	250,338	2.7%
Seaport and other	6,795,869	6,831,604	(35,735)	-0.5%
<b>Total operating expenses</b>	<b>26,345,190</b>	<b>29,435,716</b>	<b>(3,090,526)</b>	<b>-10.5%</b>
<b>Operating income (loss)</b>	<b>(617,309)</b>	<b>9,233,260</b>	<b>(9,850,569)</b>	<b>-106.7%</b>
Nonoperating income (expense):				
Proceeds of property tax levy	2,417,980	2,406,126	11,854	0.5%
Interest income from investments	871,771	1,190,724	(318,953)	-26.8%
Passenger facility charges	1,411,672	1,354,628	57,044	4.2%
Interest expense	(8,373,721)	(14,614,619)	6,240,898	-42.7%
Loss due to lease modification	0	(9,626,214)	9,626,214	-100.0%
Other	(839,071)	(428,961)	(410,110)	95.6%
Net nonoperating expenses	(4,511,369)	(19,718,316)	15,206,947	-77.1%
Loss before capital grants	(5,128,678)	(10,485,056)	5,356,378	-51.1%
Capital grants	5,353,949	10,416,069	(5,062,120)	-48.6%
<b>Change in net assets</b>	<b>225,271</b>	<b>(68,987)</b>	<b>294,258</b>	<b>-426.5%</b>
Total net assets-beginning of year	130,752,014	130,821,001	(68,987)	-0.1%
Total net assets-end of year	\$ 130,977,285	\$ 130,752,014	\$ 225,271	0.2%

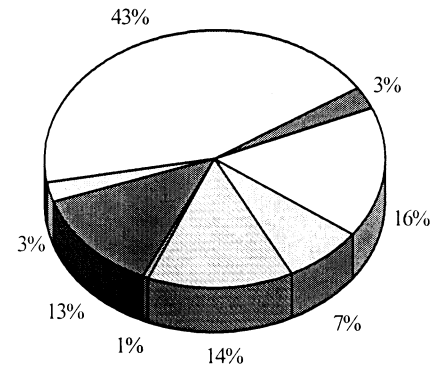
**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2003**

*Unaudited*

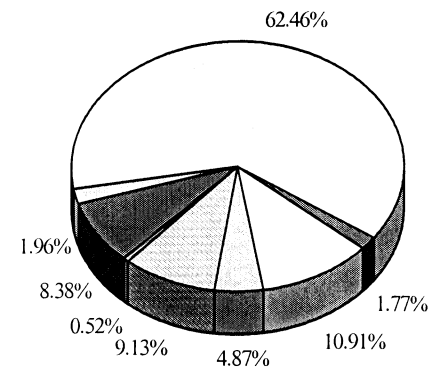
Revenue Sources	2003	Percent of Total
Income from leases and other property agreements	\$ 11,231,272	43.65%
Airport landing area	697,791	2.71%
Airport terminal area	4,207,819	16.36%
Burlington	1,922,856	7.47%
Other rental and fee income	3,628,521	14.10%
Wharfage under property lease	138,967	0.54%
Interest income on loans receivable	3,243,072	12.61%
Other income	657,583	2.56%
<b>Total Revenue</b>	<b>\$25,727,881</b>	<b>100.00%</b>

**2003**



Revenue Sources	2002	Percent of Total
Income from leases and other property agreements	\$ 24,153,567	62.46%
Airport landing area	685,661	1.77%
Airport terminal area	4,219,173	10.91%
Burlington	1,882,583	4.87%
Other rental and fee income	3,531,080	9.13%
Wharfage under property lease	199,278	0.52%
Interest income on loans receivable	3,240,597	8.38%
Other income	757,037	1.96%
<b>Total Revenue</b>	<b>\$38,668,976</b>	<b>100.00%</b>

**2002**



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. For the year ended December 31, 2003:

- Operating revenues for 2003 declined about 33% from 2002 mainly in the Economic Development Division due primarily to the renegotiation of the Owens Corning lease. In the prior year, the transaction had been recorded by the Port Authority as an operating lease. This change reduced revenues to the Port Authority by \$13,197,000. These revenues were then used to pay bondholders.
- The reduction in operating expenses occurred primarily in the economic development division in the amount of \$3,350,000 or 24.5%. this change is almost entirely due to the removal of the Owens Corning property from the Authority's books, resulting in lower depreciation. Prior year depreciation on the Owens Corning property was approximately \$3,860,000.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2003**

**Unaudited**

Net nonoperating expenses decreased approximately \$15,207,000. This decrease is due to the following:

- Interest expense decreased by approximately \$6,241,000 due to the removal of the Owens Corning debt, which is now accounted for as conduit debt.
- A loss due to lease modification in the amount of approximately \$9,626,000 was recorded in the prior year financial statements for the Owens Corning lease renegotiation.

Capital grants decreased approximately \$5,062,000 in 2003. The Authority received lower FAA grants in 2003.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2003 the Authority had \$277,202,281 net of accumulated depreciation invested in land, buildings, equipment and vehicles. This amount represents a net decrease of approximately \$43.8 million, or 13.7%, as compared to 2002. The following table shows fiscal year 2003 and 2002 historical cost balances:

**Capital Assets at December 31,**

	2003	2002	CHANGE
Land	\$ 53,697,860	\$ 53,153,701	\$ 544,159
Construction in progress	32,720,754	8,132,542	24,588,212
Improvements	129,420,496	125,997,303	3,423,193
Property and equipment	39,561,707	38,974,740	586,967
Buildings & leasehold improvements	170,940,044	257,528,264	(86,588,220)
	<u>\$ 426,340,861</u>	<u>\$ 483,786,550</u>	<u>\$ (57,445,689)</u>

Major additions in 2003, at cost included (in thousands):

Airport apron expansion and improvements	\$ 3,300
Airport land acquisitions	900
Airport terminal and snack bar improvements	900
Airport canopy and installation	600
Miscellaneous airport property & equipment	600
Dana building	26,050
Toledo Hospital building	6,210
	<u>\$ 38,560</u>

Offsetting the above increases to capital assets at December 31, 2003 was a reduction of approximately \$95 million for the write off of the Owens Corning headquarters.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2003**

**Unaudited**

**Debt**

At December 31, 2003, the Authority had \$216,820,616 in debt outstanding, \$9,527,566 of which is due within one year. This represents a decrease of \$67,989,736 from 2002. During 2003, the Authority issued new debt in the amount of \$7,420,071. The removal of the Owens Corning debt, which is now accounted for as conduit debt resulted in a decrease of \$61,812,266. The remaining \$13,597,541 reduction is due to principal payments on outstanding debt. The Authority has a rating of BBB+ from Fitch on its debt.

The following table summarizes the Authority's debt outstanding as of December 31, 2003 and 2002 and should be read in conjunction with Note 6 to the audited financial statements for more detailed information on debt.

**Outstanding Debt at December 31,**

	<u>2003</u>	<u>2002</u>
Revenue Bonds Payable	\$180,088,758	\$238,605,128
Long-term Notes Payable	18,417,159	27,540,983
Ohio Enterprise Bonds Payable	17,310,000	17,570,000
Ohio Water Development Authority Loan Payable	1,004,699	1,094,241
Total	<u>\$216,820,616</u>	<u>\$284,810,352</u>

The operating lease financing activities, as well as the Northwest Ohio Bond Fund, result in debt being reflected on the financial statements of the Port Authority issued in the name of the Authority for private companies.

**ECONOMIC FACTORS**

The year 2003 was a difficult year for the Port Authority.

- ❑ Passengers using Toledo Express were down about 8% as some travelers chose to drive rather than fly as a continued reaction to 9/11.
- ❑ Cargo moving through the Port of Toledo was down nearly 10% reflecting the general trend in maritime trades on the Great Lakes, particularly with respect to steel imports.
- ❑ Passengers using the AMTRAK station in Toledo, at Dr. Martin Luther King, Jr., Plaza owned by the Port Authority was down nearly 6%.
- ❑ Numerous development financing projects were at the brink of commencement only to be held up until companies were convinced the economy was recovering.

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

***Management's Discussion and Analysis  
For the Year Ended December 31, 2003***

***Unaudited***

Nevertheless, the Port Authority made significant achievements during the year, which bode well for 2004 and beyond. These include:

- ❑ Reached an agreement to acquire 48 acres of riverfront land for waterborne dependent commerce;
- ❑ Made significant improvements to Toledo Express Airport to ease security procedures and provide for an even more convenient facility for passengers;
- ❑ Obtained funding for a major expansion of The Toledo Shipyard so that the facility may once again compete for building of ships in Toledo.

**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**  
**Statements of Net Assets**

<u>ASSETS</u>	December 31,	
	2003	2002
<b>Current Assets:</b>		
<b>Unrestricted Assets:</b>		
Cash and cash equivalents	\$ 2,031,877	\$ 1,616,298
Investments	7,094,979	6,350,294
Interest receivable	81,486	66,217
Accounts receivable	2,178,213	2,191,686
Prepaid expenses and other assets	425,815	257,541
<b>Total Unrestricted Assets</b>	<b>11,812,370</b>	<b>10,482,036</b>
<b>Restricted Assets:</b>		
Cash and cash equivalents	324,196	-
Interest receivable	139,861	272,606
Accounts receivable	-	1,744,837
Loans receivable	3,472,503	4,036,665
<b>Total Restricted Assets</b>	<b>3,936,560</b>	<b>6,054,108</b>
<b>Total Current Assets</b>	<b>15,748,930</b>	<b>16,536,144</b>
<b>Noncurrent Assets:</b>		
<b>Unrestricted Assets:</b>		
Nondepreciable Capital Assets	86,418,614	61,286,243
Depreciable Capital Assets, Net of Accumulated Depreciation	190,783,667	259,758,429
Amount due from lessee	654,734	221,350
Deferred bond issuance cost	5,242,752	8,946,060
<b>Total Unrestricted Assets</b>	<b>283,099,767</b>	<b>330,212,082</b>
<b>Restricted Assets:</b>		
Investments	23,795,641	51,514,854
Loans receivable	32,260,846	35,733,349
Deferred bond issuance cost	171,493	205,792
Deferred loss on refunding	637,783	765,339
<b>Total Restricted Assets</b>	<b>56,865,763</b>	<b>88,219,334</b>
<b>Total Noncurrent Assets</b>	<b>339,965,530</b>	<b>418,431,416</b>
<b>Total Assets</b>	<b>355,714,460</b>	<b>434,967,560</b>

See accompanying notes to the financial statements.



