

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Western Reserve Port Authority
3453 Youngstown-Kingsville Rd NE
Vienna, OH 44473

We have reviewed the *Independent Auditor's Report* of the Western Reserve Port Authority, Trumbull County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2012 through December 31, 2012. 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 Western Reserve Port Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 4, 2014

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**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 – 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT

Board of Directors
Western Reserve Port Authority

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Western Reserve Port Authority, Trumbull County, Ohio (the Port Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Port Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Western Reserve Port Authority, Ohio’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Western Reserve Port Authority, Ohio’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Western Reserve Port Authority, Ohio, as of December 31, 2012, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and the Airport Improvement Program Fund thereof for the year then ended in accordance with the basis of accounting described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Reserve Port Authority, Ohio's basic financial statements. Management's Discussion and Analysis includes tables of net position, changes in net position, governmental activities, and business-type activities. The Schedule of Expenditures of Federal Awards and the Schedule of Passenger Facility Charges Collected and Expended are required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. These tables, the Schedule of Expenditures of Federal Awards, and the Schedule of Passenger Facility Charges Collected and Expended provide additional analysis and are not a required part of the basic financial statements.

These tables, the Schedule of Expenditures of Federal Awards, and the Schedule of Passenger Facility Charges Collected and Expended are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. We also applied certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables, the Schedule of Expenditures of Federal Awards, and the Schedule of Passenger Facility Charges Collected and Expended are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management’s Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2014, on our consideration of the Western Reserve Port Authority, Ohio’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Western Reserve Port Authority, Ohio’s internal control over financial reporting and compliance.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.08.07 16:43:54 -04'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

July 28, 2014

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Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

The Management's Discussion and Analysis of the Western Reserve Port Authority (Port Authority) financial performance provides an overall narrative review and analysis of the Port Authority's financial activities for the year ended December 31, 2012, within the limitations of the Port Authority's cash-basis of accounting. The intent of this Discussion and Analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

The Port Authority has two major divisions: 1) an Economic Development Division (ED Division) created to stimulate and support activities that enhance and promote transportation, economic development, and governmental operations within Mahoning and Trumbull Counties and 2) an Aviation Division created to operate and maintain the Youngstown-Warren Regional Airport (Airport). Readers should understand that, for the most part, the Port Authority uses governmental funds (governmental activities) to report on its core operations and the operations of the Aviation Division and uses a proprietary fund (business-type activities) to report on the operations of the ED Division.

Financial Highlights

Key financial highlights for 2012 are as follows:

Net position of governmental activities at December 31, 2012 decreased \$2,104,425, or 53%, a significant decrease from December 31, 2011. This was primarily the result of the Capital Projects Fund realizing in 2012 a decrease in cash and cash equivalents of \$2,270,201, or 70%, from 2011 due to this amount being expended from \$3,236,156 in Airport Development Revenue Bond proceeds available at January 1, 2012 for Airport capital improvement/replacement/acquisition projects. Offsetting this decrease was the General Fund realizing, in 2012, an increase in cash and cash equivalents of \$126,895, or 29%, from 2011, primarily the result of the improvement in the economy in 2012 from 2011 that led to moderate increases in corporate and general aviation activity in 2012 as compared to recent years that increased all revenue stream activities of the Aviation Division in 2012 over 2011, and Other Funds realizing, in 2012, an increase in cash and cash equivalents of \$46,349, or 15%, from 2011 primarily the result of the Passenger Facility Fund realizing a 17% increase in passenger facility charges collected in 2012 over 2011, the result of a 10% increase in commercial passenger activity in 2012 over 2011.

The General Fund's Cash Fund Balance at December 31, 2012 was \$571,011 as compared to \$444,116 at December 31, 2011. The General Fund's constraint for outstanding encumbrances at December 31, 2012 was \$55,279 as compared to \$32,460 at December 31, 2011. Therefore, the General Fund's Unassigned Cash Fund Balance was \$515,732 at December 31, 2012 as compared to \$411,656 at December 31, 2011, a significant increase of \$104,077, or 25%.

Net position of business-type activities of \$341,574 at December 31, 2012 remained relatively constant with \$345,157 at December 31, 2011.

The Port Authority had total governmental activities receipts of \$4,622,651 in 2012. Program specific receipts accounted for \$1,784,211, or 39%, of total governmental activities receipts. General receipts accounted for \$2,838,440, or 61%, of total governmental activities receipts. Program specific receipts for governmental activities are primarily 1) charges for services (fees and charges for services, and rental and lease income), and 2) intergovernmental receipts consisting of grants from other governmental units that must be used to provide a specific service. These receipts represent respectively 17% and 21% of the total cash received for governmental activities. General receipts for governmental activities are primarily 1) intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations, 2) proceeds from debt, and 3) miscellaneous receipts. These receipts represent respectively 22%, 33%, and 6% of the total cash received for governmental activities.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

The Port Authority had total business-type activities receipts of \$364,901 in 2012. Program specific receipts accounted for \$143,417, or 39%, of total business-type activities receipts. General receipts accounted for \$221,484, or 61%, of total business-type activities receipts. Program specific receipts for business-type activities are 1) charges for services, and 2) intergovernmental receipts consisting of grants from other governmental units that must be used to provide a specific service. These receipts represent respectively 2% and 37% of the total cash received for business-type activities. General receipts for business-type activities are contributions from other governmental units to support financially the ED Division's general operations and the Capital Project fund's repayment of the \$115,000 Bond Anticipation Note issued in 2011. These receipts represent respectively 27% and 32% of the total cash received for business-type activities.

The Port Authority had total governmental activities disbursements of \$6,727,076 in 2012. Program specific receipts offset \$1,784,211, or 27%, of these disbursements. General receipts of \$2,838,440, or 42%, and the expending of \$2,104,425, or 31%, from net position available at January 1, 2012 offset the remaining disbursements. Capital outlay (Airport capital improvement/replacement/acquisition projects) represents 62% of total disbursements for governmental activities of which 80% is funded by proceeds of the Port Authority's Airport Development Revenue Bonds and 17% is funded by the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding. Contractual services represent 17% of total disbursements for governmental activities of which 48% is comprised of costs of services, such as insurance, security, marketing, legal, and consulting, that are provided by contracted third-parties, 21% is for engineering costs funded by the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding, and 31% is for engineering costs funded by proceeds of the Port Authority's Airport Development Revenue Bonds. Personal services represent 8% of total disbursements for governmental activities and is comprised of payroll and benefit related costs for Aviation Division employees.

The Port Authority had total business-type activities disbursements of \$368,484 in 2012. Program specific receipts offset \$143,417, or 39%, of these disbursements. General receipts of \$221,484, or 60%, and the expending of \$3,583, or 1%, from the net position available at January 1, 2012 offset the remaining disbursements. Personal services represent 72% of total disbursements for business-type activities, are comprised of payroll, and benefit related costs for ED Division employees. Contractual services represent 17% of total disbursements for business-type activities and is comprised of costs of services, such as insurance, marketing, legal, and consulting, that are provided by contracted third-parties.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Port Authority's cash-basis of accounting.

Report Components

The *Statement of Net Position* and the *Statement of Activities* provide information about the cash activities of the Port Authority as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Port Authority as a way to segregate money whose use is restricted to a particular specified purpose. The *Statement of Cash Basis Assets and Fund Balances* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances* present financial information by either governmental funds or proprietary fund. In addition, the governmental funds statements present the Port Authority's General Fund, Airport Improvement Program Fund, Capital Projects Fund, and non-major funds (Other Funds) in separate columns.

The *Notes to the Basic Financial Statements* are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Port Authority has elected to present its financial statements on a cash-basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

Under the Port Authority's cash-basis of accounting, receipts and disbursements are recorded when cash is received or paid. As a result of using the cash-basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash-basis of accounting.

Reporting the Port Authority as a Whole

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of all funds and departments that are not legally separate from the Port Authority. The Port Authority has no component units and or other organizations whose activities are required to be presented in the Port Authority's financial statements.

The *Statement of Net Position* and the *Statement of Activities* reflect how the Port Authority did financially during 2012, within the limitations of cash-basis of accounting.

