

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY  
MONTGOMERY COUNTY**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**for the years ended December 31, 2006 and 2005**





# Mary Taylor, CPA

Auditor of State

Board of Directors  
Dayton-Montgomery County Port Authority  
900 Kettering Tower  
Dayton, Ohio 45423

We have reviewed the *Independent Auditors' Report* of the Dayton-Montgomery County Port Authority, prepared by Bastin & Company, LLC, for the audit period January 1, 2006 through December 31, 2006. 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 Dayton-Montgomery County Port Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 17, 2007

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**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY  
MONTGOMERY COUNTY**

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# Bastin & Company, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

The Honorable Board of Directors  
Dayton-Montgomery County Port Authority  
Dayton, Ohio

We have audited the accompanying financial statements of the Dayton-Montgomery County Port Authority, Dayton, Ohio, (Authority) as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Dayton-Montgomery County Port Authority, as of December 31, 2006 and 2005 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 of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Cincinnati, Ohio  
June 15, 2007

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(Unaudited)**

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As management of the Dayton-Montgomery County Port Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 7.

**FINANCIAL HIGHLIGHTS**

- Total assets of the Authority exceeded its liabilities as of December 31, 2006 by \$11,517,552, an increase of \$19,389 from December 31, 2005.
- Total unrestricted net assets of the Authority as of December 31, 2006 totaled \$3,713,331, a decrease of \$30,971 from December 31, 2005.
- The Authority's restricted and unrestricted cash balance at December 31, 2006 totaled \$8,711,713, an increase of \$656,153 or 8.2 percent, from December 31, 2005.
- The Authority had total operating revenue of \$2,363,706 and total operating expenditures of \$1,893,652 resulting in net operating income of \$470,054 for the year ended December 31, 2006. Net income, after non-operating revenues and expenses, resulted in an increase in total net assets of \$19,389 for the year.
- The Authority's capital outlays for the year were \$258,250.

**USING THIS ANNUAL REPORT**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The following is a list of the basic financial statements included in this report:

**MD&A**

MD&A Management Discussion and Analysis

**Basic Financial Statements**

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

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 resource management focus and the accrual basis of accounting. The statements are designed to provide readers with a broad overview of the Authority's finances.



The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net assets* presents information showing how the Authority's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *statement of cash flows* provides information about the Authority's cash receipts and cash payments during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing activities and investing activities.

These financial statements report on all of the functions of the Authority that are principally supported by fees and financing lease revenues. The Authority's overall function is to provide economic development financing activities in Montgomery County, Ohio as an independent political subdivision of the State of Ohio.

The financial statements can be found on pages 7 through 10 of this report.

### Notes to the Financial Statements

The notes to the basic financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements. Notes to the basic financial statements can be found on pages 11 through 24 of this report.

## FINANCIAL ANALYSIS OF THE AUTHORITY

### Statement of Net Assets

The following table represents condensed statements of net assets.

	2006 <u>(In thousands)</u>	2005 <u>(In thousands)</u>	2004 <u>(in thousands)</u>
Current and other assets	\$29,788	\$30,178	\$31,270
Capital assets	<u>16,001</u>	<u>15,929</u>	<u>15,698</u>
Total assets	<u>45,789</u>	<u>46,107</u>	<u>46,968</u>
Current liabilities	2,501	1,757	1,133
Non-current liabilities	<u>31,771</u>	<u>32,852</u>	<u>34,500</u>
Total liabilities	<u>34,272</u>	<u>34,609</u>	<u>35,633</u>
Net assets:			
Invested in capital assets, net of debt	2,804	2,754	2,353
Restricted for bond fund	5,000	5,000	5,000
Unrestricted	<u>3,713</u>	<u>3,744</u>	<u>3,982</u>
Total net Assets	<u>\$11,517</u>	<u>\$11,498</u>	<u>\$11,335</u>

For 2006, net assets of the Authority increased by \$19,389. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, decreased by \$30,971 in 2006.

For 2005, net assets of the Authority increased by \$163,184. Unrestricted net assets decreased by \$238,116 in 2005. The investment in capital assets, net of debt, increased \$401,300. A large portion of the Authority's net assets reflects restricted net assets that are from its bond fund reserves. The Authority uses these assets to provide for collateral for future project funding.

### Statement of Revenues, Expenses and Changes in Fund Net Assets

The following table reflects condensed Statements of Revenues, Expenses, and Changes in Net Assets.

	2006 <u>(In thousands)</u>	2005 <u>(In thousands)</u>	2004 <u>(In thousands)</u>
Fees charged	\$ 217	\$ 211	\$ 116
Property financing leases	1,079	1,142	1,086
Operating grants	1,062	-	-
Other revenue	<u>6</u>	<u>24</u>	<u>37</u>
Total operating revenue	<u>2,364</u>	<u>1,377</u>	<u>1,239</u>
Operating expenses	1,635	732	697
Depreciation expense	<u>259</u>	<u>221</u>	<u>212</u>
Total operating expenses	<u>1,894</u>	<u>953</u>	<u>909</u>
Capital grants	106	407	-
Tax increment financing	370	307	192
Other non-operating items	<u>(926)</u>	<u>(975)</u>	<u>(1,288)</u>
Total non-operating revenues	<u>(450)</u>	<u>(261)</u>	<u>(1,096)</u>
Change in net assets	<u>\$ 20</u>	<u>\$ 163</u>	<u>\$ (766)</u>

Net assets increased by \$19,389 and \$163,184 during 2006 and 2005, respectively. The Authority's revenues are largely from property financing lease revenues, operating and capital grants in support of various operating and capital programs.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of December 31, 2006 and 2005, the Authority's capital assets were \$16,000,635 and \$15,928,801 (capital assets net of accumulated depreciation) as reflected in the following schedule.