Toledo-Lucas County Port Authority  
Statements of Net Assets, Continued

	December 31,	
	2003	2002
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
<b>Payable from Unrestricted Assets:</b>		
Accounts payable	\$ 2,419,700	\$ 1,682,631
Accrued payroll	612,155	573,859
Deferred income	-	88,948
Notes payable-current	1,076,726	1,046,790
Revenue bonds payable-current	535,000	500,000
Ohio Water Development Authority loan payable-current	96,240	89,542
<b>Total Payable from Unrestricted Assets</b>	<b>4,739,821</b>	<b>3,981,770</b>
<b>Payable from Restricted Assets:</b>		
Accounts payable	1,149,790	2,171,305
Accrued interest payable	642,853	1,437,055
Deferred income	659,814	415,395
Notes payable-current	389,418	1,582,745
Revenue bonds payable-current	7,080,182	10,450,962
Ohio Enterprise bond payable-current	350,000	260,000
<b>Total Payable from Restricted Assets</b>	<b>10,272,057</b>	<b>16,317,462</b>
<b>Total Current Liabilities</b>	<b>15,011,878</b>	<b>20,299,232</b>
<b>Noncurrent Liabilities:</b>		
<b>Payable from Unrestricted Assets:</b>		
Long-term notes payable	1,451,177	1,705,424
Revenue bonds payable	8,500,000	9,035,000
Ohio Water Development Authority loan payable	908,459	1,004,699
<b>Total Payable from Unrestricted Assets</b>	<b>10,859,636</b>	<b>11,745,123</b>
<b>Payable from Restricted Assets:</b>		
Long-term notes payable	15,499,838	23,206,024
Revenue bonds payable	163,973,576	218,619,166
Ohio Enterprise bond payable	16,960,000	17,310,000
Borrower deposit reserves	2,432,247	3,409,787
Accrued loss to due lease modification	-	9,626,214
<b>Total Payable from Restricted Assets</b>	<b>198,865,661</b>	<b>272,171,191</b>
<b>Total Noncurrent Liabilities</b>	<b>209,725,297</b>	<b>283,916,314</b>
<b>Total Liabilities</b>	<b>224,737,175</b>	<b>304,215,546</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	98,426,665	77,710,902
Restricted	17,872,619	35,737,104
Unrestricted	14,678,001	17,304,008
<b>Total Net Assets</b>	<b>\$ 130,977,285</b>	<b>\$ 130,752,014</b>

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority**  
**Statements of Revenues, Expenses and Changes in Net Assets**

	For the Year Ended	
	December 31,	
	2003	2002
<b>Operating revenues</b>		
Income from leases and other property agreements	\$ 11,231,272	\$ 24,153,567
Airport landing area	697,791	685,661
Airport terminal area	4,207,819	4,219,173
Burlington	1,922,856	1,882,583
Other rental and fee income	3,628,521	3,531,080
Wharfage under property lease	138,967	199,278
Interest income on loans receivable	3,243,072	3,240,597
Other income	657,583	757,037
<b>Total operating revenues</b>	<b>25,727,881</b>	<b>38,668,976</b>
<b>Operating expenses</b>		
Personal services	4,699,034	4,547,006
Marketing	904,711	717,598
Contractual services	2,821,192	2,762,281
Utilities	657,158	683,811
Repairs and maintenance	938,023	1,402,260
Depreciation	11,443,717	14,637,048
Amortization	534,613	762,864
Rental expense	121,692	121,409
Interest expense	3,235,465	3,255,346
Other operating expenses	464,156	546,093
Provision for loan loss reserve	525,429	-
<b>Total operating expenses</b>	<b>26,345,190</b>	<b>29,435,716</b>
<b>Operating income (loss)</b>	<b>(617,309)</b>	<b>9,233,260</b>
<b>Nonoperating revenues (expenses)</b>		
Proceeds of property tax levy	2,417,980	2,406,126
Interest income from investments	871,771	1,190,724
Passenger facility charges	1,411,672	1,354,628
Loss on sale of capital assets	(473,239)	-
Interest expense	(8,373,721)	(14,614,619)
Other expense	-	(13,177)
Borrower disbursements	(365,832)	(415,784)
Loss due to lease modification	-	(9,626,214)
<b>Total nonoperating revenues (expenses)</b>	<b>(4,511,369)</b>	<b>(19,718,316)</b>
<b>Income (Loss) before Contributions</b>	<b>(5,128,678)</b>	<b>(10,485,056)</b>
Capital Contributions	5,353,949	10,416,069
<b>Changes in Net Assets</b>	<b>225,271</b>	<b>(68,987)</b>
Net Assets at Beginning of Year	130,752,014	130,821,001
<b>Net Assets at End of Year</b>	<b>\$ 130,977,285</b>	<b>\$ 130,752,014</b>

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority  
Statements of Cash Flows**

	<b>For the Year Ended December 31,</b>	
	<b>2003</b>	<b>2002</b>
<u>Cash flows from operating activities:</u>		
Cash received from customers	\$34,075,682	\$46,984,098
Cash payments for goods and services	(9,808,361)	(18,891,643)
Cash payments to and on behalf of employees	(4,660,738)	(4,429,417)
Net cash provided by operating activities	<b>19,606,583</b>	<b>23,663,038</b>
<u>Cash flows from noncapital financing activities:</u>		
Principal reductions on Northwest Ohio Development Revenue Bonds	(8,465,000)	(5,070,000)
Proceeds of property tax levy	2,417,980	2,406,126
Net cash used by noncapital financing activities	<b>(6,047,020)</b>	<b>(2,663,874)</b>
<u>Cash flows from capital and related financing activities:</u>		
Capital grants received	4,903,949	10,416,069
Passenger facility charges received	1,411,672	1,354,628
Acquisition and construction of capital assets	(39,844,578)	(24,641,169)
Proceeds from sale of capital assets	179,761	-
Interest paid on capital asset debt	(8,508,979)	(14,736,276)
Principal payments on long-term debt	(5,132,541)	(22,155,742)
Issuance of new bonds	-	32,000,000
Ohio Enterprise Bond proceeds	-	10,000,000
Proceeds from notes and loans	7,420,071	5,461,516
Payment of bond issuance costs	-	(1,527,720)
Net cash used by capital and related financing activities	<b>(39,570,645)</b>	<b>(3,828,694)</b>
<u>Cash flows from investing activities:</u>		
Interest on investments	979,314	1,167,342
Borrower disbursements	(365,832)	(415,784)
Purchase of securities	(9,704,457)	(57,150,001)
Proceeds from sale of securities	35,841,832	34,827,976
Net cash provided (used) by investing activities	<b>26,750,857</b>	<b>(21,570,467)</b>
Net Increase in Cash and Cash Equivalents	<b>739,775</b>	<b>(4,399,997)</b>
Cash and Cash Equivalents at Beginning of Year	1,616,298	6,016,295
Cash and Cash Equivalents at End of Year	<b>\$2,356,073</b>	<b>\$1,616,298</b>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</u>		
Cash and Cash Equivalents - Unrestricted	\$2,031,877	\$1,616,298
Cash and Cash Equivalents - Restricted	324,196	-
Total	<b>\$2,356,073</b>	<b>\$1,616,298</b>

See accompanying notes to the financial statements.

**Toledo-Lucas County Port Authority  
Statements of Cash Flows, Continued**

	<b>For the Year Ended December 31,</b>	
	<b>2003</b>	<b>2002</b>
<u>Reconciliation of Operating Income (loss) to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating income (loss)	(\$617,309)	\$9,233,260
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization expense	11,978,330	15,399,912
Provision for loan loss reserve	525,429	-
Changes in assets and liabilities:		
Issuance of loans receivable	-	(8,095,000)
Reductions in loans receivable	8,449,996	5,095,806
Accounts receivable and due from lessee	195,054	437,508
Prepaid expenses and other assets	(168,274)	(121,227)
Accounts payable	(284,446)	1,144,009
Accrued payroll	38,296	117,775
Deferred income	155,471	(147,572)
Borrower deposit reserves	(665,964)	598,567
Total adjustments	<b>20,223,892</b>	<b>14,429,778</b>
Net cash provided by operating activities	<b>19,606,583</b>	<b>23,663,038</b>
 <u>Supplemental disclosure of interest paid</u>	<b>12,403,388</b>	<b>\$17,991,622</b>

Supplemental disclosures of non-cash transactions:

In 2003, Owens Coming renegotiated its lease with the Authority. The renegotiation resulted in a bargain purchase option at the end of the lease term. Because of this, the transaction is now accounted for as conduit debt and the Authority removed all accounts related to this Owens Coming transaction as follows:

Restricted Investments	\$837,153
Accounts Receivable	1,579,872
Loans Receivable	(4,413,331)
Interest Receivable	9,933
Property and Equipment	71,086,490
Bond Issuance Costs	3,330,551
Interest Payable	(658,944)
Debt	(61,812,266)
Accrued Loss Due to Lease Modification	(9,626,214)
Borrower's Deposit Reserves	(311,576)
Other Liabilities	(21,668)

The Authority recorded capital contributions and due from lessee in 2003 in the amount of \$450,000 for the amount due from Teledyne Technologies in conjunction with its direct financing lease.

At December 31, 2002, the Authority recorded an accrued loss of \$9,626,214 due to a lease modification.

See accompanying notes to the financial statements.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003 AND 2002**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

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

The Authority is composed of four divisions, the Seaport Division, the Airport Division, the Economic Development Division and the Surface Transportation 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 Economic Development Division was formed during 1985 to assist the general economic development of the City of Toledo, Lucas County, and the surrounding area. To further that goal, in 1993, the Division formed a working association with the Toledo Area Chamber of Commerce, which is known as the Regional Growth Partnership, Inc. The following summary of significant accounting policies of the Authority is presented to assist the reader in evaluating the financial statements.

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 (GASB) pronouncements, in which case GASB prevails.

**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 statutes of the State of Ohio and policies of the board of directors. Restricted cash and investments represent balances maintained in the Northwest Ohio Bond Fund, Economic Development Division, Airport Improvement Revenue funds, Passenger facility proceeds and proceeds from the sale of property purchased with federal monies, which are governed by the respective trust agreements and Federal regulations. The agreements restrict activity to certain highly rated investments such as U. S. Government securities, certificates of deposit and money market funds. 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 statement of cash flows, the Authority considers all bank deposits including investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and overnight investment of excess deposits in repurchase agreements 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, 2003.

**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. The Authority capitalized \$2,449,000 and \$381,980 of net interest expense in 2003 and 2002, respectively.

Deferred Bond Issue Costs and Bond Discount

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

Deferred Loss on Bond Refunding

The difference between the reacquisition price 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 at December 31, 2003 and 2002 was \$499,700 and \$432,000, respectively and is included with accrued payroll on the statement of net assets.