The *Statement of Net Position* presents cash balances and investments of the governmental and business-type activities of the Port Authority at year-end. The *Statement of Activities* compares cash disbursements with program specific receipts for each governmental program and business-type activity. Program specific receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program specific receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Port Authority's general receipts. These statements report the Port Authority's cash position and the changes in cash position. Keeping in mind the limitations of the cash-basis of accounting, you may think of these changes as one way to measure the Port Authority's financial health.

Over time, increases or decreases in the Port Authority's cash position is one indicator of whether the Port Authority's financial health is improving or deteriorating. When evaluating the Port Authority's financial condition, you should also consider other non-financial factors as well such as the Port Authority's reliance on non-local financial resources for operations such as subsidies from other governmental units, the condition of the Port Authority's capital assets and infrastructure, the extent of the Port Authority's debt obligations, and the need for growth in the major local revenue sources such as property taxes.

The *Statement of Net Position* and the *Statement of Activities* divide the Port Authority into two distinct types of activities:

Governmental Activities - The Port Authority's basic services and operations, inclusive of all operations of the Aviation Division, are reported here. Fees and charges for services, rental and lease income, subsidies from other governmental units, federal assistance grants, and proceeds from debt finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activities - The Port Authority's activities that enhance, provide, or promote transportation, economic development, and other governmental operations within Mahoning and Trumbull Counties are reported here. Contributions received from other governmental units and community organizations, federal assistance grants, and repayment of debt issuance finance most of these activities.

Reporting the Port Authority Most Significant Funds

Fund financial statements provide detailed information about the Port Authority's funds – not the Port Authority as a whole. The Port Authority establishes separate funds to manage better its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Port Authority are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Port Authority's activities, inclusive of all operations of the Aviation Division, are reported in governmental funds. The governmental fund financial statements (The *Statement of Cash Basis Assets and Fund Balances* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances*) provide a detailed view of the Port Authority's governmental operations and the basic services it provides.

Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Port Authority's programs. The Port Authority maintains three major governmental funds, the General Fund, the Airport Improvement Program Fund, and the Capital Projects Fund, which the governmental funds statements present in separate columns. The Port Authority maintains three non-major governmental funds, the Passenger Facility Charge Fund, the Debt Service Fund, and the Deposits Fund, which the governmental funds statements present in one column (Other Funds). The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. If necessary, we describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Fund - When a governmental unit charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the public, the activity is reported as an enterprise fund.

The Port Authority maintains one proprietary fund that it classifies as an enterprise fund, the Economic Development Fund.

The Port Authority maintains an ED Division in an effort to utilize fully its abilities as a port authority to advance economic development within Mahoning and Trumbull Counties. The Port Authority's activities that enhance, provide, or promote transportation, economic development, and other governmental operations as well as grants and contributions received from other governmental units and community organizations to finance these activities are accounted for in the Economic Development Fund.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Port Authority as a Whole

Table 1 provides a comparison of net position at December 31, 2012 and December 31, 2011 on a cash-basis of accounting.

(Table 1)
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Assets						
Cash and Cash Equivalents	\$1,900,025	\$4,004,450	\$341,574	\$345,157	\$2,241,599	\$4,349,607
Net Position						
Restricted for:						
Capital Outlay	\$1,144,473	\$3,357,636	\$0	\$0	\$1,144,473	\$3,357,636
Debt Service	182,391	202,698	0	0	182,391	202,698
Other Purposes	2,150	0	0	0	2,150	0
Unrestricted	571,011	444,116	341,574	345,157	912,585	789,273
Total Net Position	\$1,900,025	\$4,004,450	\$341,574	\$345,157	\$2,241,599	\$4,349,607

Over time, net position can serve as a useful indicator of a government's financial position. As mentioned previously, net position of governmental activities at December 31, 2012 decreased \$2,104,425, or 53%, a significant decrease from December 31, 2011. This was primarily the result of the Capital Projects Fund realizing in 2012 a decrease in cash and cash equivalents of \$2,270,201, or 70%, from 2011 due to this amount being expended from \$3,236,156 in Airport Development Revenue Bond proceeds available at January 1, 2012 for Airport capital improvement/replacement/acquisition projects. However, and more importantly, offsetting this decrease was the General Fund realizing in 2012 an increase in cash and cash equivalents of \$126,895, or 29%, from 2011 primarily the result of the improvement in the economy in 2012 from 2011 that led to moderate increases in corporate and general aviation activity in 2012 as compared to recent years that increased all revenue stream activities of the Aviation Division in 2012 over 2011, and Other Funds realizing in 2012 an increase in cash and cash equivalents of \$31,666, or 10%, from 2011 primarily the result of the Passenger Facility Fund realizing a 17% increase in passenger facility charges collected in 2012 over 2011 the result of a 10% increase in commercial passenger activity in 2012 over 2011. Also, the General Fund's Unassigned Cash Fund Balance was \$515,733 at December 31, 2012 as compared to \$405,897 at December 31, 2011, a significant increase of \$109,836, or 27%.

In addition, as mentioned previously, net position of business-type activities of \$341,574 at December 31, 2012 remained relatively constant with \$345,157 at December 31, 2011.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Table 2 provides a comparison of changes in net position for 2012 and 2011 on a cash-basis of accounting.

(Table 2)
Changes in Net Position

	Governmental Activities 2012	Governmental Activities 2011	Business-Type Activities 2012	Business-Type Activities 2011	Total 2012	Total 2011
Receipts:						
<i>Program Receipts:</i>						
Charges for Services	\$794,145	\$648,997	\$8,000	\$55,000	\$802,145	\$703,997
Operating Grants and Contributions	0	54,906	135,417	64,583	135,417	119,489
Capital Grants and Contributions	990,066	1,144,189	0	0	990,066	1,144,189
Total Program Receipts	1,784,211	1,848,092	143,417	119,583	1,927,628	1,967,675
<i>General Receipts:</i>						
Grants and Entitlements not Restricted to Specific Programs	1,036,421	884,239	100,000	300,000	1,136,421	1,184,239
Investment Earnings	1,604	1,798	461	1,102	2,065	2,900
Proceeds from Debt	1,545,000	3,627,685	0	0	1,545,000	3,627,685
Repayment of Debt Issuance	0	0	115,000	0	115,000	0
Other Cash Receipts	255,415	105,378	6,023	0	261,438	105,378
Total General Receipts	2,838,440	4,619,100	221,484	301,102	3,059,924	4,920,202
Total Receipts	4,622,651	6,467,192	364,901	420,685	4,987,552	6,887,877
Disbursements:						
Personal Services	569,460	600,500	263,970	205,120	833,430	805,620
Materials and Supplies	117,013	99,037	3,408	4,864	120,421	103,901
Contractual Services	1,165,834	837,332	63,502	33,394	1,229,336	870,726
Conferences and Travel	20,203	10,843	3,941	2,519	24,144	13,362
Facility Leases	0	0	1,625	0	1,625	0
Utilities	210,116	221,901	1,502	624	211,618	222,525
Repair and Maintenance	77,281	81,744	0	0	77,281	81,744
Capital Outlay	4,165,418	1,005,679	0	0	4,165,418	1,005,679
Issuance of Debt	0	0	0	115,000	0	115,000
Debt Service	325,151	0	0	0	325,151	0
Other Cash Disbursements	76,600	46,284	30,536	137	107,135	46,421
Total Disbursements	6,727,076	2,903,320	368,484	361,658	7,095,559	3,264,978
Increase/(Decrease) in Net Position	(2,104,425)	3,563,871	(3,583)	59,026	(2,108,008)	3,622,897
Net Position – January 1,	4,004,450	440,579	345,157	286,131	4,349,607	726,710
Net Position – December 31,	\$1,900,025	\$4,004,450	\$341,574	\$345,157	\$2,241,599	\$4,349,607

Program specific receipts represent 39% of total receipts for governmental activities of which 45% is comprised of charges for services (fees and charges for services, and rental and lease income) and 55% is comprised of intergovernmental receipts consisting of restricted grants from other governmental units that must be used to provide a specific service.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Program specific receipts represent 39% of total receipts for business-type activities of which 6% is comprised of charges for services and 94% is comprised of intergovernmental receipts consisting of restricted grants from other governmental units that must be used to provide a specific service.