	2006 <u>(In thousands)</u>	2005 <u>(In thousands)</u>	2004 <u>(In thousands)</u>
Land	\$ 9,546	\$ 9,400	\$ 8,988
Buildings	7,310	7,204	7,204
Office equipment	7	7	7
Accumulated depreciation	<u>(862)</u>	<u>(682)</u>	<u>(501)</u>
Total	<u>\$16,001</u>	<u>\$15,929</u>	<u>\$15,698</u>

During 2006, capitalized interest was added to the land for the Austin Center project for \$152,250. Also during 2006 there was an addition to the Relizon Parking Garage for \$106,000.

During 2005, land for the Main and Monument project was purchased for \$411,741.

Additional information on the Authority's capital assets can be found in Note 3.

### **Debt**

As of December 31, 2006, the Authority had \$32,533,747 of debt plus an additional borrowing of \$1,000,000 related to its bond fund reserve program, a decrease of \$966,193 from the prior year.

As of December 31, 2005, the Authority's total debt was \$33,499,940 of debt plus an additional borrowing of \$1,000,000 related to its bond fund reserve program, a decrease of \$1,107,667 from the prior year. Debt consists of loan, notes, bond anticipation notes and bond issues.

The decrease in debt for both years is due to scheduled debt retirements.

The debt instruments have interest rates between 0.00 and 8.75 percent, and are collateralized by real property. The debts are payable to various governmental agencies and financial institutions in installments, with varying maturities through the year 2025.

Additional information on the Authority's long-term debt can be found in Notes 5 and 6.

## **ECONOMIC FACTORS**

Since the end of 2006, the Authority has been very active closing on a \$270 million transaction with DHL and a \$78 million transaction with CareSource. In addition, the Authority reached agreement with a company to sell 111 acres of land at the proposed Austin Road Interchange along interstate I-75. The Company will make debt service payments on the Authority's debt until the interchange construction is complete then close on the property. These three successful transactions have increased the Authority's revenue and improved the prospects for the future.

To date, the Authority has closed four regional bond fund transactions and will close on a fifth during 2007. Currently, the Authority is working with several companies that may result in additional bond issues. In addition, the Authority is constructing a 1,168 space parking garage for the City of Dayton. The Authority will build, own and operate the parking structure with a City guarantee to fund any shortfalls.

The Authority also received a \$2.6 million State of Ohio grant to renovate the publicly owned Welcome Stadium. The renovation will provide new paint, a new press box, new field turf, new seating and other external enhancements.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the President, Dayton-Montgomery County Port Authority, 900 Kettering Tower, Dayton, Ohio 45423, or call (937) 222-4422.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY**  
**MONTGOMERY COUNTY**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2006 and 2005**

**ASSETS**

	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS:</b>		
Cash, cash equivalents and investments	\$ <u>529,212</u>	\$ <u>87,751</u>
Total current assets	<u>529,212</u>	<u>87,751</u>
<b>CAPITAL ASSETS:</b>		
Land and land improvements	9,545,956	9,399,681
Buildings and improvements	7,309,877	7,203,877
Office equipment	<u>6,518</u>	<u>6,518</u>
Total	16,862,351	16,610,076
Less: accumulated depreciation	<u>(861,716)</u>	<u>(681,275)</u>
Capital assets, net	<u>16,000,635</u>	<u>15,928,801</u>
<b>RESTRICTED AND OTHER ASSETS:</b>		
Restricted cash, cash equivalents and investments	8,182,501	7,967,809
Financing lease receivable - Relizon	11,597,778	12,080,444
Financing lease receivable - Burrows	7,798,333	8,285,000
Debt issuance costs	1,616,768	1,690,029
Other assets	<u>63,825</u>	<u>67,314</u>
Total restricted and other assets	<u>29,259,205</u>	<u>30,090,596</u>
<b>TOTAL ASSETS</b>	<u><b>\$45,789,052</b></u>	<u><b>\$46,107,148</b></u>

(Continued)

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY**  
**MONTGOMERY COUNTY**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2006 and 2005**  
**(Continued)**