Capital Contributions

To comply with the new GASB statements beginning in 2001, Federal, state, and local government improvement grants and contributions received from private firms in connection with financing projects are recorded as nonoperating revenue.

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 and passenger facility charges, which are restricted per the Federal Aviation Administration.

Revenues and Expenses

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

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

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

Property Tax Levy

A .4 mill real estate tax replacement levy passed by Lucas County voters in 1999 provides financial support for the various activities of the Authority. The Authority elected to collect the full .4 mill in 2003 and 2002.

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.

Reclassifications

Certain reclassifications have been made to the 2002 financial statements in order to conform to the 2003 presentations.

**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* were adopted by the Authority effective January 1, 2003.

GASB 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include a statement of net assets, statement of revenues, expenses, and changes in net assets, and a statement of cash flows all prepared on the accrual basis of accounting. The accompanying financial statements for 2002 have been restated for comparative purposes. The net assets beginning of year and end of year amounts for 2002 represent the sum of retained earnings and contributed capital previously reported as of December 31, 2001 and December 31, 2002, respectively.

**NOTE 3 - REGIONAL GROWTH PARTNERSHIP**

Effective May 1, 1996 the Authority and the Chamber of Commerce relinquished their interests in the Toledo Regional Growth Partnership, which simultaneously filed as a non-profit corporation in the State of Ohio. The Authority entered into a contract with the entity, which is now known as the Regional Growth Partnership, Inc., to perform certain economic development services for the Authority through the end of 2004. The contract provides for a fee of \$1,350,000 per year, which is a significant portion of the partnership revenue. Either party may terminate the agreement as of the end of a calendar year by notifying the other party in writing on or before September 1 of that year. The Authority does not have the authority to appoint or approve a majority of the Board of Trustees of the Partnership. The audited financial statements of the Partnership are available at the Regional Growth Partnership, Inc., 300 Madison Avenue, Suite 300, Toledo, Ohio 43604.



**NOTE 4 - CASH, INVESTMENTS AND REPURCHASE AGREEMENTS**

Bank Deposits

At December 31, 2003, the carrying amount of the Authority's deposits was \$13,355,897 and the bank balance was \$13,920,420. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,239,163 was uninsured but collateralized by securities held in the Authority's name and \$12,581,258 was uninsured but collateralized by securities held in the pledging bank's trust department.

At December 31, 2002, the carrying amount of the Authority's deposits was \$39,759,915 and the bank balance was \$40,307,767. Of the bank balance, \$100,000 was covered by federal depository insurance and \$37,111 was uninsured but collateralized by securities held in the Authority's name and \$40,170,656 was uninsured but collateralized by securities held in the pledging bank's trust department.

Investments

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at December 31, 2003. Category 1 includes investments that are insured or registered, or securities held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which securities are held by a trust department in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a trust department or agent but not in the Authority's name.

	2003			2002
	Category 2	Category 3	Fair Value	Fair Value
<b>Categorized Investments</b>				
U.S. Treasury/Agency Securities	\$14,762,378	-	\$14,762,378	\$14,085,694
Repurchase Agreements	-	1,561,407	1,561,407	2,007,234
Commercial Bond	-	-	-	61,813
Guaranteed Investment Contracts	3,546,984	-	3,546,984	3,546,984
Total Categorized Investments	18,309,362	1,561,407	19,870,769	19,701,725
<b>Noncategorized Investments</b>				
STAR Ohio	N/A	N/A	20,027	19,806
Total Noncategorized Investments	-	-	20,027	19,806
Total Investments	\$18,309,362	\$1,561,407	\$19,890,796	\$19,721,531

**NOTE 4 - CASH, INVESTMENTS AND REPURCHASE AGREEMENTS (Continued)**

Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined balance sheet and the classifications per this GASB Statement No. 3 disclosure is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$2,356,073	\$30,890,620
Restricted Money Market Funds	12,581,258	(12,581,258)
Investments:		
Repurchase Agreement	(1,561,407)	1,561,407
STAR Ohio	(20,027)	20,027
Per GASB Statement No. 3	<u>\$13,355,897</u>	<u>\$19,890,796</u>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS** December 31, 2003 and 2002

**NOTE 5 – CAPITAL ASSETS**

Capital assets, substantially all of which are leased to third parties, consist of the following:

Class	December 31, 2002	Additions	Deletions	December 31, 2003
<i>Capital assets not being depreciated:</i>				
Land	\$53,153,701	\$1,358,659	(\$814,500)	\$53,697,860
Construction in Progress				
US 20/Salisbury Interch and misc	3,634,738	861,298	-	4,496,036
Toledo Hospital	2,319,338	6,361,985	(8,681,323)	-
Dana	2,178,466	26,046,252	-	28,224,718
Subtotal	61,286,243	34,628,194	(9,495,823)	86,418,614
<i>Capital assets being depreciated:</i>				
Improvements	125,997,303	3,423,193	-	129,420,496
Property and Equipment	38,974,740	596,544	(9,577)	39,561,707
Buildings and Leasehold Improvements	26,370,179	892,920	(218,972)	27,044,127
Furniture and Fixtures	430,975	34,965	-	465,940
Brush Wellman Inc. Facility	20,129,383	-	-	20,129,383
Owens Corning Facility	95,978,456	-	(95,978,456)	-
BAX Hub	37,974,351	-	-	37,974,351
HCR	24,048,664	-	-	24,048,664
Superior Street Garage	5,489,625	-	-	5,489,625
Hercules Tire & Rubber Co.	15,149,720	-	-	15,149,720
FlightSafety International Facility	16,281,162	-	-	16,281,162
Kuss Corp	7,928,847	-	-	7,928,847
TWI / Total Foods	3,238,505	-	-	3,238,505
Cargotec	4,508,397	-	-	4,508,397
Toledo Hospital	-	8,681,323	-	8,681,323
Subtotal	422,500,307	13,628,945	(96,207,005)	339,922,247
Total Cost	\$483,786,550	\$48,257,139	(\$105,702,828)	\$426,340,861

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS** December 31, 2003 and 2002

**NOTE 5 –CAPITAL ASSETS (continued)**

**Accumulated Depreciation:**

Class	December 31, 2002	Additions	Deletions	December 31, 2003
Land Improvements	(\$66,794,833)	(\$3,758,333)	-	(\$70,553,166)
Property and Equipment	(20,661,643)	(1,102,462)	-	(21,764,105)
Buildings and Leasehold Improvements	(13,979,599)	(703,419)	145,472	(14,537,546)
Furniture and Fixtures	(228,472)	(21,016)	9,576	(239,912)
Brush Wellman Inc. Facility	(3,278,730)	(660,810)	-	(3,939,540)
Owens Corning Facility	(24,891,967)	-	24,891,967	-
BAX Hub	(19,149,382)	(695,886)	-	(19,845,268)
HCR	(2,998,602)	(924,552)	-	(3,923,154)
Superior Street Garage	(423,770)	(182,988)	-	(606,758)
Hercules Tire & Rubber Co.	(1,654,000)	(595,960)	-	(2,249,960)
FlightSafety International Facility	(8,116,567)	(2,125,936)	-	(10,242,503)
Kuss Corp	(383,895)	(255,929)	-	(639,824)
TWI / Total Foods	(106,408)	(116,017)	-	(222,425)
Cargotec	(74,010)	(148,021)	-	(222,031)
Toledo Hospital	-	(152,388)	-	(152,388)
Total Depreciation	(\$162,741,878)	(\$11,443,717)	\$25,047,015	(\$149,138,580)
<b>Net Value:</b>	\$321,044,672	\$36,813,422	(\$80,655,813)	\$277,202,281
Depreciation expense charged to operating expense		\$11,443,717		

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 2003 and 2002, approximately \$4,600,000 and \$10,400,000 respectively, of federal, state and local grant funding was utilized to purchase capital assets.

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2003 and 2002**

**NOTE 6 – LONG TERM DEBT**

A summary of long-term debt activity for the year ended December 31, 2003 follows:

	<u>Series</u>	<u>Maturity Date</u>	<u>Balance December 31, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2003</u>	<u>Due Within One Year</u>
Revenue Bonds:							
Northwest Ohio Development:							
Taxable:							
10.42%	Dunbar	1989B 2010	\$1,310,000	-	(\$125,000)	\$1,185,000	\$135,000
10.28%	Poggemeyer	1990B 2011	955,000	-	(70,000)	885,000	75,000
10.44%	Advantage	1990E 2010	1,355,000	-	(100,000)	1,255,000	110,000
9.43%	Sandusky LTD.	1994A 2004	1,410,000	-	(1,410,000)	-	-
10.06%	Owens Corning	1995A 2015	4,435,000	-	(130,000)	4,305,000	155,000
7.24%	Brent	1995B 2010	1,400,000	-	(280,000)	1,120,000	305,000
7.20%	Sandusky LTD.	1998A 2008	1,960,000	-	(1,960,000)	-	-
7.22%	Port Authority	1998B 2008	1,700,000	-	(235,000)	1,465,000	255,000
7.30%	City of Toledo	1998C 2018	2,445,000	-	(70,000)	2,375,000	80,000
7.00%	Crown Battery	1998D 2018	4,535,000	-	(295,000)	4,240,000	315,000
7.63%	Hercules Tire & Rubber Co.	1998E 2018	4,560,000	-	(155,000)	4,405,000	165,000
8.54%	Kuss Corporation	2000B 2010	6,070,000	-	-	6,070,000	-
8.00%	Hammill	2001B 2016	1,440,000	-	(60,000)	1,380,000	70,000
8.15%	Cargotec, Inc.	2001F 2021	4,990,000	-	(80,000)	4,910,000	85,000
6.65%	Hercules Tire & Rubber Co.	2002A 2009	2,920,000	-	(375,000)	2,545,000	395,000
6.18%	Dana	2002B 2013	7,000,000	-	-	7,000,000	70,000
6.55%	Impact	2002D 2017	4,710,000	-	(100,000)	4,610,000	210,000
Tax Exempt:							
5.1-5.4%	Superior Street Parking	1999A 2019	7,535,000	-	(150,000)	7,385,000	210,000
5.65-6.12%	Alex Products	1999B 2004/2009	3,435,000	-	(600,000)	2,835,000	635,000
5.90%	Aero Classics	2000A 2010	1,770,000	-	(1,770,000)	-	-
6.60%	Precision Steel	2000C 2010	1,540,000	-	(100,000)	1,440,000	100,000
6.90%	Toledo World Industries	2000D 2020	1,325,000	-	(35,000)	1,290,000	40,000
6.10%	Total Foods Inc.	2000E 2010	2,075,000	-	(185,000)	1,890,000	195,000
6.00%	Alex Products	2000F 2007	2,105,000	-	(370,000)	1,735,000	395,000
4.00-6.00%	Accutech Films	2001A 2011	3,420,000	-	(320,000)	3,100,000	335,000
4.00-6.00%	Total Foods Inc.	2001C 2011	2,160,000	-	(205,000)	1,955,000	215,000
4.20-6.00%	Solutions Mfg	2001D 2011	1,355,000	-	(130,000)	1,225,000	115,000
4.00-5.75%	RTH Processing	2001E 2008	1,385,000	-	(225,000)	1,160,000	235,000
2.60-5.35%	Oracle	2002C 2012	3,385,000	-	(145,000)	3,240,000	295,000
Other:							
9.90%	Owens Corning World Headquarters	1995 2015	53,248,000	-	(53,248,000)	-	-
7.00-7.5%	Airport Improvement	1994 2019	29,640,000	-	(820,000)	28,820,000	870,000
8.17%	Brush Wellman	1996 2011	9,985,000	-	(850,000)	9,135,000	925,000
8.01%	Brush Wellman	1997 2012	1,635,000	-	(120,000)	1,515,000	165,000
variable	FlightSafety International, Inc.	1998 2018	15,800,000	-	-	15,800,000	-
5.55%	Airport Improvement Refunding	1998 2020	7,835,000	-	(265,000)	7,570,000	280,000
7.10%	HCR	1999 2009	15,755,000	-	-	15,755,000	-
variable	Burlington Ramp	2002 2013	4,000,000	-	-	4,000,000	-
10.50%	Dana Corporation	2002 2013-2015	13,810,000	-	-	13,810,000	-
3.35%	Toledo Hospital	2002 2012	2,212,128	6,597,592	(130,962)	8,678,758	180,182
Total Revenue Bonds			238,605,128	6,597,592	(65,113,962)	180,088,758	7,615,182