General receipts represent 61% of total receipts for governmental activities of which 54% is comprised of proceeds from debt issued for capital projects and 37% is comprised of intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations.

General receipts represent 61% of total receipts for business-type activities of which 45% is comprised of unrestricted grants received from other governmental units to finance the Port Authority's economic development activity and 52% is comprised of the Capital Project fund's repayment of the \$115,000 Bond Anticipation Note issued in 2011 for the acquisition and installation of an access control system for the Airport's parking lot.

Capital outlay (Airport capital improvement/replacement/acquisition projects) represents 62% of total disbursements for governmental activities of which 80% is funded by proceeds of the Port Authority's Airport Development Revenue Bonds and 17% is funded by the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding. Contractual services represent 17% of total disbursements for governmental activities of which 48% is comprised of costs of services, such as insurance, security, marketing, legal, and consulting, that are provided by contracted third-parties, 21% is for engineering costs funded by the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding, and 31% is for engineering costs funded by proceeds of the Port Authority's Airport Development Revenue Bonds. Personal services represent 8% of total disbursements for governmental activities and is comprised of payroll and benefit related costs for Aviation Division employees.

Personal services represent 72% of total disbursements for business-type activities and is comprised of payroll and benefit related costs for ED Division employees. Contractual services represent 17% of total disbursements for business-type activities and is comprised of costs of services, such as insurance, marketing, legal, and consulting, that are provided by contracted third-parties.

Governmental and Business-Type Activities

If you look at the *Statement of Activities*, you will see that the first column lists the major services provided by the Port Authority. The next column entitled *Cash Disbursements* identifies the costs of providing these services. The next three columns entitled *Program Specific Receipts* identify amounts paid by customers who are directly charged for services, and for grants received by the Port Authority that must be used to provide a specific service. The *Net Receipts (Disbursements)* columns compare the program specific receipts for governmental and business-type activities to the cost of the services.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Governmental Activities

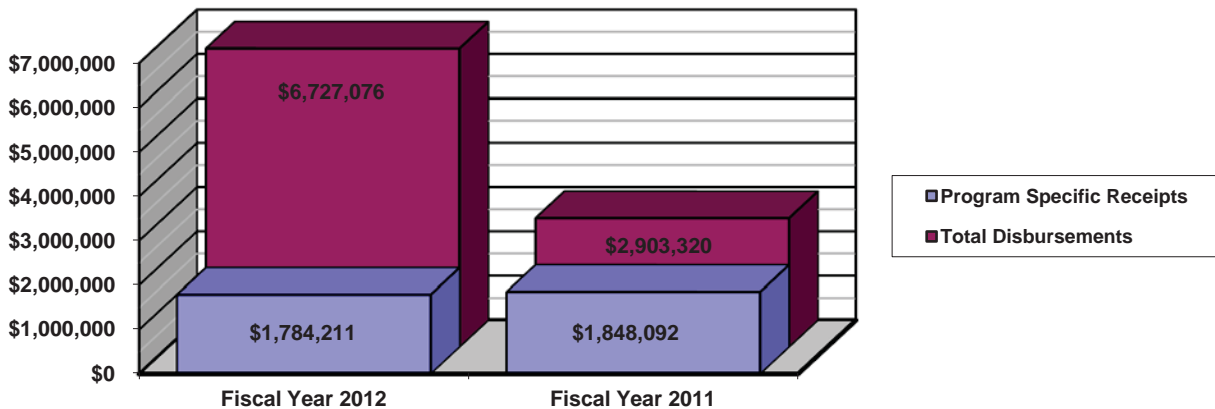
Table 3 provides a comparison of total cost of services and net cost of services for governmental activities for 2012 and 2011 on a cash-basis of accounting.

(Table 3)
Cost of Services vs. Net Cost of Services

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2012	2012	2011	2011
Personal Services	\$569,460	(\$327,322)	\$600,500	(\$346,009)
Materials and Supplies	117,013	(67,258)	99,037	(57,065)
Contractual Services	1,165,834	(679,450)	837,332	(296,754)
Conferences and Travel	20,203	(11,612)	10,843	(6,248)
Utilities	210,116	(120,773)	221,901	(127,859)
Repair and Maintenance	77,281	(44,421)	81,744	(47,101)
Capital Outlay	4,165,418	(3,453,998)	1,005,679	(162,859)
Debt Service	325,151	(187,225)	0	0
Other Cash Disbursements	76,600	(50,806)	46,284	(11,331)
Total	\$6,727,076	(\$4,942,865)	\$2,903,320	(\$1,055,226)

The chart below illustrates the Port Authority's dependence upon general receipts for 2012 and 2011, as program specific receipts have not been sufficient to cover total disbursements for governmental activities.

Governmental Activities - Program Specific Receipts vs. Total Disbursements



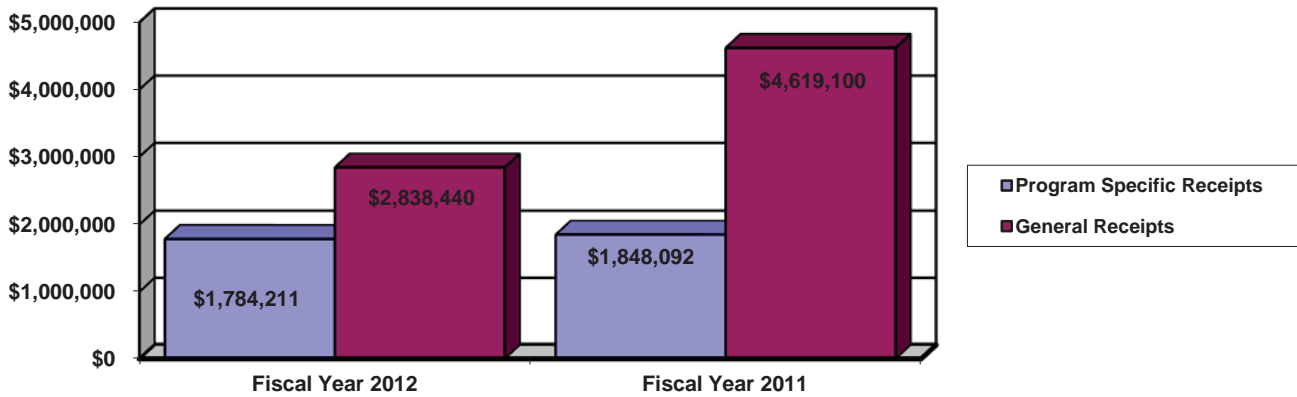
Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

The *Net Cost of Services* amount of (\$4,942,865) in 2012 for governmental activities represents the costs of the services, which ends up being paid from subsidies provided by Mahoning and Trumbull Counties, investment earnings, debt issuances, miscellaneous receipts, and from fund balances available at January 1. Therefore, dependence upon general receipts for governmental activities is apparent as 73% of disbursements were supported through general receipts. As mentioned previously, an indicator of whether the Port Authority's financial health is improving or deteriorating is its reliance on general receipts. In 2011, only 36% of disbursements for governmental activities were supported through general receipts, a significant increase in 2012 from 2011. However, The Port Authority began in 2011 an extensive 26-project Airport capital improvement/replacement/acquisition program to address current demand for aircraft hangar and service facilities and expected increase in commercial air service. Therefore, when evaluating financial health, one must also consider that it is common for increased reliance on leveraged financing (a general receipt) during periods of increased capital improvement. In 2012, \$3,815,710, or 57% of disbursements for governmental activities were for capital improvement projects and were supported through leveraged financing.

Therefore, only \$1,127,155, or 18%, of non-capital improvement projects disbursements for governmental activities were supported through general receipts. In 2011, \$981,398, or 34%, of non-capital improvement projects disbursements for governmental activities were supported through general receipts. Therefore, the reliance on general receipts for day-to-day operations decreased significantly in 2012 from 2011.

The chart below illustrates the Port Authority's program specific receipts versus general receipts for 2012 and 2011 for governmental activities.