**LIABILITIES**

	<u>2006</u>	<u>2005</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 45,073	\$ 59,045
Interest payable	75,000	50,000
Current portion of long-term debt:		
Relizon project State Loan Revenue Note	277,383	302,667
Relizon project Development Revenue Bonds, Series 2001	240,000	180,000
Parking garage project Development Mortgage Revenue Bonds Series 2001	120,000	115,000
Parking garage project Development Revenue Bonds Series 2004A	70,000	65,000
Burrows project DOD State Loan	505,000	485,000
Austin Center project Montgomery County TID Loan	575,331	181,235
Austin Center project Development Revenue Bonds Series 2004B	<u>592,900</u>	<u>318,649</u>
Total current liabilities	<u>2,500,687</u>	<u>1,756,596</u>
<b>OTHER LIABILITIES – including amounts related to restricted assets:</b>		
Revenue bonds notes and loans:		
Relizon project State Loan Revenue Note	4,824,950	5,102,333
Relizon project Development Revenue Bonds, Series 2001	6,155,000	6,415,000
Parking garage project Development Mortgage Revenue Bonds Series 2001	2,675,000	2,795,000
Parking garage project Development Revenue Bonds Series 2004A	2,025,000	2,095,000
Burrows project DOD State Loan	7,335,000	7,840,000
Austin Center project Montgomery County TID Loan	2,822,481	2,848,705
Austin Center project Development Revenue Bonds Series 2004B	4,315,702	4,756,351
Bond Fund Program Loan	1,000,000	1,000,000
Deferred revenue	<u>617,680</u>	<u>-</u>
Total other liabilities	<u>31,770,813</u>	<u>32,852,389</u>
<b>TOTAL LIABILITIES</b>	<u>34,271,500</u>	<u>34,608,985</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	2,804,221	2,753,861
Restricted for Bond Fund Program Reserve	5,000,000	5,000,000
Unrestricted net assets	<u>3,713,331</u>	<u>3,744,302</u>
<b>TOTAL NET ASSETS</b>	<u>\$11,517,552</u>	<u>\$11,498,163</u>

See notes to the financial statements.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY**  
**MONTGOMERY COUNTY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**for the years ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES:</b>		
Port fees	\$ 102,803	\$ 99,977
Property financing leases	1,078,727	1,142,428
Parking garage fees	71,259	44,817
Construction management fees	42,997	66,208
Operating grants	1,062,320	-
Other revenues	<u>5,600</u>	<u>23,701</u>
Total operating revenues	<u>2,363,706</u>	<u>1,377,131</u>
<b>OPERATING EXPENSES:</b>		
Salaries and benefits	149,268	136,209
Operating expenses	145,549	173,771
Project related expenses	978,540	6,281
Professional services	205,134	259,194
Payments in lieu of real estate taxes	156,470	156,470
Depreciation and amortization	<u>258,691</u>	<u>220,661</u>
Total operating expenses	<u>1,893,652</u>	<u>952,586</u>
<b>OPERATING INCOME</b>	<u>470,054</u>	<u>424,545</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Tax increment financing provided by the City of Dayton	195,607	193,654
Additional tax increment reimbursements from the City of Dayton	174,091	113,283
Capital grants	106,000	407,266
Interest income	417,006	315,911
Interest and fiscal charges	<u>(1,343,369)</u>	<u>(1,291,475)</u>
Total non-operating revenues (expenses)	<u>(450,665)</u>	<u>(261,361)</u>
<b>CHANGE IN NET ASSETS</b>	19,389	163,184
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>11,498,163</u>	<u>11,334,979</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 11,517,552</u>	<u>\$ 11,498,163</u>

See notes to the financial statements.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY**  
**MONTGOMERY COUNTY**  
**STATEMENTS OF CASH FLOWS**  
**for the years ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 2,981,386	\$ 1,377,131
Cash payments to employees	(149,268)	(136,209)
Cash payments to suppliers for goods and services	<u>(1,499,665)</u>	<u>(536,671)</u>
Net cash provided by operating activities	<u>1,332,453</u>	<u>704,251</u>
<b>Cash flows from capital related activities:</b>		
Proceeds from Montgomery County TID Loan (Austin Center Project)	367,872	-
Proceeds from Development Revenue Bonds (Austin Center Project)	152,250	-
Retirement of Development Revenue Bonds (Austin Center Project)	(318,648)	-
Retirement of Revenue Bonds (Parking Garage Project)	(115,000)	(110,000)
Retirement of Development Revenue Bonds (Parking Garage Project)	(65,000)	(60,000)
Retirement of State Loan Revenue Note (Relizon Project)	(302,667)	(302,667)
Retirement of Revenue Bonds (Relizon Project)	(200,000)	(180,000)
Retirement of Revenue Bonds (Burrows Project)	(485,000)	(455,000)
Interest paid on debt	(1,318,369)	(1,266,475)
Financing leases principal payments received	969,333	900,777
Deposits paid	(1,500)	-
Debt issuance costs paid	-	(2,000)
Proceeds from capital grant	106,000	407,266
Tax increment property taxes	369,698	306,937
Acquisition and construction of capital assets	<u>(252,275)</u>	<u>(411,741)</u>
Net cash used for capital financing activities	<u>(1,093,306)</u>	<u>(1,172,903)</u>
<b>Cash flows from non-capital financing activities:</b>		
Investment sales	-	2,021,000
Interest received	<u>417,006</u>	<u>314,153</u>
Net cash provided by non-capital financing activities	<u>417,006</u>	<u>2,335,153</u>
Net increase in cash and cash equivalents	656,153	1,866,501
Cash and cash equivalents at beginning of year	<u>4,055,560</u>	<u>2,189,059</u>
Cash and cash equivalents at end of year	<u>\$ 4,711,713</u>	<u>\$ 4,055,560</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 470,054	\$ 424,545
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	258,691	220,661
Deferred revenue	617,680	-
Accounts payable	<u>(13,972)</u>	<u>59,045</u>
Net cash provided by operating activities	<u>\$ 1,332,453</u>	<u>\$ 704,251</u>
<b>Non-Cash Transactions:</b>		
Net increase in fair value of investments	<u>\$ -</u>	<u>\$ 1,758</u>
<b>Total non-cash transactions</b>	<u>\$ -</u>	<u>\$ 1,758</u>

See notes to the financial statements.