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2003 and 2002**

**NOTE 6 - LONG-TERM DEBT (Continued)**

	Series	Maturity Date	Balance December 31, 2002	Additions	Reductions	Balance December 31, 2003	Due Within One Year
Notes Payable:							
	4.00%	1996	172,445	-	(42,473)	129,972	44,203
	2.00%	1995	8,564,266	-	(8,564,266)	-	-
	2.24-4.25%	1997	3,829,503	-	(235,247)	3,594,256	244,576
	5.00%	1990	1,696,484	-	(393,051)	1,303,433	413,076
	1.00-4.00%	1999	7,000,000	-	-	7,000,000	-
	4.25%	1999	473,897	-	(473,897)	-	-
	3.00%	2000	160,000	-	(80,000)	80,000	80,000
	2.25-5.25%	2000	2,395,000	-	(100,000)	2,295,000	100,000
	4.00%	2002	249,388	-	(57,369)	192,019	59,705
	2.00%	2002	3,000,000	-	-	3,000,000	44,842
	3.00%	2003	-	822,479	-	822,479	479,742
Total Notes Payable			27,540,983	822,479	(9,946,303)	18,417,159	1,466,144
Ohio Enterprise Bonds:							
	7.25%	1998	7,570,000	-	(260,000)	7,310,000	280,000
	6.08%	2002	10,000,000	-	-	10,000,000	70,000
Total Ohio Enterprise Bonds Payable			17,570,000		(260,000)	17,310,000	350,000
Ohio Water Development Authority Loans (OWDA):							
	7.50%	2011	1,094,241	-	(89,542)	1,004,699	96,240
Total			\$284,810,352	\$7,420,071	(\$75,409,807)	\$216,820,616	\$9,527,566

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2003 and 2002**

**NOTE 6 - LONG-TERM DEBT (Continued)**

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

	2004	2005	2006	2007	2008
<b>Notes Payable</b>					
MLKJ Plaza Note	\$44,203	\$46,004	\$39,765	\$0	\$0
Brush Wellman ODOD Note	244,576	255,175	266,234	277,772	269,830
Airport Improvement Revenue Notes	413,076	434,121	456,236	-	-
Manor Care Corporation Note	-	-	-	-	7,000,000
Highway Enterprise Program Loan	80,000	-	-	-	-
Kuss Corporation	100,000	100,000	110,000	110,000	120,000
Seaport ODOD Note	59,705	62,138	64,670	5,506	-
Dana Corporation ODOD	44,842	91,210	93,284	95,405	97,573
Airport ODOT Note	479,742	342,737	-	-	-
<b>Revenue Bonds Payable</b>					
Northwest Ohio Development Revenue Bonds	5,195,000	5,405,000	5,570,000	5,940,000	5,720,000
Airport Improvement Revenue Bonds	870,000	930,000	1,000,000	1,075,000	1,145,000
Airport Improvement Refunding Bonds	280,000	300,000	315,000	330,000	350,000
Brush Wellman Revenue Bond	925,000	1,000,000	1,090,000	1,180,000	1,290,000
Brush Wellman Revenue Bond	165,000	180,000	180,000	180,000	210,000
FlightSafety Revenue Bond	-	-	-	-	-
HCR	-	-	-	-	15,755,000
Burlington Ramp	-	-	-	-	-
Dana Corporation	-	-	-	-	-
Toledo Hospital	180,182	186,756	193,571	200,635	7,917,614
<b>Ohio Enterprise Bonds</b>					
Hercules Tire & Rubber Co.	280,000	305,000	325,000	350,000	375,000
Dana Corporation	70,000	160,000	160,000	175,000	180,000
<b>OWDA Loan Payable</b>					
Water Pollution Control Plant	96,240	103,440	111,178	119,496	128,436
<b>Total</b>	<b>\$9,527,566</b>	<b>\$9,901,581</b>	<b>\$9,974,938</b>	<b>\$10,038,814</b>	<b>\$40,558,453</b>

	2009-2013	2014-2018	2019-2023	Total
<b>Notes Payable</b>				
MLKJ Plaza	\$0	\$0	\$0	\$129,972
Brush Wellman ODOD Note	2,280,669	-	-	3,594,256
Airport Improvement Revenue Notes	-	-	-	1,303,433
Manor Care Corporation Note	-	-	-	7,000,000
Highway Enterprise Program Loan	-	-	-	80,000
Kuss Corporation ODOD	1,755,000	-	-	2,295,000
Seaport ODOD Note	-	-	-	192,019
Dana Corporation ODOD	522,164	2,055,522	-	3,000,000
Airport ODOT Note	-	-	-	822,479
<b>Revenue Bonds Payable</b>				
Northwest Ohio Development Revenue Bonds	25,215,000	19,210,000	2,750,000	75,005,000
Airport Improvement Revenue Bonds	7,115,000	13,145,000	3,540,000	28,820,000
Airport Improvement Refunding Bonds	2,045,000	2,670,000	1,280,000	7,570,000
Brush Wellman Revenue Bond	3,650,000	-	-	9,135,000
Brush Wellman Revenue Bond	600,000	-	-	1,515,000
FlightSafety Revenue Bond	-	15,800,000	-	15,800,000
HCR	-	-	-	15,755,000
Burlington Ramp	4,000,000	-	-	4,000,000
Dana Corporation	-	13,810,000	-	13,810,000
Toledo Hospital	-	-	-	8,678,758
<b>Ohio Enterprise Bonds</b>				
Hercules Tire & Rubber Co.	2,335,000	3,340,000	-	7,310,000
Dana Corporation	1,255,000	8,000,000	-	10,000,000
<b>OWDA Loan Payable</b>				
Water Pollution Control Plant	445,909	-	-	1,004,699
<b>Total</b>	<b>\$51,218,742</b>	<b>\$78,030,522</b>	<b>\$7,570,000</b>	<b>\$216,820,616</b>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2003 and 2002**

**NOTE 6 - LONG-TERM DEBT (Continued)**

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

	2004	2005	2006	2007	2008
<b>Notes Payable</b>					
MLKJ Plaza Note	\$4,394	\$2,593	\$733	\$0	\$0
Brush Wellman ODOD Note	148,878	137,978	127,219	115,682	103,644
Airport Improvement Revenue Notes	57,506	36,462	14,346	-	-
Manor Care Corporation Note	297,500	297,500	297,500	297,500	297,500
Highway Enterprise Program Loan	1,694	-	-	-	-
Kuss Corporation	73,098	73,353	104,453	101,566	95,550
Seaport ODOD Note	6,594	4,162	1,630	18	-
Dana Corporation ODOD	59,813	58,270	56,427	54,541	52,614
Airport ODOT Note	28,575	58,442	37,181	7,525	-
<b>Revenue Bonds Payable</b>					
Northwest Ohio Development Revenue Bonds	5,177,230	4,830,671	4,467,625	4,088,452	3,687,875
Airport Improvement Revenue Bonds	2,102,988	2,038,825	2,005,112	1,893,643	1,813,168
Airport Improvement Refunding Bonds	408,650	392,700	375,787	358,050	339,350
Brush Wellman Revenue Bond	718,823	640,391	555,423	462,898	362,442
Brush Wellman Revenue Bond	115,744	101,527	87,109	72,691	57,772
FlightSafety Revenue Bond	-	-	-	-	-
HCR	1,113,878	1,113,878	1,113,878	1,113,878	-
Burlington Ramp	-	-	-	-	-
Dana Corporation	1,450,050	1,450,050	1,450,050	1,450,050	1,450,050
Toledo Hospital	338,081	331,961	325,621	319,048	78,707
<b>Ohio Enterprise Bonds</b>					
Hercules Tire & Rubber Co.	522,362	501,519	478,864	452,553	426,298
Dana Corporation	607,468	600,096	590,368	580,412	569,544
<b>OWDA Loan Payable</b>					
Water Pollution Control Plant	75,163	67,964	60,226	51,907	50,350
<b>Total</b>	<b>\$13,308,489</b>	<b>\$12,738,342</b>	<b>\$12,149,552</b>	<b>\$11,420,414</b>	<b>\$9,384,864</b>

	2009-2013	2014-2018	2019-2023	Total
<b>Notes Payable</b>				
MLKJ Plaza	\$0	\$0	\$0	\$7,720
Brush Wellman ODOD Note	202,962	-	-	836,363
Airport Improvement Revenue Notes	-	-	-	108,314
Manor Care Corporation Note	-	-	-	1,487,500
Highway Enterprise Program Loan	-	-	-	1,694
Kuss Corporation ODOD	207,342	-	-	655,362
Seaport ODOD Note	-	-	-	12,404
Dana Corporation ODOD	232,582	20,324	-	534,571
Airport ODOT Note	-	-	-	131,723
<b>Revenue Bonds Payable</b>				
Northwest Ohio Development Revenue Bonds	12,010,948	3,718,183	232,859	38,213,843
Airport Improvement Revenue Bonds	7,587,666	4,694,682	-	22,136,084
Airport Improvement Refunding Bonds	1,379,535	734,523	71,224	4,059,819
Brush Wellman Revenue Bond	406,627	-	-	3,146,604
Brush Wellman Revenue Bond	62,074	-	-	496,917
FlightSafety Revenue Bond	-	-	-	-
HCR	-	-	-	4,455,512
Burlington Ramp	-	-	-	-
Dana Corporation	7,252,500	725,025	-	15,227,775
Toledo Hospital	-	-	-	1,393,418
<b>Ohio Enterprise Bonds</b>				
Hercules Tire & Rubber Co.	1,679,913	670,804	-	4,732,313
Dana Corporation	2,659,848	246,164	-	5,853,900
<b>OWDA Loan Payable</b>				
Water Pollution Control Plant	60,911	-	-	366,521
<b>Total</b>	<b>\$33,742,908</b>	<b>\$10,809,705</b>	<b>\$304,083</b>	<b>\$103,858,357</b>



**NOTE 6 - LONG-TERM DEBT** (Continued)

**A. Northwest Ohio Development Revenue Bonds**

The Northwest Ohio Development Revenue Bonds are issued pursuant to authorization of the Ohio Revised Code and under a Trust Agreement dated August 15, 1988 between the Authority and the trustee. The program is designed to advance economic development of the Toledo-Lucas County and surrounding area by providing long-term fixed interest rate financing. Each bond issue must be authorized by a separate action of the board of directors.