Governmental Activities - General Receipts vs. Program Specific Receipts



Western Reserve Port Authority, Ohio
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Business-Type Activities

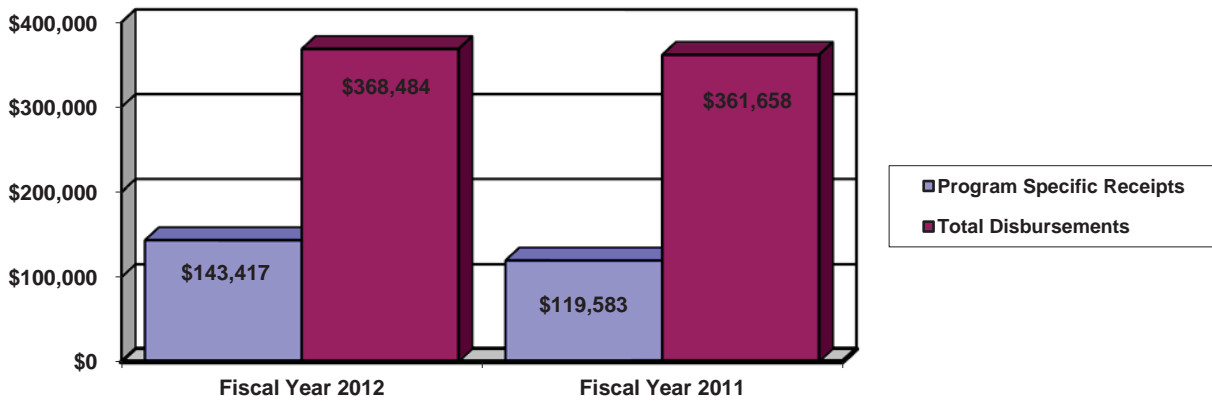
Table 4 provides a comparison of total cost of services and net cost of services for business-type activities for 2012 and 2011 on a cash-basis of accounting.

(Table 4)
Cost of Services vs. Net Cost of Services

	Business-Type Activities			
	Total Cost of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2012	2012	2011	2011
Personal Services	\$263,970	(\$122,822)	\$205,120	(\$109,343)
Materials and Supplies	3,408	(3,334)	4,864	(4,124)
Contractual Services	63,502	(62,123)	33,394	(28,315)
Conferences and Travel	3,941	(3,855)	2,519	(2,136)
Facility Leases	1,625	(1,590)	0	0
Utilities	1,502	(1,469)	624	(529)
Issuance of Debt	0	0	115,000	(97,511)
Other Cash Disbursements	30,536	(29,874)	137	(116)
Total	\$368,484	(\$225,067)	\$361,658	(\$242,074)

The chart below illustrates the Port Authority's dependence upon general receipts for 2012 and 2011, as program specific receipts have not been sufficient to cover total disbursements for business-type activities.

Business-Type Activities - Program Specific Receipts vs. Total Disbursements

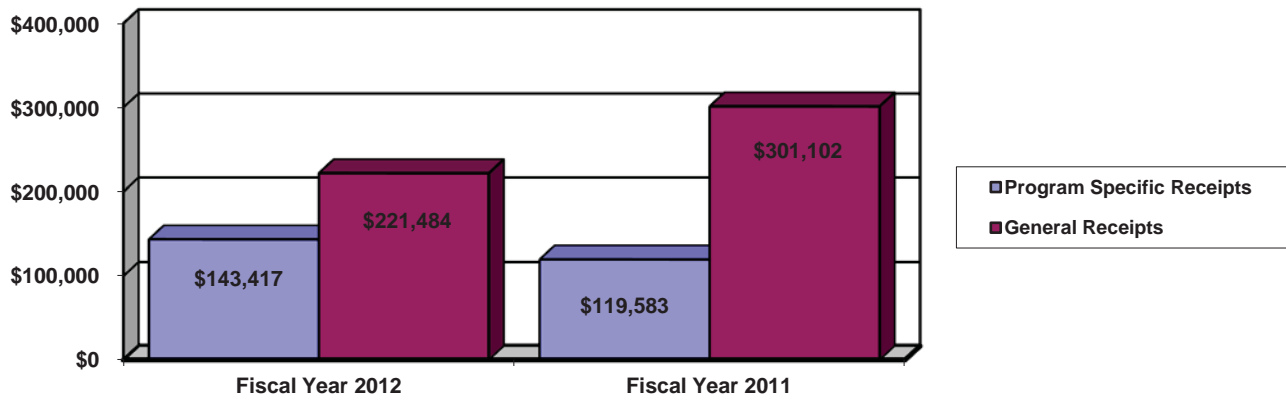


Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

The *Net Cost of Services* amount of (\$225,067) for business-type activities represents the costs of the services, which ends up being paid from contributions provided by other governmental units to finance the Port Authority's economic development activity, investment earnings, miscellaneous receipts, and from the fund balance available at January 1. However, the Port Authority's business-type activities account for the operations of its ED Division and 2010 was the ED Division's first full-year of operations. Therefore, a reliance on operating grants and contributions from the ED Division's funding partners is expected at this time as it develops into a self-reliant enterprise. In addition, as mentioned previously, an indicator of whether the Port Authority's financial health is improving or deteriorating is its reliance on general receipts. In 2011, \$242,075 of disbursements for business-type activities was supported through general receipts. Therefore, this decrease in 2012 from 2011 suggests improvement in the ED Division's financial condition.

The chart below illustrates the Port Authority's program specific receipts versus general receipts for 2012 and 2011 for business-type activities.

Business-Type Activities - General Receipts vs. Program Specific Receipts



Port Authority Funds Analysis

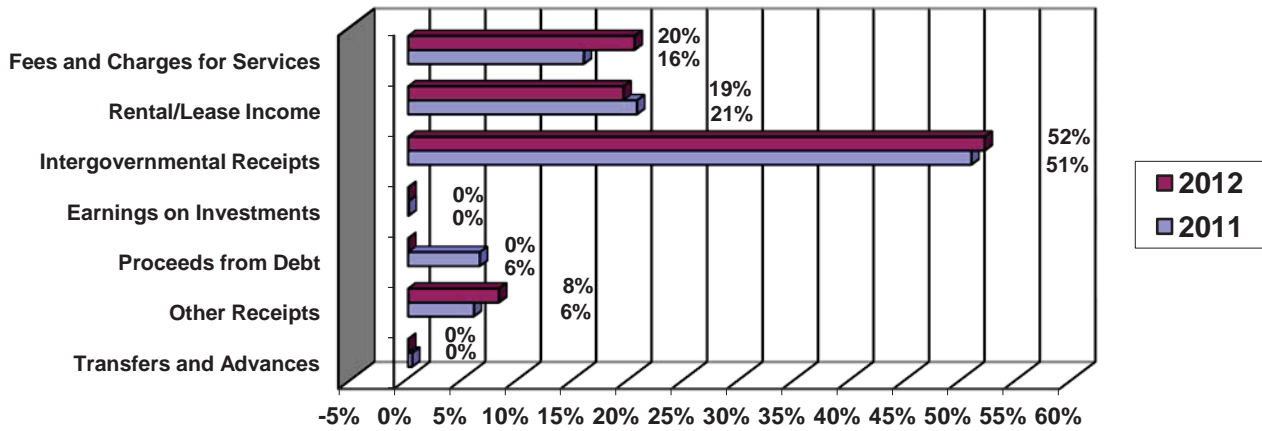
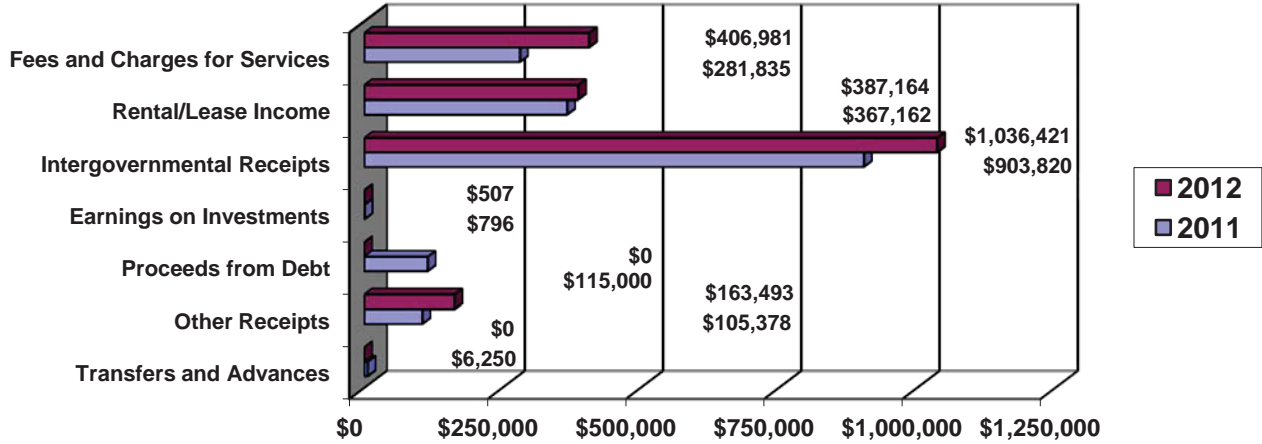
The Port Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus on the funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Port Authority's financing requirements. In particular, unassigned (unreserved/undesignated) fund balances serve as a useful measure of the Port Authority's net resources available for spending at year-end. At December 31, 2012, the Port Authority's General Fund Unassigned Cash Fund Balance was \$515,732 as compared to \$411,656 at December 31, 2011, a 25% increase. This increase portrays a significantly stronger cash position for the General Fund at December 31, 2012 than at December 31, 2011.