**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY**  
**MONTGOMERY COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Dayton-Montgomery County Port Authority, Montgomery County, (Authority) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority was established in January 2000 pursuant to section 4582.22 of the Ohio Rev. Code by resolution of Montgomery County and by ordinance of the City of Dayton. A nine-member Board of Directors directs the Authority. Five of the Directors are appointed by the Montgomery County Commissioners and four are appointed by the Mayor of the City of Dayton, with the advice and consent of the Dayton City Council.

The Authority provides services that are enumerated in Sections 4582.21 to 4582.59 of the Ohio Revised Code. These services include but are not limited to the power to purchase, construct, re-construct, enlarge, improve, equip, develop, sell, exchange, lease, convey other interest in, and operate Authority facilities.

The Authority employed a consultant as its President and Executive Director. Effective April 1, 2004, the consultant became an employee of the Authority. The Authority has also contracted an accountant and a bond fund advisor. The Authority also contracts for services, office space and support from the Dayton Development Coalition, a private local entity.

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standard Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all divisions and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's government board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or to impose specific financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Authority itself is included in the financial reporting entity

**Basis of Accounting**

The Authority's activities are financed and operated as a single enterprise fund such that the costs and expenses, including depreciation, of providing the services are recovered primarily through user charges. The measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, and accountability. The Authority's financial transactions are recorded on the accrual basis of accounting where revenues are recognized when earned and expenses are recognized as incurred. Revenues received in advance are deferred and recognized as earned over the period to which they relate.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected not to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by the GASB.

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY**  
**MONTGOMERY COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**  
**(continued)**

**Investments**

The Authority's investments (including cash equivalents) are recorded at fair value. Money market and mutual funds are recorded at share values reported by the mutual fund.

**Statements of Cash Flows**

For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid investments with maturities of less than three months (including restricted assets) to be cash equivalents.

**Capital Assets**

The Authority defines capital assets as those with an initial, individual cost of more than \$500 and an estimated useful life in excess of three years. Capital assets are stated at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed and updated for the cost of additions and retirements during the year. Interest incurred during construction is capitalized until substantial completion of the project.

Depreciation is computed on the straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Buildings and improvements	40
Office equipment	3

**Restricted Assets and Related Liabilities**

Bond indentures and other agreements require portions of debt proceeds as well as other resources of the Authority to be set-aside for various purposes. These amounts are reported as restricted assets. The liabilities that relate to the restricted assets are included in other liabilities in the accompanying balance sheets.

**Financing Leases Receivable**

The Authority enters into various financing arrangements for the purpose of funding the construction of facilities that are leased to private and public companies. Financing lease agreements with the companies provide for leasing payments sufficient to fund the related debt issued by the Authority and other costs and expenses related to the project. The leases are non-cancelable until the underlying debt and any related charges are paid in full. Lease payments cover a minimum of the principal and interest payments on the debt as they become due. Lease arrangements allow the lessee an option to purchase the leased facility at the termination of the lease. All expenses related to the debt and the operation and maintenance of the leased facilities are the responsibility of the lessee. The Authority assumes no responsibility for the repayment of any of the debt issued for the construction of the leased facilities beyond the resources provided by the underlying lease. All lease payments and debt

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY**  
**MONTGOMERY COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**  
**(continued)**

retirement payments are administered and flow through the accounts of the Authority and are recognized in the accompanying statements.

**Debt Issuance Costs**

The costs associated with the issuance of the Authority's revenue bonds and notes are deferred and recognized as interest cost over the period the related debt is outstanding using the interest method.

**Budgetary Accounting and Control**

The Authority's annual budget, as provided by law, is prepared on the accrual basis of accounting. The budget includes amounts for current year revenues and expenses.

The Authority maintains budgetary control by not permitting total capital expenditures and amounts charged to individual expense categories to exceed their respective appropriations without amendment of appropriations by the Board of Directors.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from charges for services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Authority. Revenues that do not meet these criteria are considered non-operating and reported as such.

**Tax Increment Financing from the City of Dayton**

As part of the financing agreement between the Authority and the City of Dayton related to the Taxable Project Development Mortgage Revenue Bonds for the Patterson Street Parking Garage Facility Project, the City of Dayton makes debt service payments on the Bonds from increment property taxes and payments in lieu of taxes received from the Authority. The Authority recognizes the debt service payments, made by the City of Dayton on the Authority's behalf, as tax increment financing, equal to the debt requirements of the Bonds.

In addition, as a result of timing differences between increment tax collections, which are collected the year subsequent to when property taxes are assessed, and the timing of debt service requirements on the bonds, the City of Dayton agreed to reimburse the Authority any excess tax increment proceeds in order to return funding to the Authority which had paid the debt service requirements during the initial years of the Bond issue. During 2006, the City reimbursed the Authority \$174,091 which is reflected as additional tax increment reimbursements.