Debt service requirements on each bond issue are secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financed facilities. In addition, all borrowers are required to deposit into the Primary Reserve an amount with the trustee as additional security for the related bonds. Such amounts may be used in the event the borrower is unable to make the required payments under the lease or loan agreement or may be applied to the final year's debt service payments. The trustee holds these funds during the term the bonds are outstanding, with investment income earned on the reserve amounts returned to the borrowers annually. Investment income earned is included in nonoperating interest income while the remittances to the borrowers are included in nonoperating expenses as "borrower disbursements" in the Statement of Revenues and Expenses and Changes in Net Assets.

Upon the issuance of the first series of bonds (Series 1988A), the Authority deposited \$3,000,000 in the Program Reserve Account with the trustee. The State of Ohio awarded the Authority a grant of \$1,500,000, received in 1991 and 1992 and \$2,000,000, received in 1999, which was also deposited in the Program Reserve Account. In addition, the Authority has obtained a non-recourse bank letter of credit in the amount of \$6,500,000 from a bank to provide additional security for bond investors.

The bond issues are not general obligations of and are not secured by the full faith and credit or taxing power of the Authority.

In December 1994, the Authority defeased \$3,355,000 of Taxable Development Revenue Bonds (Series 1988A) and sold the related facility to the sub lessee. Funds 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 defeased bonds. The defeased bonds, which have an outstanding balance of \$2,495,000 at December 31, 2003, are not included in the Authority's outstanding debt.

In April 1995, the Authority defeased \$1,435,000 of Tax Exempt Development Revenue Bonds (Series 1989A). Funds 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 defeased bonds. The defeased bonds, which have an outstanding balance of \$190,000 at December 31, 2003, are not included in the Authority's outstanding debt.

In May 1996 and July 1996, the Authority defeased \$1,115,000 and \$1,860,000, respectively, of Tax Exempt Development Revenue Bonds (Series 1989E and 1990D). Funds 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

**NOTE 6 - LONG-TERM DEBT** (Continued)

**A. Northwest Ohio Development Revenue Bonds** (Continued)

deceased bonds. The deceased bonds, which have outstanding balances of \$250,000 and \$765,000, respectively, at December 31, 2003 are not included in the Authority's outstanding debt.

At December 31, 2003, future minimum principal and interest payments to be received under the loan agreements securing the remaining bond issues are as follows:

<u>Years</u>	<u>Receivable</u>
2004	\$10,372,230
2005	10,235,671
2006	10,037,625
2007	10,028,452
2008	9,407,875
Thereafter	63,136,990
Totals	<u>\$113,218,843</u>

The loan agreements are secured by each project's property and/or equipment. In addition, there are personal guarantees from principals of the borrowing companies and/or letters of credit. At December 31, 2003 and 2002, a loan loss reserve of \$1,950,000 has been provided for potentially uncollectible loan amounts.

The Series 1998B bonds were issued for the benefit of the Authority to finance capital improvement costs at the Airport. The bonds are secured by a pledge of specific net revenues of the Authority, not including any tax revenues.

**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 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.

**NOTE 6 - LONG TERM DEBT** (Continued)

**B. Airport Improvement Revenue Bonds and Note** (Continued)

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 April 1990 the Authority issued a \$5,000,000 Airport Improvement Revenue Note to the Director of Development of the State of Ohio to finance a portion of capital improvement costs at the Airport. The note pays interest at 5.0% per annum and is to be repaid in 60 quarterly installment payments which commenced on April 1, 1992, and run through January 1, 2007. See Note 14 regarding the proposed refunding of the above bonds.

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 \$5,270,000 and \$2,620,000 at December 31, 2003 are not included in the Authority's outstanding debt since the Authority has in substance satisfied its obligations through the advance refunding.

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.

**C. Owens Corning Project**

In June 1994, the Authority announced its plan to construct facilities to serve as the new world headquarters for Owens Corning (OC). The Authority constructed the facilities on land leased to it by the City of Toledo and an affiliate of the local electric utility company. The project was financed primarily by two bond issues and a loan (revenue note) from the State of Ohio. In March 1995, the Authority issued \$85,340,000 of taxable World Headquarters Revenue Bonds in connection with this project. The Authority also issued \$5,000,000 of Northwest Ohio Development Revenue Bonds and The State of Ohio, Department of Development, loaned the Authority \$10,000,000 for the project under a revenue note.

**NOTE 6 - LONG TERM DEBT (Continued)**

**C. Owens Corning Project (Continued)**

In 2000, Owens Corning entered into bankruptcy. Payments continued to be made on the lease as part of the reorganization. However, to further reduce its costs, Owens Corning negotiated with creditors and the Port Authority in 2003 to modify the lease agreement. Among the modifications was the change from a fair market value purchase option to a bargain purchase option of \$1,000 plus the balance of any outstanding debt at the time of purchase of the headquarters building at lease termination. In addition, Owens Corning purchased the balance of the \$85.34 million revenue bonds from the bondholders at approximately 60 cents on the dollar. With the removal of the fair market value purchase option from the underlying lease agreements, which eliminates risk of loss to the Port Authority, this project became similar to other third-party transactions in which the Port Authority is involved, which have been accounted for as conduit debt (Note 10). Accordingly, this transaction has been treated as conduit debt in 2003. Under conduit debt treatment, the assets and liabilities are not included on the Port Authority's books. At December 31, 2002, the Port Authority accrued a loss of \$9,626,214 due to the lease modifications.

The Authority is leasing the facilities to OC under a long-term lease. The lease requires monthly payments through May 2015, which are generally equal to the debt service requirements on the remaining bond and note described above, plus a monthly fee of \$11,250 to the Authority. The lease agreement provides OC with three options to extend the lease. OC is also responsible for taxes, insurance and maintenance of the project.

**D. Brush Wellman Inc. Project**

In 1996, the board authorized the Authority's participation in a \$110 million expansion of Brush Wellman's manufacturing facilities in Elmore, Ohio. The construction of the expansion was financed through the Authority's issuance of \$15.28 million of revenue bonds which mature through 2011 and a \$5 million loan (revenue note) to the Authority by the State of Ohio Department of Development all but \$750,000 of which mature through 2011. The \$750,000 balance matures through 2016. The balance of the project, consisting primarily of equipment purchases, was financed by Brush Wellman. The Authority issued \$13.1 million of the bonds in 1996 and an additional \$2.175 million in 1997. The State of Ohio revenue note proceeds were received in 1997.

Brush Wellman has granted the Authority a 30-year lease through 2026 with an option to extend for an additional 30 years for the land upon which the facility was built. The Authority owns the facility and leases it to Brush Wellman under an agreement that runs through 2011 with options through 2026. Brush Wellman has the option to purchase the facility for \$100 plus the remaining outstanding debt or fair market value, whichever is greater.

Lease payments to be received from Brush Wellman are generally equal to the debt service requirements plus fees to the Authority and trustee. Brush Wellman is responsible for taxes, insurance and maintenance expenses.

**E. Dr. Martin Luther King, Jr. Plaza Project**

In 1996, the Authority completed the renovation of the Dr. Martin Luther King, Jr. Plaza passenger railroad facility. The Authority purchased the facility in 1995 from Conrail with the intention of renovating and leasing the building. Approximately \$6,100,000 of the \$7,300,000 cost of the project was funded by federal, state and local grants with the balance funded by the Authority, including a \$400,000 loan from the State. Rental income received in 2003 and 2002 was \$466,000 and \$460,000, respectively.

**NOTE 6 - LONG TERM DEBT (Continued)**

**F. Dana Technology Center**

During 2002, the Authority completed a multi-faceted financing project for Spicer Driveshaft, Inc., a subsidiary of Dana Corporation that included a new building and equipment for a Technology Center. The project was financed with the issuance of \$13.81 million in revenue bonds by the Authority with a 100% balloon and an interest rate of 10.5%; a \$10 million bond to the Authority under the Ohio Enterprise Bond Program with an \$8 million balloon with a 6.1% interest rate; a \$7 million bond issued to the Authority under the Northwest Ohio Bond Fund Program with a \$5 million balloon and an interest rate of 6.18%; a \$3 million Ohio 166 loan to the Authority with a \$2 million balloon and an interest rate of 2%; a \$1 million Ohio 629 Grant to Lucas County for roadway improvements; and a \$300,000 Ohio 412 grant to the Authority. The Authority will lease the building and equipment to the Dana Corporation upon its completion in 2004.

**NOTE 7 - RETIREMENT PLAN**

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

All employees of the Authority, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. 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. 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) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2003 and 2002 employer contribution rate for local government employer units was 13.55%, of covered payroll. The 2003 and 2002 pension rates were 8.55%. The 2003 and 2002 health care rates were 5.0%. 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, 2003, 2002 and 2001 were \$470,098, \$458,905 and \$450,279, respectively, which were equal to the required contributions for each year.

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS**

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit 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 2003 and 2002 employer contribution rate (identified above) that was used to fund health care was 5.0% of covered payroll which amounted to \$173,468 and \$169,338, respectively.