The Port Authority had total cash receipts of \$4,987,552 and total cash disbursements of \$7,095,559 for all funds in 2012. Total governmental funds had cash receipts of \$4,622,651 and cash disbursements of \$6,727,076 in 2012.

The General Fund accounts for the general operations of the Port Authority, inclusive of all operations of the Aviation Division. Therefore, additional analysis of the General Fund is presented in the following charts.

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Management's Discussion and Analysis
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Analysis of General Fund Receipts for 2012 and 2011



Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
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For most of 2009 through 2011, the Port Authority operated in an extremely challenging economic environment, as did most public and private sector enterprises. As the economy improved in 2012, so followed the revenue streams of the Aviation Division, included as part of the General Fund. Total receipts of the General Fund, proceeds of debt notwithstanding, increased from \$1,665,240 in 2011 to \$1,994,566 in 2012, a 20% increase, primarily the result of 1) fees and charges for services receipts that increased from \$281,835 in 2011 to \$406,981 in 2012, a 44% increase, 2) intergovernmental receipts that increased from \$903,820 in 2011 to \$1,036,421 in 2012, a 15% increase, and 3) other receipts that increased from \$105,378 in 2011 to \$163,493 in 2012, a 55% increase. A discussion of the components of the General Fund's receipts follows.

The increase in fees and charges for services receipts was primarily the result of 1) a significant increase in corporate and general aviation activity in 2012 as compared to recent years and 2) a 10% increase in commercial passenger activity in 2012 over 2011. These two conditions increased FBO concessions, parking concessions, landing fees, and fuel flowage fees in 2012 from 2011 by approximately \$49,327, \$41,784, \$15,345, and \$11,678, respectively.

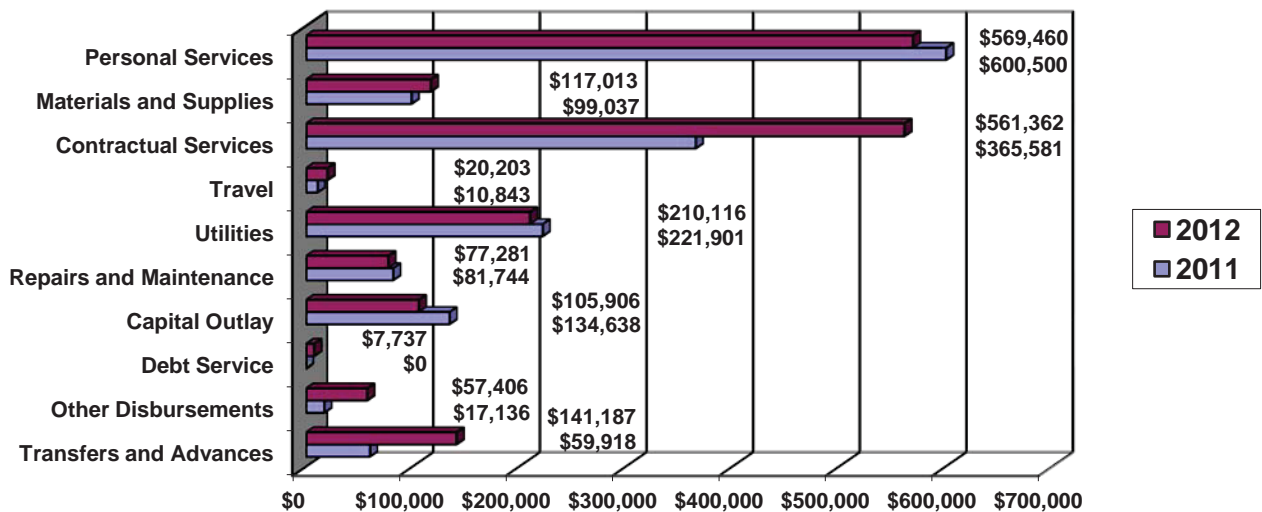
The increase in intergovernmental receipts was primarily the result of the Port Authority receiving 1) \$602,360 in subsidies from Mahoning County in 2012 as compared to \$542,898 in 2011, an 11% increase, and 2) \$434,061 in subsidies from Trumbull County in 2012 as opposed to \$341,341 in 2011, a 27% increase. These subsidies are derived from lodging excise taxes assessed by Mahoning and Trumbull Counties. Since the lodging industry usually follows the upward or downward trends of the national economy, Management anticipates that the amount of subsidies received from the Counties will continue to increase parallel with or slightly better than the economy.

The increase in other receipts was primarily the result of the Port Authority receiving in 2012 the return of a \$53,750 deposit on the acquisition of an air cargo building.

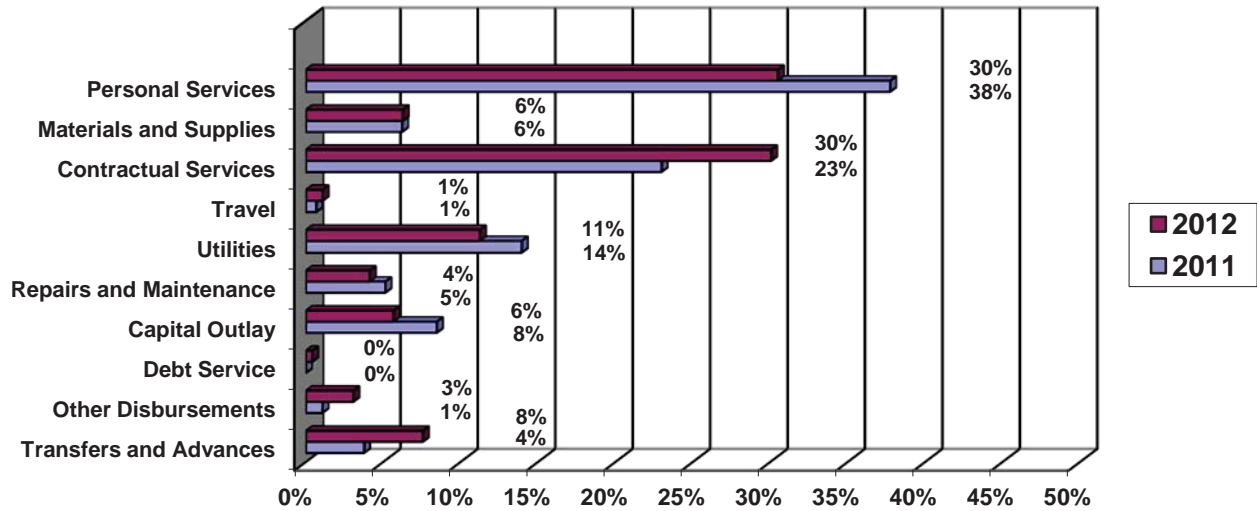
Proceeds from debt decreased from \$115,000 in 2011 to \$0 in 2012, a 100% decrease. The Economic Development Fund issued in 2011 an \$115,000 Bond Anticipation Note to the General Fund for the acquisition and installation of an access control system for the Airport's parking lot.