**Net Assets**

Total 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 borrowing (both current and long-term portions) used for the acquisition, construction or improvements of those assets. The net assets are reported as restricted when there are limitations imposed by creditors, grantors, laws, or regulations of other governments. The Authority received a \$5,000,000 grant through the Ohio Department of Development for the purpose of creating

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the bond reserve to increase the debt capacity of the Authority. Due to the nature of the grant terms, the resulting amount of net assets is considered restricted for the bond reserve program.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

Monies held by the Authority are classified by State statute into three categories.

Active deposits are public deposits necessary to meet current demands upon the Authority. Active deposits must be maintained either as cash by the Authority, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Authority can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

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

At year-end, the carrying amount of the Authority's deposits was \$529,212 and the bank balance was \$529,212. Federal depository insurance covered \$102,391 of the bank balance.

Investments

The Authority’s investments at of December 31, 2006 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
U.S. Government Money Market Funds	\$4,182,501	N/A	N/A
CDC Funding Corporation Guaranteed Investment Contracts (GIC)	<u>4,000,000</u>	N/A	5/15/2024
	<u>\$8,182,501</u>		

*Interest Rate Risk* – State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Authority, and that an investment must be purchased with the expectation that it will be held until maturity. The Guaranteed Investment Contracts are matched to obligations within the Bond Fund Program.

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*Concentration of Credit Risk* – The Authority places no limit on the amount the Authority may invest in one issuer. Of the Authority’s total investments, 49.8 percent are in U.S. Government Money Market Funds and 50.2 percent are in Guaranteed Investment Contracts.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The CDC Funding Corporation Guaranteed Investment Contracts is exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the Authority’s name. The Authority has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Authority or qualified trustee.

**3. CAPITAL ASSETS**

The following summarizes the changes to capital assets during 2006.

<u>Class</u>	Balance December 31, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2006</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 9,399,681	\$ 152,250	\$ 5,975	\$ 9,545,956
<i>Capital assets being depreciated:</i>				
Office equipment	6,518	-	-	6,518
Buildings	<u>7,203,877</u>	<u>106,000</u>	<u>-</u>	<u>7,309,877</u>
Total cost	<u>\$16,610,076</u>	<u>\$ 258,250</u>	<u>\$ 5,975</u>	<u>\$16,862,351</u>
<i>Accumulated depreciation</i>				
Office equipment	\$ (5,914)	\$ (345)	\$ -	\$ (6,259)
Buildings	<u>(675,361)</u>	<u>(180,096)</u>	<u>-</u>	<u>(855,457)</u>
Accumulated depreciation	<u>\$ (681,275)</u>	<u>\$(180,441)</u>	<u>\$ -</u>	<u>\$ (861,716)</u>
Net value	<u>\$15,928,801</u>			<u>\$16,000,635</u>

**4. PROJECTS**

**Relizon Company Headquarters Project**

During 2001, the Authority financed the construction of a commercial office building for the headquarters of the Relizon Company. Land for the project was granted to the Authority by the City of Dayton with a value of \$1,833,000. The Authority issued a \$6,540,000 Taxable State Loan Revenue Note dated May 1, 2001 payable to the Ohio Department of Development and \$7,250,000 of Taxable Project Development Revenue Bonds, Series 2001, dated May 18, 2001.

The Authority is to make monthly principal payments on the Taxable State Loan Revenue Note in varying monthly amounts ranging from \$25,222 beginning on January 1, 2007 to \$30,839 on March

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1, 2017. A balloon payment of \$2,000,000 is also due on March 1, 2017. The note carries no interest through March 31, 2007. Effective April 1, 2007 the note carries a rate of 2.5 percent. The note is secured by the property and rental payments to be received under the lease with Relizon as well as a residual value insurance contract covering balloon payments due on the debt as discussed below. The Authority is to make monthly principal payments on the Taxable Project Development Revenue Bonds in varying monthly amounts ranging from \$20,000 beginning on January 1, 2007 to \$40,000 on February 1, 2017. A balloon payment of \$3,000,000 is also due on February 1, 2017. The bonds bear an interest rate of 8.75 percent and are secured by the property and rental payments to be received under the lease with Relizon as well as a residual value insurance contract covering balloon payments due on the debt as discussed below.

The Authority entered into a lease agreement, dated May 18, 2001, with the Relizon Company for use of the office building facility. The timing and amount of payments due from Relizon under the lease are scheduled to meet the debt service requirements of the Authority and other costs and expenses incurred in connection with the project through March 1, 2017. The term of the lease provides for various options at the end of the lease including Relizon's option to purchase the property, the continuation of the lease with the refinancing of the \$5,000,000 of balloon payments due on the related debts or the vacating of the property by Relizon. The Authority has acquired a residual value insurance policy to guarantee funding for balloon payment amounts when they become due should Relizon vacate the property at lease end.

The Authority accounts for the lease with Relizon as a financing lease. The term of the lease commenced on May 1, 2001 and expires, unless sooner terminated in accordance with the terms of the lease, on February 28, 2017.

The difference between the financing lease receivable and the total payments to be made by the lessee are being amortized over the term of the lease so as to produce a constant periodic rate of return on the Authority's investment in the lease.

The future minimum lease payments to be received, including the proceeds from the residual value insurance contract, and the Authority's net investment in the lease are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 1,195,561
2008	1,195,448
2009	1,182,798
2010	1,206,823
2011	1,210,215
Thereafter	<u>11,109,703</u>
Total	17,100,548
Unearned income	<u>(5,502,770)</u>
Net investment in lease	<u>\$11,597,778</u>

**Patterson Street Parking Garage Facility Project**

During 2001, the Authority financed the acquisition and construction of a parking garage facility located adjacent to the Relizon Company Headquarters Project. The Authority owns the parking facility.