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, 2002. An entry age normal 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. The investment assumption rate for 2002 was 8.0%. 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.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2002 is \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

**NOTE 9 - 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. 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	Operating Leases			Total
	Burlington Rentals and Debt Service	Dr. Martin Luther King Plaza	Seaport Leases	
2004	3,742,395	441,468	832,798	5,016,661
2005	3,741,523	441,468	771,948	4,954,939
2006	3,676,280	334,441	746,478	4,757,199
2007	3,669,181	193,020	746,478	4,608,679
2008	3,668,375	156,636	746,478	4,571,489
Thereafter	18,539,798	1,161,717	10,680,669	30,382,184
Totals	<u>\$37,037,552</u>	<u>\$2,728,750</u>	<u>\$14,524,849</u>	<u>\$54,291,151</u>

**NOTE 9 - OPERATING LEASES** (Continued)

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 described in Note 6. As described in Note 6, the debt was refinanced in March 1994 and the basic rent was recalculated in an amendment to the lease agreement. Such rental income amounted to \$3,005,904 in 2003 and \$3,012,137 in 2002. Future scheduled payments range between \$3,002,837 in 2004 and \$3,378,546 in 2013.

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 \$739,557 to be received in 2004 to \$538,968 scheduled for 2013. Landing fees which are calculated based on aircraft weight amounted to \$897,113 and \$849,787 in 2003 and 2002, respectively. 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 Burlington recognized in 2003 and 2002 amounted to \$2,003,983 and \$1,965,717, respectively.

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 \$1,632,547 and \$1,538,311 in 2003 and 2002, respectively. Under the agreement covering the operation of the parking lot, rentals are based on percentages of gross parking lot receipts. During 2003 and 2002 rentals received totaled \$1,568,865 and \$1,660,907 respectively.

**NOTE 10 - CONDUIT DEBT**

From time to time the Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector 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 ownership of the acquired facilities transfers to the private-sector 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, 2003, there were fourteen series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the eight series issued after July 1, 1995 was \$220,245,000 of which \$172,853,679, remained outstanding at December 31, 2003. The aggregate principal amount payable for the six series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$91,550,000.

**NOTE 11 – 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, 2003. All costs, expenses, and obligations relating to the property is to be paid by Teledyne.

**NOTE 12 - RISK MANAGEMENT**

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

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

The Authority has a premium based HMO for employee health insurance coverage. The Port Authority pays a portion of the employees' deductible. Premium expense for 2003 and 2002 was \$364,000 and \$427,000 respectively. The Authority continues to provide a self-insured 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 13 – CONTINGENCIES**

In the normal course of operations, the Authority may be subject to litigation, claims, and unasserted possible claims. As of December 31, 2003, the Authority was involved in several such matters. The outcome of such matters cannot presently be determined.

**NOTE 14 – SUBSEQUENT EVENT**

Subsequent to year end, the board of directors approved a refunding of the airport improvement revenue bonds (Note 6), which bonds 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.) The Authority will issue two series of refunding bonds totaling approximately \$28,480,000. The first series will total approximately \$20,045,000 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 will be reduced from approximately 7.45% to approximately 6.25% - 6.37%. The second series of bonds will total approximately \$8,445,000 and will be issued by the Northwest Ohio Bond Fund. These bonds will mature on November 15, 2032, and the interest rate will be approximately 6.0%. 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.



**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS December 31, 2003 and 2002**

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**NOTE 14 – SUBSEQUENT EVENT (Continued)**

The refunding will substantially reduce the annual debt service at the expiration of BAX's current lease in 2013, from approximately \$3,500,000 to about \$800,000. This will be accomplished by lowering the interest rate, extending the term of the bonds by approximately 13 years, funding a portion of the bonds in the Bond Fund, and the adding the supplemental payments by the Authority.

BAX's lease obligation will not be changed.

**NOTE 15 – SEGMENT INFORMATION**

Significant financial data for the airport division, which meets the requirements for segment reporting under GASB 34, is as follows for the years ended December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
	<u>Airport</u>	<u>Airport</u>
<b>Statement of Net Assets</b>		
Current Assets	\$ 3,476,908	\$ 2,297,188
Capital Assets	108,388,502	106,677,010
Other Assets	<u>809,276</u>	<u>971,131</u>
Total Assets	112,674,686	109,945,329
Interfund Payables	1,220,230	1,819,172
Other Current Liabilities	3,896,409	2,745,417
Noncurrent Liabilities	<u>10,641,553</u>	<u>11,148,132</u>
Total Liabilities	15,758,192	15,712,721
Invested in Capital Assets, Net of Related Debt	96,222,891	94,351,285
Restricted	2,168,897	2,082,233
Unrestricted	<u>( 1,475,294)</u>	<u>( 2,200,910)</u>
Total Net Assets	<u>\$96,916,494</u>	<u>\$94,232,608</u>
<b>Statement of Revenues, Expenses, and Change in Net Assets</b>		
Operating Revenues	\$7,644,214	\$7,650,956
Depreciation and Amortization	3,917,696	3,611,935
Other Operating Expenses	<u>5,466,553</u>	<u>5,521,976</u>
Operating Loss	(1,740,035)	(1,482,955)
Nonoperating revenues (expenses):		
Investment Income	31,178	210,509
Interest Expense	(697,287)	(964,516)
Other Nonoperating Revenues (Expenses)	938,433	1,354,628
Capital Contributions	<u>4,151,597</u>	<u>9,437,222</u>
Change in Net Assets	2,683,886	8,554,888
Beginning Net Assets	<u>94,232,608</u>	<u>85,677,720</u>
Ending Net Assets	\$96,916,494	\$94,232,608
<b>Statement of Cash Flows</b>		
Net Cash Provided (Used) by:		
Operating Activities	\$2,170,363	\$1,624,150
Capital and Related Financing	(2,107,341)	(5,043,675)
Investing	59,407	327,876
Cash at Beginning of Year	<u>133,673</u>	<u>3,225,322</u>
Cash at End of Year	<u>\$ 256,102</u>	<u>\$ 133,673</u>

Toledo-Lucas County Port Authority  
Schedule of Net Assets Information by Division  
December 31, 2003

<u>ASSETS</u>	Administration	Seaport	Airport	Economic Development	Surface	Total
<b>Current Assets:</b>						
<b>Unrestricted Assets:</b>						
Cash	\$ 913,826	\$ 1,082,239	\$ 35,812	\$ -	\$ -	\$ 2,031,877
Investments	-	7,094,979	-	-	-	7,094,979
Interest receivable	-	81,486	-	-	-	81,486
Accounts receivable	18,496	265,003	1,855,734	-	38,980	2,178,213
Due (to) from Other Divisions	(1,056,715)	(2,126,202)	4,138,392	1,959	(957,434)	-
Prepaid expenses and other assets	39,906	100,828	225,741	-	59,340	425,815
<b>Total Unrestricted Assets</b>	<b>(84,487)</b>	<b>6,498,333</b>	<b>6,255,679</b>	<b>1,959</b>	<b>(859,114)</b>	<b>11,812,370</b>
<b>Restricted Assets:</b>						
Cash	103,906	-	220,290	-	-	324,196
Interest receivable	-	-	-	139,861	-	139,861
Loans receivable	-	-	-	3,472,503	-	3,472,503
<b>Total Restricted Assets</b>	<b>103,906</b>	<b>-</b>	<b>220,290</b>	<b>3,612,364</b>	<b>-</b>	<b>3,936,560</b>
<b>Total Current Assets</b>	<b>19,419</b>	<b>6,498,333</b>	<b>6,475,969</b>	<b>3,614,323</b>	<b>(859,114)</b>	<b>15,748,930</b>
<b>Noncurrent Assets:</b>						
<b>Unrestricted Assets:</b>						
Nondepreciable Capital Assets	435,000	11,417,594	39,868,641	30,920,859	3,776,520	86,418,614
Depreciable Capital Assets:	58,437	14,580,934	68,519,861	101,984,544	5,639,891	190,783,667
Net of Accumulated Depreciation	-	-	-	-	-	-
Amount due from lessee	-	204,734	-	450,000	-	654,734
Deferred bond issuance cost	-	-	-	5,242,752	-	5,242,752
Interdivisional receivables (payables)	-	10,106,003	(5,358,622)	(4,747,381)	-	-
<b>Total Unrestricted Assets</b>	<b>493,437</b>	<b>36,309,265</b>	<b>103,029,880</b>	<b>133,850,774</b>	<b>9,416,411</b>	<b>283,099,767</b>
<b>Restricted Assets:</b>						
Investments	-	-	1,139,331	22,656,310	-	23,795,641
Loans receivable	-	-	-	32,260,846	-	32,260,846
Deferred bond issuance cost	-	-	171,493	-	-	171,493
Deferred loss on refunding	-	-	637,783	-	-	637,783
<b>Total Restricted Assets</b>	<b>-</b>	<b>-</b>	<b>1,948,607</b>	<b>54,917,156</b>	<b>-</b>	<b>56,865,763</b>
<b>Total Noncurrent Assets</b>	<b>493,437</b>	<b>36,309,265</b>	<b>104,978,487</b>	<b>188,767,930</b>	<b>9,416,411</b>	<b>339,965,530</b>
<b>Total Assets</b>	<b>512,856</b>	<b>42,807,598</b>	<b>111,454,456</b>	<b>192,382,253</b>	<b>8,557,297</b>	<b>355,714,460</b>
<b><u>LIABILITIES AND EQUITY</u></b>						
<b>Current Liabilities:</b>						
<b>Payable from Unrestricted Assets:</b>						
Accounts payable	\$ 194,173	\$ 92,668	\$ 2,112,848	\$ -	\$ 20,011	\$ 2,419,700
Accrued payroll	296,398	34,353	259,503	-	21,901	612,155
Notes payable-current	-	139,705	892,818	-	44,203	1,076,726
Revenue bonds payable-current	-	-	535,000	-	-	535,000
Ohio Water Development Authority loan payable-current	-	-	96,240	-	-	96,240
<b>Total Payable from Unrestricted Assets</b>	<b>490,571</b>	<b>266,726</b>	<b>3,896,409</b>	<b>-</b>	<b>86,115</b>	<b>4,739,821</b>
<b>Payable from Restricted Assets:</b>						
Accounts payable	-	-	-	1,149,790	-	1,149,790
Accrued interest payable	-	-	-	642,853	-	642,853
Deferred income	-	-	-	659,814	-	659,814
Notes payable-current	-	-	-	389,418	-	389,418
Revenue bonds payable-current	-	-	-	7,080,182	-	7,080,182
Ohio Enterprise bond payable-current	-	-	-	350,000	-	350,000
<b>Total Payable from Restricted Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,272,057</b>	<b>-</b>	<b>10,272,057</b>
<b>Total Current Liabilities</b>	<b>490,571</b>	<b>266,726</b>	<b>3,896,409</b>	<b>10,272,057</b>	<b>86,115</b>	<b>15,011,878</b>
<b>Noncurrent Liabilities:</b>						
<b>Payable from Unrestricted Assets:</b>						
Long-term notes payable	-	132,314	1,233,094	-	85,769	1,451,177
Revenue bonds payable	-	-	8,500,000	-	-	8,500,000
Ohio Water Development Authority loan payable	-	-	908,459	-	-	908,459
<b>Total Payable from Unrestricted Assets</b>	<b>-</b>	<b>132,314</b>	<b>10,641,553</b>	<b>-</b>	<b>85,769</b>	<b>10,859,636</b>
<b>Payable from Restricted Assets:</b>						
Long-term notes payable	-	-	-	15,499,838	-	15,499,838
Revenue bonds payable	-	-	-	163,973,576	-	163,973,576
Ohio Enterprise bond payable	-	-	-	16,960,000	-	16,960,000
Borrower deposit reserves	-	-	-	2,432,247	-	2,432,247
<b>Total Payable from Restricted Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198,865,661</b>	<b>-</b>	<b>198,865,661</b>
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>132,314</b>	<b>10,641,553</b>	<b>198,865,661</b>	<b>85,769</b>	<b>209,725,297</b>
<b>Total Liabilities</b>	<b>490,571</b>	<b>399,040</b>	<b>14,537,962</b>	<b>209,137,718</b>	<b>171,884</b>	<b>224,737,175</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	493,437	25,726,509	96,222,891	(33,302,611)	9,286,439	98,426,665
Restricted	103,906	-	2,168,897	15,599,816	-	17,872,619
Unrestricted	(575,058)	16,682,049	(1,475,294)	947,330	(901,026)	14,678,001
<b>Total Net Assets (Deficit)</b>	<b>\$ 22,285</b>	<b>\$ 42,408,558</b>	<b>\$ 96,916,494</b>	<b>\$ (16,755,465)</b>	<b>\$ 8,385,413</b>	<b>\$ 130,977,285</b>