All other General Fund receipts remained moderately constant from 2011 to 2012.

Analysis of General Fund Disbursements for 2012 and 2011



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Total disbursements of the General Fund increased from \$1,591,298 in 2011 to \$1,867,671 in 2012, a 17% increase, primarily the result of 1) personal services disbursements that decreased from \$600,500 in 2011 to \$569,460 in 2012, a 5% decrease, 2) materials and supplies disbursements that increased from \$99,037 in 2011 to \$117,013 in 2012, a 18% increase, 3) contractual services disbursements that increased from \$365,581 in 2011 to \$561,362 in 2012, a 54% increase, 4) capital outlay disbursements that decreased from \$134,638 in 2011 to \$105,906 in 2012, a 21% decrease, 5) other disbursements that increased from \$17,136 in 2011 to \$57,406 in 2012, a 235% increase, and 6) interfund transfers-out that increased from \$59,918 in 2011 to \$141,187 in 2012, a 226% increase. A discussion of the components of the General Fund's disbursements follows.

The decrease in personal services disbursements was primarily the result of 1) the elimination of a position in the Accounting and Business Manager's department in 2012, 2) a decrease in the costs of employee health care benefits in 2012 due to the abovementioned position elimination, and 3) a decrease in retirement system costs in 2012 due to the abovementioned position elimination. These three conditions decreased personal services disbursements in 2012 from 2011 by approximately \$17,927, \$9,799, and \$3,782, respectively.

The increase in materials and supplies disbursements was primarily the result of 1) an increase in the cost of winter materials, such as liquid runway deicer, in 2012 by approximately \$11,100 over 2011 due to extended periods of inclement weather in 2012 and 2) an increase in the costs of miscellaneous materials and supplies used during the performance of certain of the Airport's non-essential annual maintenance programs in 2012 by approximately \$5,000 over 2011.

The increase in contractual services disbursements was primarily the result of 1) an increase in engineering costs in 2012 over 2011 due to an increase in engineering services required for the Airport's East Side Development Project, 2) an increase in legal costs in 2012 over 2011 due to an increased general need for professional legal services in 2012, 3) an increase in audit costs in 2012 over 2011 due to the timing of the performances and payments for the audits of the Port Authority's 2010 and 2011 annual financial reports, and 4) an increase in aviation consulting costs in 2012 over 2011 due to the Port Authority initiating in late 2011 an aggressive campaign to attract daily scheduled commercial air service by a major airline therein creating the need to have aviation consultants formulate presentations and proposals for Airport Management's discussions with the Airlines and to also represent and/or accompany Airport Management during its discussions with the Airlines and/or at Airline Conferences. These four conditions increased contractual services disbursements in 2012 from 2011 by approximately \$17,672, \$26,031, \$16,016, and \$72,856, respectively.

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The decrease in capital outlay was due to scheduling of capital improvement projects funded at 100% by the Airport.

The increase in other disbursements was primarily the result of the Port Authority making in 2012 a \$53,750 deposit on the acquisition of an air cargo building.

The increase in interfund transfers-out was the result of an additional \$81,269 in matching funds the Port Authority was required to contribute from its General Fund into its Federal Airport Improvement Program in 2012 over 2011 due to scheduling of capital improvement projects funded at 90% by the Port Authority's Airport Improvement Program Federal Assistance Grants.

All other General Fund disbursements remained moderately constant from 2011 to 2012.

Capital Assets and Debt Administration

Capital Assets - The Port Authority does not currently maintain tracking of its capital assets and infrastructure although Management anticipates acquiring software to begin this performance in 2014. However, the Port Authority does maintain an *Airport Capital Improvement Plan* and a *10-Year Master Plan* that collectively are the primary planning tools for systematically identifying, prioritizing, and estimating costs for critical development and associated capital needs of the Airport. In addition, the *Airport Capital Improvement Plan* presents the Airport's warranted and eligible capital assets and infrastructure needs as identified by the Airport's Sponsors, State of Ohio Aviation Officials, and the Federal Aviation Administration (FAA) and is contained in the FAA's National Plan of Integrated Airport Systems. The *10-Year Master Plan* is available for viewing on the Port Authority's Website at www.yngairport.com.

Capital Lease Obligations - The Port Authority financed the acquisition of a mower unit in 2008 through a leasing arrangement. This leasing arrangement meets the criteria of a capital lease as defined by FASB Statement No. 13 "Accounting for Leases", which defines a capital lease as one that transfers benefits and risks of ownership to the lessee. Future payments collectively to satisfy this capital lease obligation are \$977 due in 2013.

Debt Administration - The Port Authority's outstanding debt at December 31, 2012 for governmental activities is \$7,201,511, \$5,160,639 principal and \$2,040,872 interest, consisting of 1) \$75,000 of principal remaining for a zero-percent interest, general obligation loan from Trumbull County received on February 12, 2004, that was utilized to assist the Port Authority in providing an operational security deposit to Vacation Express Airlines necessary for the Airlines to begin its operations of providing direct commercial flights to Myrtle Beach, SC and to Orlando-Sanford Airport, FL, 2) \$3,545,000 of principal remaining for 20-year Airport Development Revenue Bonds with various interest rates from 2.125% to 4.625% issued in December 2011 to provide financial resources for the construction and/or improvement of Port Authority Airport facilities. Amounts needed to service this debt, including interest and fiscal charges, approximately 55% will be derived from Passenger Facility Charges that are assessed to each enplaning commercial airline passenger as approved by the Federal Aviation Administration and approximately 45% will be derived from revenues (fees, charges, and rents) generated from facilities of which the construction and/or improvement thereof were financed by the proceeds of the Bonds, 3) \$465,639 of principal remaining for a 10-year Development Revenue Bond, 2.84%, issued in 2012 to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the T-Hangar, and 4) \$1,075,000 of principal remaining for a 10-year Development Revenue Bond, 2.60%, issued in 2012 to provide financial resources for the acquisition of an air cargo building. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the air cargo building.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
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The Port Authority's outstanding debt (principal and interest) at December 31, 2012 for business-type activities is \$75,094,600, \$6,394,060 in capital lease payments due to the Director of the Ohio Department of Development as related to the Timken Latrobe Steel Distribution Project, \$3,095,263 in loan payments due to the Director of the Ohio Department of Development as related to the EXAL Corporation Project, \$1,426,513 in loan payments due to the Summit County Port Authority as related to the EXAL Corporation Project, and \$64,178,764 in loan payments due to the Director of the Ohio Department of Development as related to the Central Waste, Inc. Project. However, debt service obligations for the Timken, EXAL, and Central Waste, Inc. Projects are made directly from these companies to the trustees of such debt obligations and do not pass-through the Port Authority.

General Fund and Economic Development Fund Budgeting Highlights

The Port Authority's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances (budgetary basis of accounting). The *Statements of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual (Budget Basis)*, presents the Port Authority's estimated resources and appropriations for its major and non-major governmental funds and for its Economic Development Fund (proprietary fund). Budgeting highlights for the operating funds of the Port Authority's two major Divisions follow:

The General Fund had final budgeted receipts of \$1,853,401 while actual receipts were \$1,994,566 for a positive variance of \$141,165. The General Fund had final budgeted disbursements of \$1,980,708 while actual disbursements were \$1,922,949, for a positive variance of \$57,759.

The Economic Development Fund had final budgeted receipts of \$684,717 while actual receipts were \$364,901 for a negative variance of \$319,816. The negative variance was primarily the result of 1) \$225,000 in subsidies from the ED Division's funding partners that were anticipated to be received in late 2012 but were not received until early 2013 and 2) project fees anticipated to be received in 2012 but were not received until 2013 due to the timing of the closing of such projects. The Economic Development Fund had final budgeted disbursements of \$381,000 while actual disbursements were \$378,280 for a positive variance of \$2,720.