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Land for the project was granted to the Authority by the City of Dayton with a value of \$1,725,000. The Authority issued \$3,225,000 of Taxable Project Development Mortgage Revenue Bonds; Series 2001, dated May 18, 2001 payable to the City of Dayton and a \$2,000,000 Project Development Revenue Bond Anticipation Note (BAN), Series 2001 dated May 16, 2001.

Principal payments on the Taxable Project Development Mortgage Revenue Bonds, Series 2001 are due on December 1, in varying amounts ranging from \$120,000 in 2007 to \$270,000 in 2021. Interest at a rate of 5.81 percent was effective until November 30, 2003. Thereafter, the interest rate is variable and was reset on December 1, 2003 and is to be reset every third year thereafter, based on the weighted average interest rate on all investments in the City of Dayton's investment portfolio on those dates. The effective rate on December 1, 2006 was calculated by the City of Dayton as 2.77 percent that is effective until December 1, 2009.

The 2001 BAN has been refunded on an annual basis. On July 14, 2004 the Authority issued \$2,235,000 of 20 year Project Development Revenue Bonds, Series 2004A, to fund appropriate reserves, pay the cost of issuance and refund the Bond Anticipation Note. The Authority is to make semi-annual principal payments on the Project Development Revenue Bonds, Series 2004A in semi-annual amounts ranging from \$35,000 on May 15, 2007 to \$305,000 on May 15, 2024. The bonds bear an interest rates ranging from 5 to 6.125 percent.

During 2006, the Authority received a capital grant of \$106,000 from the City of Dayton for renovations to the facility.

**Burrows Paper Corporation Project**

During 2003, the Authority financed the construction of a 275,000 square foot manufacturing building in Franklin, Ohio for the Burrows Paper Corporation. Construction costs were funded by proceeds of a \$9,000,000 Ohio Department of Development; Taxable State Loan dated June 1, 2003. The Ohio Department of Development Loan was funded by the issuance of \$9,000,000 State Economic Development Revenue Bonds, Ohio Enterprise Bond Fund (OEBF) Series 2003-4.

Principal payments on the Ohio Department of Development, Taxable State Loan are due quarterly in varying amounts ranging from \$125,000 on March 1, 2007 to \$225,000 due June 1, 2018 and bears interest at 5.35 percent. The Loan is secured by the rental payments to be received under the lease with Burrows Paper Corporation as discussed below.

The Authority has entered into a 15-year lease agreement, dated June 1, 2003, with Burrows Paper Corporation for use of the project facility. The lessee has the right to purchase the project prior to maturity for an amount equal to the outstanding OEBF amount. The lessee also has the right to purchase the project at the end of the lease for \$100.

The Authority accounts for the lease with Burrows Paper Corporation as a financing lease. Payments commenced under the lease in July 15, 2003 and consisted of interest and fees until May 15, 2004. Beginning June 15, 2004 and until the final lease payment scheduled for May 15, 2018, the timing and amount of payments due from the lessee are scheduled to meet the debt service requirements of the Authority for the Ohio Department of Development, Taxable State Loan plus administrative charges and port fees.



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The difference between the financing lease receivable and the total payments to be made by the lessee are being amortized over the term of the lease so as to produce a constant periodic rate of return on the Authority's investment in the lease. The future minimum lease payments to be received and the Authority's net investment in the lease are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 931,164
2008	934,066
2009	931,971
2010	931,546
2011	931,032
Thereafter	<u>5,931,525</u>
Total	10,591,304
Unearned income	<u>(2,792,971)</u>
Net investment in lease	<u>\$ 7,798,333</u>

**Austin Center Project**

On October 31, 2003 the Authority purchased land to assist in the addition of an interchange on U.S. Interstate Highway 75 at Austin Pike and in anticipation of creating a commercial/office building community at the Austin Pike interchange.

Acquisition costs were funded by the issuance of a \$2,925,000 Development Mortgage Revenue Bond Anticipation Note dated October 31, 2003 and obtaining an initial loan of \$2,475,000 loan from Montgomery County Transportation Improvement District.

The Development Mortgage Revenue Bond Anticipation Note was scheduled to mature on May 1, 2006 at an interest rate of 6 percent. The Loan was secured by the acquired property. During July 2004 the Authority issued \$5,075,000 of Development Mortgage Revenue Bonds, Series 2004B, to fund appropriate reserves, pay the cost of issuance and refund the Development Mortgage Revenue Bond Anticipation Note. Bond repayment requirements provide that accrued interest through November 15, 2006 totaling \$152,250 is to be added to the principal balance of the bonds and retired as principal over the remaining life of the bonds. Principal payments on the Development Mortgage Revenue Bonds, Series 2004B are due on May 15 and November 15, in varying amounts ranging from \$294,242 on May 15, 2007 to \$362,435 on May 15, 2014. The bonds bear an interest rate of 3.0 percent.

The loan from Montgomery County Transportation Improvement District (TID) provided for the assignment of ED/GE program funds received by the TID to the Authority. The terms of the assignment agreement provides that the Authority repay the loan of the ED/GE funds based on a pro-rata share of proceeds derived from the future sale of the project's land.