Toledo-Lucas County Port Authority  
Schedule of Revenues, Expenses and Changes in Net Assets Information by Division  
For the Year Ended December 31, 2003

	Administration	Seaport	Airport	Economic Development	Surface	Total
<b>Operating revenues</b>						
Income from leases and other property agreements	\$ -	\$ -	\$ -	\$ 11,231,272	\$ -	\$ 11,231,272
Airport landing area	-	-	697,791	-	-	697,791
Airport terminal area	-	-	4,207,819	-	-	4,207,819
Burlington	-	-	1,922,856	-	-	1,922,856
Other rental and fee income	920,593	1,367,952	416,312	457,335	466,329	3,628,521
Wharfage under property lease	-	138,967	-	-	-	138,967
Interest income on loans receivable	-	-	-	3,243,072	-	3,243,072
Other income	36,005	28,235	399,436	193,907	-	657,583
<b>Total operating revenues</b>	<b>956,598</b>	<b>1,535,154</b>	<b>7,644,214</b>	<b>15,125,586</b>	<b>466,329</b>	<b>25,727,881</b>
<b>Operating expenses</b>						
Personal services	1,601,363	338,606	2,597,835	-	161,230	4,699,034
Marketing	106,346	56,167	737,901	-	4,297	904,711
Contractual services	1,416,388	470,799	802,270	-	131,735	2,821,192
Utilities	22,465	17,798	580,830	-	36,065	657,158
Repairs and maintenance	-	167,412	718,471	-	52,140	938,023
Depreciation	22,829	1,551,963	3,755,841	5,858,482	254,602	11,443,717
Amortization	-	-	161,855	372,758	-	534,613
Rental expense	121,692	-	-	-	-	121,692
Interest expense	-	-	-	3,235,465	-	3,235,465
Other operating expenses	179,554	65,856	29,246	172,938	16,562	464,156
Provision for loans loss reserve	-	-	-	525,429	-	525,429
<b>Total operating expenses</b>	<b>3,470,637</b>	<b>2,668,601</b>	<b>9,384,249</b>	<b>10,165,072</b>	<b>656,631</b>	<b>26,345,190</b>
<b>Operating income (loss)</b>	<b>(2,514,039)</b>	<b>(1,133,447)</b>	<b>(1,740,035)</b>	<b>4,960,514</b>	<b>(190,302)</b>	<b>(617,309)</b>
<b>Nonoperating revenues (expenses)</b>						
Proceeds of property tax levy	2,417,980	-	-	-	-	2,417,980
Interest income from investments	-	287,404	31,178	553,189	-	871,771
Passenger facility charges	-	-	1,411,672	-	-	1,411,672
Gain on Sale of Capital Asset	-	-	161,500	-	-	161,500
Loss on Sale of Land	-	-	(634,739)	-	-	(634,739)
Interest expense	-	(13,684)	(697,287)	(7,656,625)	(6,125)	(8,373,721)
Borrower disbursements	-	-	-	(365,832)	-	(365,832)
<b>Total nonoperating revenues (expenses)</b>	<b>2,417,980</b>	<b>273,720</b>	<b>272,324</b>	<b>(7,469,268)</b>	<b>(6,125)</b>	<b>(4,511,369)</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>(96,059)</b>	<b>(859,727)</b>	<b>(1,467,711)</b>	<b>(2,508,754)</b>	<b>(196,427)</b>	<b>(5,128,678)</b>
Capital Contributions	435,000	17,352	4,151,597	750,000	-	5,353,949
Interdivisional transfers in	313,920	191,053	972,246	820,000	48,598	2,345,817
Interdivisional transfers out	-	(151,053)	(972,246)	(1,173,920)	(48,598)	(2,345,817)
<b>Change in Net Assets</b>	<b>652,861</b>	<b>(802,375)</b>	<b>2,683,886</b>	<b>(2,112,674)</b>	<b>(196,427)</b>	<b>225,271</b>
Net Assets (Deficit) at Beginning of Year	(630,576)	43,210,933	94,232,608	(14,642,791)	8,581,840	130,752,014
<b>Net Assets (Deficit) at End of Year</b>	<b>\$ 22,285</b>	<b>\$ 42,408,558</b>	<b>\$ 96,916,494</b>	<b>\$ (16,755,465)</b>	<b>\$ 8,385,413</b>	<b>\$ 130,977,285</b>

**Toledo-Lucas County Port Authority**  
**Seaport Division**  
**Schedule of Net Assets Information**  
**December 31, 2003**

<u>ASSETS</u>	General	Presque Isle	Total
<b>Current Assets:</b>			
<b>Unrestricted Assets:</b>			
Cash	\$ 1,082,239	\$ -	\$ 1,082,239
Investments	7,094,979	-	7,094,979
Interest receivable	81,486	-	81,486
Accounts receivable	265,003	-	265,003
Due (to) from Other Divisions	(2,126,202)	-	(2,126,202)
Prepaid expenses and other assets	100,828	-	100,828
<b>Total Current Assets</b>	<b>6,498,333</b>	<b>-</b>	<b>6,498,333</b>
<b>Noncurrent Assets:</b>			
<b>Unrestricted Assets:</b>			
Nondepreciable Capital Assets	4,417,594	7,000,000	11,417,594
Depreciable Capital Assets, Net of Accumulated Depreciation	12,194,658	2,386,276	14,580,934
Amount due from lessee	204,734	-	204,734
Interdivisional receivables (payables)	10,106,003	-	10,106,003
<b>Total Noncurrent Assets</b>	<b>26,922,989</b>	<b>9,386,276</b>	<b>36,309,265</b>
<b>Total Assets</b>	<b>33,421,322</b>	<b>9,386,276</b>	<b>42,807,598</b>
 <b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current Liabilities:</b>			
<b>Payable from Unrestricted Assets:</b>			
Accounts payable	\$ 92,668	\$ -	\$ 92,668
Accrued interest payable	34,353	-	34,353
Notes payable-current	139,705	-	139,705
<b>Total Current Liabilities</b>	<b>266,726</b>	<b>-</b>	<b>266,726</b>
<b>Noncurrent Liabilities:</b>			
<b>Payable from Unrestricted Assets:</b>			
Long-term notes payable	132,314	-	132,314
<b>Total Noncurrent Liabilities</b>	<b>132,314</b>	<b>-</b>	<b>132,314</b>
<b>Total Liabilities</b>	<b>399,040</b>	<b>-</b>	<b>399,040</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	16,340,233	9,386,276	25,726,509
Unrestricted	16,682,049	-	16,682,049
<b>Total Net Assets</b>	<b>\$ 33,022,282</b>	<b>\$ 9,386,276</b>	<b>\$ 42,408,558</b>

**Toledo-Lucas County Port Authority**  
**Seaport Division**  
**Schedule of Revenues, Expenses and Changes in Net Assets Information**  
**For the Year Ended December 31, 2003**

	General	Presque Isle	Total
<b>Operating revenues</b>			
Other rental and fee income	\$ 1,367,952	\$ -	\$ 1,367,952
Wharfage under property lease	138,967	-	138,967
Other income	28,235	-	28,235
<b>Total operating revenues</b>	<b>1,535,154</b>	<b>-</b>	<b>1,535,154</b>
<b>Operating expenses</b>			
Personal services	338,606	-	338,606
Marketing	56,167	-	56,167
Contractual services	470,799	-	470,799
Utilities	17,798	-	17,798
Repairs and maintenance	167,412	-	167,412
Depreciation	391,458	1,160,505	1,551,963
Other operating expenses	65,856	-	65,856
<b>Total operating expenses</b>	<b>1,508,096</b>	<b>1,160,505</b>	<b>2,668,601</b>
<b>Operating (loss)</b>	<b>27,058</b>	<b>(1,160,505)</b>	<b>(1,133,447)</b>
<b>Nonoperating revenues</b>			
Interest income from investments	287,404	-	287,404
Interest expense	(13,684)	-	(13,684)
<b>Total nonoperating revenues (expenses)</b>	<b>273,720</b>	<b>-</b>	<b>273,720</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>300,778</b>	<b>(1,160,505)</b>	<b>(859,727)</b>
Capital Contributions	17,352	-	17,352
Interdivisional transfers in	191,053	-	191,053
Interdivisional transfers out	(151,053)	-	(151,053)
<b>Change in Net Assets</b>	<b>358,130</b>	<b>(1,160,505)</b>	<b>(802,375)</b>
Net Assets at Beginning of Year	32,664,152	10,546,781	43,210,933
<b>Net Assets at End of Year</b>	<b>\$ 33,022,282</b>	<b>\$ 9,386,276</b>	<b>\$ 42,408,558</b>

**Toledo-Lucas County Port Authority**  
**Economic Development Division**  
**Schedule of Net Assets Information**  
**December 31, 2003**