Current Issues

Aviation Division

Concurrent with the appointment of the Executive Director of Aviation in 2010 and recognizing that the Airport is underutilized, yet its non-terminal facilities are at occupancy capacity, the Port Authority formulated and began implementing aggressively the following three initiatives:

Commercial Air Service Development Initiative of which the goals and objectives are to attract additional leisure air service and daily regional business service to and from connecting hub airports. For the leisure and vacation traveling community, Republic Airways, DBA Frontier Airlines, is beginning charter "junket" service in February 2013 to such destinations as Atlantic City, NJ, Tunica, MS, and New Orleans, LA. In addition, the Airport is receiving consideration from Allegiant Air for future flights to such destinations as Fort Lauderdale, FL, New York, NY, and to Las Vegas, NV, potentially as early as the third quarter of 2014. For the business traveling community, the Airport has met with several airlines interested in servicing the Airport to and from such connecting hub airports as Washington-Dulles, Detroit-Metro, and Chicago O'Hare, potentially as early as the third quarter of 2014. In August 2012, the Department of Transportation awarded the Port Authority a \$780,000 Small Community Air Service Development Program Grant to reestablish regularly scheduled commercial air service at the Airport to a hub of a major U.S. airline in the East, Midwest, or Southeast U.S.. This grant, in combination with an additional \$420,000 in local cash contributions and \$480,000 of in-kind services, will be used to develop an airline revenue guarantee program to support the first 12 months of such air service by mitigating the initial business risk that a carrier will face in entering a new market.

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Management's Discussion and Analysis
For the Year Ended December 31, 2012

Corporate, General Aviation, and Other Aeronautical Development Initiative of which the goals and objectives are to satisfy present and anticipated demand for aeronautical facilities. Airport Management formulated a Plan for Development that, resultant of a multiphase process, identifies such demand and depicts proposed layouts of buildings, access, utilities, other necessary improvements, and a general use of land to accomplish the demand for the same. The first Project of the Plan for Development is the construction of the East Side Development Project, a designed / planned aircraft hangar and service facility development, for which the \$1.7 mil Phase I of the Project was completed in 2012 and included the construction of the first of three 14-unit T-Hangars.

In 2013, the Port Authority was awarded a \$110,000 Appalachian Regional Commission Grant to replace the Airport Terminal sanitary sewer line and to provide the same service to the East Side Development Project. In November 2013, the Port Authority issued a \$300,000 Development Revenue Bond for the construction of a wheeled-vehicle maintenance building, located within the East Side Development Project. An additional \$1.6 mil is committed toward Phase II of the Project, which is scheduled to be completed by 2014, including the construction of the second 14-unit T-Hangar. Design and engineering for the South Side Development Project, a planned aircraft hangar and service facility development, is scheduled for 2014 as well.

Air Cargo Development Initiative of which the goals and objectives are to establish domestic, national, and international air cargo and freight forwarding services at the Airport by implementing a cooperative strategy, that includes the Airport as a regional air cargo facility, with regional freight forwarders, shippers, consignees, and air cargo airlines that currently ship significant cargo to / from the area via other airports, that will result in shipping cargo more efficiently and at a lower cost. As mentioned previously, the Port Authority issued in December 2012, a \$1,075,000 in Development Revenue Bond for the acquisition of an existing air cargo building located on the Airport's Air Cargo Apron that will provide space to potential cargo facilitators.

Economic Development Division

Through 2012, the Port Authority obtained conduit debt financing in excess of \$92,000,000 for economic development projects within Mahoning and Trumbull Counties. In July 2013, the Port Authority issued \$60,000,000 in development revenue bonds to provide financial resources to Beulah Park Gaming Ventures for its construction of a racino entertainment complex and equipping and furnishing the same.

As 2012 was only the ED Division's third full-year of operations, the undertaking of other projects such as 1) assisting V&M Star with its \$650 million pipe mill construction project by purchasing the former Indalex property in Girard and leasing it to V&M for storage of construction materials during construction, 2) working with Trumbull County to become the lead agency in a countywide redevelopment plan to identify brownfield sites, and seeking state and federal funding for cleanup initiatives, and 3) spearheading a feasibility study to quantify how many businesses that could benefit from an intermodal facility located in the community, provide testimony to the ED Division's abilities and value to the community. In 2013, the Port Authority was awarded a \$600,000 U.S. Environmental Protection Agency Grant to assist with its brownfield sites initiative.

Contacting the Port Authority's Management

This financial report is designed to provide our users, citizens, taxpayers, creditors, and all other interested parties with a general overview of the Port Authority's finances and to reflect the Port Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ron Klinge, Chairman of the Board of Directors, Western Reserve Port Authority, Youngstown-Warren Regional Airport, 1453 Youngstown-Kingsville Road, NE, Vienna, Ohio, 44473.

Western Reserve Port Authority, Ohio
Statement of Net Position – Cash Basis
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,900,025	\$341,574	\$2,241,599
Net Position			
Restricted for:			
Capital Outlay	\$1,144,473	\$0	\$1,144,473
Debt Service	182,391	0	182,391
Other Purposes	2,150	0	2,150
Unrestricted	571,011	341,574	912,585
Total Net Position	\$1,900,025	\$341,574	\$2,241,599

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Activities – Cash Basis
For the Year Ended December 31, 2012

	Program Cash Receipts				Net Receipts (Disbursements) and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Personal Services	\$569,460	\$242,138	\$0	\$0	(\$327,322)	\$0	(\$327,322)
Materials and Supplies	117,013	49,755	0	0	(67,258)	0	(67,258)
Contractual Services	1,165,834	249,312	0	237,072	(679,450)	0	(679,450)
Conferences and Travel	20,203	8,591	0	0	(11,612)	0	(11,612)
Utilities	210,116	89,343	0	0	(120,773)	0	(120,773)
Repair and Maintenance	77,281	32,860	0	0	(44,421)	0	(44,421)
Capital Outlay	4,165,418	59,919	0	651,501	(3,453,998)	0	(3,453,998)
Debt Service	325,151	37,788	0	100,138	(187,225)	0	(187,225)
Other Cash Disbursements	76,600	24,439	0	1,355	(50,806)	0	(50,806)
Total Governmental Activities	6,727,076	794,145	0	990,066	(4,942,865)	0	(4,942,865)
Business-Type Activities							
Personal Services	263,970	5,731	135,417	0	0	(122,822)	(122,822)
Materials and Supplies	3,408	74	0	0	0	(3,334)	(3,334)
Contractual Services	63,502	1,379	0	0	0	(62,123)	(62,123)
Conferences and Travel	3,941	86	0	0	0	(3,855)	(3,855)
Facility Leases	1,625	35	0	0	0	(1,590)	(1,590)
Utilities	1,502	33	0	0	0	(1,469)	(1,469)
Other Cash Disbursements	30,536	662	0	0	0	(29,874)	(29,874)
Total Business-Type Activities	368,484	8,000	135,417	0	0	(225,067)	(225,067)
Total	\$7,095,560	\$802,145	\$135,417	\$990,066	(4,942,865)	(225,067)	(5,167,932)
General Receipts							
Grants and Entitlements not Restricted to Specific Programs					1,036,421	100,000	1,136,421
Investment Earnings					1,604	461	2,065
Proceeds from Debt					1,545,000	0	1,545,000
Repayment of Debt Issuance					0	115,000	115,000
Miscellaneous Receipts					255,415	6,023	261,438
Total General Receipts					2,838,440	221,484	3,059,924
Changes in Net Position					(2,104,425)	(3,583)	(2,108,008)
Net Position - January 1, 2012					4,004,450	345,157	4,349,607
Net Position - December 31, 2012					\$1,900,025	\$341,574	\$2,241,599