During 2004, the land purchase and terms of the TID loan were finalized. The TID and the Authority have a vested interest in property in the interchange project. The Authority has received a total of \$3,029,940 to enable financing the purchase of 121 acres that includes an equity infusion and additional costs.

During 2006, the TID provided \$367,872 of additional funding to the Authority in order for the Authority to make the initial debt service payment on the Mortgage Revenue Bonds, Series 2004B.

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The additional funding increased the TID's equity interest in the project and increasing the loan balance payable by the Authority to the TID.

**Main and Monument Project**

During January 2005, the Authority purchased land at a total cost of \$411,741 to be combined with other adjacent properties as a part of a larger project known as the Main and Monument Project. The purpose of the project is to create a "Shovel Ready" site within the City of Dayton, Ohio.

Acquisition costs were funded by \$407,266 of proceeds from a capital grant from Development Projects, Incorporated along with other Authority funds.

**Avis Project**

During 2006, the Authority received an operating grant of \$750,000 from the City of Dayton for the purpose of constructing a commercial building for the Avis Corporation. As of December 31, 2006, \$617,680 of grant funds remain which are recognized as deferred revenue.

**Welcome Stadium Project**

During 2006, the Authority received an operating grant of \$930,000 from the State of Ohio for the purpose of providing renovations to the Dayton Public School's Welcome Stadium.

**5. BOND FUND PROGRAM**

The Authority has established a Bond Fund Program to provide long-term, fixed interest rate financing for qualified industrial, commercial and public projects. The primary objective of the Bond Fund program is to further economic development efforts through the retention and creation of quality, private-sector jobs. The Bond Fund Program is designed to increase the debt capacity of the Authority.

The State of Ohio Department of Development (ODOD) awarded the Authority a grant of \$5,000,000 during 2000, to establish the Bond Fund Program. Amounts held in the Authority's Bond Fund Program Reserve, are included in restricted assets and as restricted retained earnings in the accompanying balance sheets due to the nature of the grant that restricts the use of the funds solely to the Bond Fund Program activities. Under the Program, debt service requirements on each bond issue are to be 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 provide a letter of credit as additional security for the related bonds.

During 2003 the Authority obtained an additional \$2,000,000 grant/loan from ODOD to further increase the funds of the Bond Fund Program. The terms of the grant/loan allow the Authority to use the funds for the Bond Fund Program and for any purpose approved by the Board for economic development purposes and therefore are reflected as non-restricted in the accompanying balance sheets. The conditional grant/loan was initially for a 20-year term, with 25 percent of the interest earned on the fund remitted back to ODOD through December 2017 and then beginning 2018 and continuing through December 2022, 100 percent of the interest earned was required to be remitted back to ODOD. In addition to the interest repayment requirements, the Authority was to make a \$1,000,000 repayment of principal on December 31, 2022. During May 2004 the terms were

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renegotiated whereby the Authority is to make annual interest payments beginning of \$25,000 over the 20 years on the loan portion and a final repayment in 2024 totaling \$1,500,000 representing the original \$1,000,000 of loan principal and \$500,000 in accumulated interest so long as the funds are not committed in the bond fund program reserve. As of December 31, 2006 the Authority has accrued interest payments owed to ODOD totaling \$75,000. Amounts owed are reflected as interest payable on the Statement of Net assets and were paid subsequent to year end.

In addition, the Authority has obtained a \$5,000,000 commercial line of credit for additional bond fund program purposes. As of December 31, 2006, no amounts of this line of credit have been utilized.

**6. PROJECT RELATED DEBT OBLIGATIONS**

For the year ended December 31, 2006, changes in the Authority's project related debt was as follows:

	<u>Interest Rate</u>	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Payments and Deletions</u>	<u>Balance December 31, 2006</u>	<u>Amount Due Within One Year</u>
<i>Relizon project:</i>						
Taxable State Loan Revenue Note	2.5%	\$5,405,000	\$ -	(\$302,667)	\$5,102,333	\$277,383
Taxable Development Revenue Bonds, Series 2001	8.75%	6,595,000	-	(200,000)	6,395,000	240,000
<i>Parking garage project:</i>						
Taxable Development Mortgage Revenue Bonds, Series 2001	variable currently 2.77%	2,910,000	-	(115,000)	2,795,000	120,000
Development Revenue Bonds Series 2004A	5.0%- 6.125%	2,160,000	-	(65,000)	2,095,000	70,000
<i>Burrows project</i>						
Ohio DOD Taxable State Loan	5.35%	8,325,000	-	(485,000)	7,840,000	505,000
<i>Austin Center project:</i>						
Montgomery County TID Loan	0.0%	3,029,940	367,872	-	3,397,812	575,331
Taxable Development Revenue Bonds, Series 2004B	3.0%	<u>5,075,000</u>	<u>152,250</u>	<u>(318,648)</u>	<u>4,908,602</u>	<u>592,900</u>
Total		<u>\$33,499,940</u>	<u>\$520,122</u>	<u>(\$1,486,315)</u>	<u>\$32,533,747</u>	<u>\$2,380,614</u>

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Amortization of the above debt, including interest, is scheduled as follows (For variable rate obligations, the interest payment amounts are estimated. The retirement of the Austin Center TID loan is based upon future estimated land sales):