<u>ASSETS</u>	General	Financing Activities	Northwest Ohio Bond Fund	Total
<b>Current Assets:</b>				
<b>Unrestricted Assets:</b>				
Due from Other Divisions	\$ 1,959	\$ -	\$ -	\$ 1,959
<b>Total Unrestricted Assets</b>	<b>1,959</b>	<b>-</b>	<b>-</b>	<b>1,959</b>
<b>Restricted Assets:</b>				
Interest receivable	-	-	139,861	139,861
Loans receivable	-	-	3,472,503	3,472,503
<b>Total Restricted Assets</b>	<b>-</b>	<b>-</b>	<b>3,612,364</b>	<b>3,612,364</b>
<b>Total Current Assets</b>	<b>1,959</b>	<b>-</b>	<b>3,612,364</b>	<b>3,614,323</b>
<b>Noncurrent Assets:</b>				
<b>Unrestricted Assets:</b>				
Nondepreciable Capital Assets	-	30,920,859	-	30,920,859
Depreciable Capital Assets, Net of Accumulated Depreciation	598,418	101,386,126	-	101,984,544
Amount due from lessee	-	450,000	-	450,000
Deferred bond issuance cost	-	5,242,752	-	5,242,752
Interdivisional receivables (payables)	(1,747,381)	-	(3,000,000)	(4,747,381)
<b>Total Unrestricted Assets</b>	<b>(1,148,963)</b>	<b>137,999,737</b>	<b>(3,000,000)</b>	<b>133,850,774</b>
<b>Restricted Assets:</b>				
Investments	-	13,018,341	9,637,969	22,656,310
Loans receivable	-	-	32,260,846	32,260,846
<b>Total Restricted Assets</b>	<b>-</b>	<b>13,018,341</b>	<b>41,898,815</b>	<b>54,917,156</b>
<b>Total Noncurrent Assets</b>	<b>(1,148,963)</b>	<b>151,018,078</b>	<b>38,898,815</b>	<b>188,767,930</b>
<b>Total Assets</b>	<b>(1,147,004)</b>	<b>151,018,078</b>	<b>42,511,179</b>	<b>192,382,253</b>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Payable from Restricted Assets:</b>				
Accounts payable	\$ -	\$ 1,121,222	\$ 28,568	\$ 1,149,790
Accrued interest payable	-	306,335	336,518	642,853
Deferred income	-	597,929	61,885	659,814
Notes payable-current	-	389,418	-	389,418
Revenue bonds payable-current	-	3,300,182	3,780,000	7,080,182
Ohio Enterprise bond payable-current	-	350,000	-	350,000
<b>Total Payable from Restricted Assets</b>	<b>-</b>	<b>6,065,086</b>	<b>4,206,971</b>	<b>10,272,057</b>
<b>Total Current Liabilities</b>	<b>-</b>	<b>6,065,086</b>	<b>4,206,971</b>	<b>10,272,057</b>
<b>Payable from Restricted Assets:</b>				
Long-term notes payable	-	15,499,838	-	15,499,838
Revenue bonds payable	-	129,708,576	34,265,000	163,973,576
Ohio Enterprise bond payable	-	16,960,000	-	16,960,000
Borrower deposit reserves	-	-	2,432,247	2,432,247
<b>Total Payable from Restricted Assets</b>	<b>-</b>	<b>162,168,414</b>	<b>36,697,247</b>	<b>198,865,661</b>
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>162,168,414</b>	<b>36,697,247</b>	<b>198,865,661</b>
<b>Total Liabilities</b>	<b>-</b>	<b>168,233,500</b>	<b>40,904,218</b>	<b>209,137,718</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	598,418	(33,901,029)	-	(33,302,611)
Restricted	-	10,992,855	4,606,961	15,599,816
Unrestricted	(1,745,422)	5,692,752	(3,000,000)	947,330
<b>Total Net Assets (Deficit)</b>	<b>\$ (1,147,004)</b>	<b>\$ (17,215,422)</b>	<b>\$ 1,606,961</b>	<b>\$ (16,755,465)</b>

**Toledo-Lucas County Port Authority**  
**Economic Development Division**  
**Schedule of Revenues, Expenses and Changes in Net Assets Information**  
**For the Year Ended December 31, 2003**

	General	Financing Activities	Northwest Ohio Bond Fund	Total
<b>Operating revenues</b>				
Income from leases and other property agreements	\$ -	\$ 11,231,272	\$ -	\$ 11,231,272
Other rental and fee income	-	-	457,335	457,335
Interest income on loans receivable	-	-	3,243,072	3,243,072
Other Income	-	193,907	-	193,907
<b>Total operating revenues</b>	<b>-</b>	<b>11,425,179</b>	<b>3,700,407</b>	<b>15,125,586</b>
<b>Operating expenses</b>				
Depreciation	-	5,858,482	-	5,858,482
Amortization	-	372,758	-	372,758
Interest expense	-	-	3,235,465	3,235,465
Other operating expenses	-	172,938	-	172,938
Provision for loans loss reserve	-	-	525,429	525,429
<b>Total operating expenses</b>	<b>-</b>	<b>6,404,178</b>	<b>3,760,894</b>	<b>10,165,072</b>
<b>Operating income</b>	<b>-</b>	<b>5,021,001</b>	<b>(60,487)</b>	<b>4,960,514</b>
<b>Nonoperating revenues (expenses)</b>				
Interest income from investments	-	326,395	226,794	553,189
Interest expense	-	(7,656,625)	-	(7,656,625)
Borrower disbursements	-	(268,894)	(96,938)	(365,832)
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>(7,599,124)</b>	<b>129,856</b>	<b>(7,469,268)</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>-</b>	<b>(2,578,123)</b>	<b>69,369</b>	<b>(2,508,754)</b>
Capital Contributions	-	750,000	-	750,000
Interdivisional transfers in	-	820,000	-	820,000
Interdivisional transfers out	-	(820,000)	(353,920)	(1,173,920)
<b>Change in Net Assets</b>	<b>-</b>	<b>(1,828,123)</b>	<b>(284,551)</b>	<b>(2,112,674)</b>
Net Assets (Deficit) at Beginning of Year	(1,147,004)	(15,387,299)	1,891,512	(14,642,791)
<b>Net Assets (Deficit) at End of Year</b>	<b>\$ (1,147,004)</b>	<b>\$ (17,215,422)</b>	<b>\$ 1,606,961</b>	<b>\$ (16,755,465)</b>

**TOLEDO-LUCAS COUNTY PORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(CASH BASIS)**  
**For the Year Ended December 31, 2003**

<u>Federal Grantor/Pass - Through Grantor Program Titles</u>	<u>Project Number</u>	<u>CFDA Number</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Transportation</u>			
Airport Improvement Program		20.106	\$4,151,597
<u>U.S. Department of Homeland Security</u>			
Port Security Grant Program		97.056	287,619
<u>U.S. Environmental Protection Agency</u>			
Brownfield Pilots Cooperative Agreements		66.811	<u>14,404</u>
Total			<u>\$4,453,620</u>



TOLEDO-LUCAS COUNTY PORT AUTHORITY  
SCHEDULE OF PASSENGER FACILITY CHARGES  
COLLECTED AND EXPENDED - CASH BASIS  
FOR EACH QUARTER DURING THE YEAR ENDED DECEMBER 31, 2003

	<u>1st</u> <u>Quarter</u>	<u>2nd</u> <u>Quarter</u>	<u>3rd</u> <u>Quarter</u>	<u>4th</u> <u>Quarter</u>	<u>Totals</u>
PFC Fees Collected:					
Application #3	\$ 283,547	\$ 319,382	\$ 271,615	\$ 239,027	\$ 1,113,571
Application #4	-0-	-0-	-0-	103,906	103,906
Interest Income Net of Bank Fees	479	399	340	429	1,647
PFC Fees Expended:					
Application #3	284,026	319,781	271,955	239,456	1,115,218
Application #4	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Increase (Decrease) in Cash	-0-	-0-	-0-	103,906	103,906
Cash at Beginning of Period	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Cash at End of Period	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 103,906</u>	<u>\$ 103,906</u>

"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, 2003

*General*

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

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

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

The Toledo-Lucas County Port Authority ("Port Authority"), for its operation at Toledo Express Airport, has been granted FAA approval to collect PFC fees for application #3 through December 1, 2003, at the rates of \$4.50 for each enplaned passenger, which was effective on July 1, 2001. Starting in December 2003, the Airport began to collect PFC fees for application #4, at the same rates, through August 1, 2006.

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.



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

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

We have audited the financial statements of Toledo-Lucas County Port Authority ("Authority") as of and for the year ended December 31, 2003, and have issued our report thereon dated June 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Toledo-Lucas County Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Toledo-Lucas County Port Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

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

performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of and use of the Board of Directors, management, 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.

A handwritten signature in black ink, appearing to read "W. H. O. L. S. B." with a stylized flourish at the end.

June 10, 2004



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

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

**Compliance**

We have audited the compliance of Toledo-Lucas County 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, 2003. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of Toledo-Lucas County Port Authority's management. Our responsibility is to express an opinion on Toledo-Lucas County Port Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Toledo-Lucas County 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 Toledo-Lucas County Port Authority's compliance with those requirements.

In our opinion, the Toledo-Lucas County 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, 2003.

### Internal Control Over Compliance

The management of the Toledo-Lucas County 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 Toledo-Lucas County 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 and to test and report on internal control over compliance in accordance with the Guide.

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 Toledo-Lucas County Port Authority's Board of Directors and management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.



June 10, 2004



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

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

### Compliance

We have audited the compliance of Toledo-Lucas County Port Authority ("Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

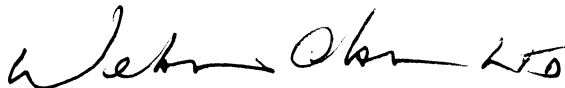
In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

### **Internal Control Over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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, regulations, contracts and grants that would be material in relation to a major federal 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 of and use of the Authority's Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



June 10, 2004



**TOLEDO-LUCAS COUNTY PORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2003**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___X___no
Reportable condition(s) identified not considered to be material weaknesses?	_____yes	___X___none reported
Noncompliance material to financial statements noted?	_____yes	___X___no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	___X___no
Reportable conditions(s) identified not considered to be material weaknesses?	_____yes	___X___none reported

Type of auditors' report issued on compliance for major programs:		<u>Unqualified</u>
---	--	--------------------

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	___X___no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low risk auditee?	___X___yes	_____no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

TOLEDO-LUCAS COUNTY PORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2003

NONE



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**TOLEDO LUCAS COUNTY PORT AUTHORITY**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 18, 2004**