Relizon Project						
Year Ending December 31,	Taxable State Loan		2001 Series			
	Revenue Note		Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 277,383	\$ 104,692	\$ 240,000	\$ 549,938		
2008	274,900	128,919	240,000	528,938		
2009	281,852	121,264	250,000	507,901		
2010	288,980	113,416	300,000	483,656		
2011	296,287	105,369	300,000	457,406		
2012-2016	1,621,108	394,816	1,985,000	1,838,110		
2017-2021	2,061,823	8,526	3,080,000	48,682		
2022-2025	-	-	-	-		
Total	<u>\$ 5,102,333</u>	<u>\$ 977,002</u>	<u>\$ 6,395,000</u>	<u>\$ 4,414,631</u>		

  

Parking Garage Project				Burrows Project		
Year Ending December 31,	2001 Series		2004A Series		DOD State Loan	
	Revenue Bonds		Revenue Bonds		DOD State Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 120,000	\$ 77,422	\$ 70,000	\$ 116,588	\$ 505,000	\$ 409,409
2008	130,000	74,098	70,000	113,087	535,000	381,789
2009	135,000	70,497	75,000	109,588	565,000	352,565
2010	145,000	66,757	80,000	105,712	595,000	321,736
2011	155,000	62,741	80,000	101,713	630,000	289,234
2012-2016	905,000	245,145	480,000	441,687	3,700,000	892,447
2017-2021	1,205,000	104,015	625,000	297,053	1,310,000	62,060
2022-2025	-	-	615,000	70,744	-	-
Total	<u>\$ 2,795,000</u>	<u>\$ 700,675</u>	<u>\$ 2,095,000</u>	<u>\$ 1,356,172</u>	<u>\$ 7,840,000</u>	<u>\$ 2,709,240</u>

  

Austin Center Project						
Year Ending December 31,	Austin Center		2004B Series		Total	
	TID Loan		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 575,331	\$ -	\$ 592,900	\$ 142,844	\$ 2,380,614	\$ 1,400,893
2008	347,411	-	610,820	124,924	2,208,131	1,351,755
2009	357,912	-	629,282	106,462	2,294,046	1,268,277
2010	368,730	-	648,302	87,442	2,426,012	1,178,719
2011	379,874	-	667,897	67,847	2,509,058	1,084,310
2012-2016	1,368,554	-	1,759,401	79,959	11,819,063	3,892,164
2017-2021	-	-	-	-	8,281,823	520,336
2022-2025	-	-	-	-	615,000	70,744
Total	<u>\$ 3,397,812</u>	<u>\$ -</u>	<u>\$ 4,908,602</u>	<u>\$ 609,478</u>	<u>\$ 32,533,747</u>	<u>\$ 10,767,198</u>

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**7. DEFINED BENEFIT PENSION PLANS**

All full-time employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2006 was 9.2 percent. The Ohio Revised Code provides statutory authority for employee and employer contributions.

The Authority's required contributions to OPERS for the years ended December 31, 2006, 2005 and 2004 were \$17,484, \$15,225 and \$9,287, respectively. All of the required contributions were paid within the respective years.

**8. OTHER POST-EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent and an annual increase in active employee total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .5 to 6.0 percent annually for the next nine years and 4.0 percent annually

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006 AND 2005**  
**(continued)**

after nine years. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund other post-employment benefits were \$5,742. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**9. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Authority has obtained commercial insurance for comprehensive property and general liability, employee bonding, auto insurance and specific property insurance for the Patterson Street Parking Garage

Settled claims resulting from these risks have not exceeded commercial insurance coverage. There has not been a significant reduction in coverage from the prior year.

**10. SUBSEQUENT EVENTS**

On February 28, 2007, the Authority issued \$270 million in Special Airport Facilities Revenue Bonds to fund project costs related to the DHL Express shipping, sorting and routing facilities in Wilmington, Ohio. The bonds mature on February 1, 2037 and carry an indexed interest rate adjusted on a weekly basis. The Special Airport Facilities Revenue Bonds are secured by payments due under a lease agreement with Wilmington Air Park, LLC and absolutely and unconditionally guaranteed by Deutsche Post AG. Wilmington Air Park, LLC and DHL Express are each owned indirectly by Deutsche Post AG.

On May 18, 2007, the Authority issued \$68 million in Mortgage Revenue Bonds to fund project costs related to the construction of the 326,000 square foot CareSource Headquarters building in downtown Dayton, Ohio. The Bonds mature in 2027 and carry varying interest rates. The Bond issue is secured by a letter of credit funded by Fifth Third Bank, Charter One Bank, and National City Bank.

# Bastin & Company, LLC

*Certified Public Accountants*

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

The Honorable Board of Directors  
Dayton-Montgomery County Port Authority  
Dayton, Ohio:

We have audited the financial statements of the Dayton-Montgomery County Port Authority, Montgomery County, Ohio (Authority) as of and for the year ended December 31, 2006 and have issued our report thereon dated June 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the management and the Authority's Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

*Bastin & Company, LLC*

Cincinnati, Ohio  
June 15, 2007





**Mary Taylor, CPA**  
Auditor of State

**DAYTON-MONTGOMERY COUNTY PORT AUTHORITY**

**MONTGOMERY 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 2, 2007**