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2012

	General	Airport Improvement Program	Capital Projects	Other Funds	Total
Assets					
Equity in Pooled Cash and Cash Equivalents	\$571,011	\$47	\$965,955	\$363,012	\$1,900,025
Fund Balances					
Restricted					
Airport Capital Improvements	\$0	\$47	\$965,955	\$178,471	\$1,144,473
Debt Service	0	0	0	182,391	182,391
Deposits	0	0	0	2,150	2,150
Committed					
Encumbrances	55,279	0	0	0	55,279
Unassigned	515,732	0	0	0	515,732
Total Fund Balances	\$571,011	\$47	\$965,955	\$363,012	\$1,900,025

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Airport Improvement Program	Capital Projects	Other Funds	Total
Cash Receipts					
Fees and Charges for Services	\$406,981	\$0	\$0	\$0	\$406,981
Rental/Lease Income	387,164	0	0	0	387,164
Intergovernmental Receipts	1,036,421	881,514	0	0	1,917,935
Earnings on Investments	507	0	509	588	1,604
Other Cash Receipts	163,493	0	0	200,474	363,967
Total Cash Receipts	1,994,566	881,514	509	201,062	3,077,651
Cash Disbursements					
Personal Services	569,460	0	0	0	569,460
Materials and Supplies	117,013	0	0	0	117,013
Contractual Services	561,362	246,548	357,381	543	1,165,834
Conferences and Travel	20,203	0	0	0	20,203
Utilities	210,116	0	0	0	210,116
Repairs and Maintenance	77,281	0	0	0	77,281
Capital Outlay	105,906	700,231	3,325,595	33,686	4,165,418
Debt Service	7,737	0	115,000	202,414	325,151
Other Cash Disbursements	57,406	1,459	17,734	1	76,600
Total Cash Disbursements	1,726,484	948,238	3,815,710	236,644	6,727,076
Excess of Cash Receipts Over/(Under) Cash Disbursements	268,082	(66,724)	(3,815,201)	(35,582)	(3,649,425)
Other Financing Receipts and (Disbursements)					
Proceeds from Debt	0	0	1,545,000	0	1,545,000
Transfers-In	0	59,256	0	182,069	241,325
Transfers-Out	(141,187)	0	0	(100,138)	(241,325)
Total Other Financing Receipts and (Disbursements)	(141,187)	59,256	1,545,000	81,931	1,545,000
Net Changes in Fund Cash Balances	126,895	(7,468)	(2,270,201)	46,349	(2,104,425)
Fund Cash Balances - January 1, 2012	444,116	7,515	3,236,156	316,663	4,004,450
Fund Cash Balances - December 31, 2012	\$571,011	\$47	\$965,955	\$363,012	\$1,900,025

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Receipts, Disbursements, and Changes in Fund Balance -
Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Fees and Charges for Services	\$306,514	\$400,016	\$406,981	\$6,965
Rental/Lease Income	379,147	374,011	387,164	13,153
Intergovernmental Receipts	793,709	940,000	1,036,421	96,421
Earnings on Investments	0	0	507	507
Other Receipts	141,924	139,374	163,493	24,119
Total Receipts	1,621,294	1,853,401	1,994,566	141,165
Disbursements				
Personal Services	585,926	599,776	591,251	8,525
Materials and Supplies	83,805	123,405	121,126	2,279
Contractual Services	423,406	584,162	581,774	2,388
Conferences and Travel	14,745	20,245	20,203	42
Utilities	224,356	224,356	213,206	11,150
Repairs and Maintenance	69,237	85,737	82,911	2,826
Capital Outlay	19,894	110,399	106,109	4,290
Debt Service	65,172	13,501	7,737	5,764
Other Cash Disbursements	12,186	65,936	57,445	8,491
Total Disbursements	1,498,727	1,827,517	1,781,762	45,755
Excess of Receipts Over/(Under) Disbursements	122,567	25,884	212,804	186,920
Other Financing Sources/(Uses)				
Transfers-Out	(71,260)	(153,191)	(141,187)	12,004
Net Changes in Fund Balance	51,307	(127,307)	71,617	198,924
Fund Balance - January 1, 2012	405,897	405,897	405,897	0
Prior Year Encumbrances Appropriated	38,219	38,219	38,219	0
Fund Balance - December 31, 2012	\$495,423	\$316,809	\$515,733	\$198,924

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Receipts, Disbursements, and Changes in Fund Balance -
Budget and Actual (Budget Basis)
Airport Improvement Program Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental Receipts	\$881,514	\$881,514	\$881,514	\$0
Total Receipts	881,514	881,514	881,514	0
Disbursements				
Contractual Services	246,548	246,548	246,548	0
Capital Outlay	700,231	700,231	700,231	0
Other Disbursements	1,459	1,459	1,459	0
Total Disbursements	948,238	948,238	948,238	0
Excess of Receipts Over/(Under) Disbursements	(66,724)	(66,724)	(66,724)	0
Other Financing Sources/(Uses)				
Transfers-In	59,256	59,256	59,256	0
Net Changes in Fund Balance	(7,468)	(7,468)	(7,468)	0
Fund Balance - January 1, 2012	7,515	7,515	7,515	0
Fund Balance - December 31, 2012	\$47	\$47	\$47	\$0

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Basis Assets and Net Position
Proprietary Fund
Economic Development Fund
December 31, 2012

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$341,574</u>
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Net Position

Unrestricted	<u>\$341,574</u>
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See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Net Position
Proprietary Fund
Economic Development Fund
For the Year Ended December 31, 2012

Cash Receipts

Operating Cash Receipts

Fees and Charges for Services	\$3,000
Rental/Lease Income	5,000
Total Operating Cash Receipts	8,000

Cash Disbursements

Personal Services	263,970
Materials and Supplies	3,408
Contractual Services	63,502
Conferences and Travel	3,941
Facility Leases	1,625
Utilities	1,502
Other Cash Disbursements	30,536
Total Cash Disbursements	368,484

Operating Income (Loss)	(360,484)
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Non-Operating Cash Receipts

Intergovernmental Receipts	235,417
Earnings on Investments	461
Repayment of Debt Issuance	115,000
Other Receipts	6,023
Total Non-Operating Cash Receipts	356,901

Changes in Net Position	(3,583)
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Net Position - January 1, 2012	345,157
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Net Position- December 31, 2012	\$341,574
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See accompanying Notes to the Basic Financial Statements.

NOTE 1 – DESCRIPTION OF THE WESTERN RESERVE PORT AUTHORITY AND REPORTING ENTITY

Western Reserve Port Authority (the Port Authority) is a body corporate and politic created under the provisions of Revised Code Section 4582.202, and established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority operates under the direction of an appointed eight member Board of Directors established under the provisions of Revised Code Section 4582.27. The Mahoning County and Trumbull County Boards of County Commissioners each appoint four Directors. The purpose of the Port Authority is to stimulate and support activities that enhance, foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Mahoning and Trumbull Counties, or other activities authorized by Sections 13 and 16 of Article VIII, Ohio Constitution. An appointed Executive Director of Economic Development is responsible for the operation of the Port Authority's Economic Development Division. The Port Authority is also responsible for the safe and efficient operation and maintenance of the Youngstown-Warren Regional Airport (the Airport). An appointed Executive Director of Aviation is responsible for the operation of the Port Authority's Aviation Division.

Reporting Entity

The Port Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* regarding the definition of its financial reporting entity. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of all funds and departments that are not legally separate from the Port Authority.

Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board and 1) the Port Authority is able to significantly influence the programs or services performed or provided by the organization; 2) the Port Authority is legally entitled to or can otherwise access the organization's resources; 3) the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or 4) the Port Authority is obligated for the debt of the organization. Component units may also include organizations for which the Port Authority approves the budget, the issuance of debt, or the levying of taxes. The Port Authority has no component units and or other organizations whose activities are required to be presented in the Port Authority's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2(C), these financial statements are presented on a cash-basis of accounting. The cash-basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. Generally Accepted Accounting Principles (GAAP) include all relevant (GASB) pronouncements, which have been applied to the extent they are applicable to the cash-basis of accounting.

A. Basis of Presentation

The Port Authority's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements providing a more detailed level of financial information.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Port Authority as a whole. The statements distinguish between those activities of the Port Authority that are governmental and those that are considered business-type. The government-wide statement of net position presents the cash balances of the governmental and business-type activities of the Port Authority at year-end.

The government-wide statement of activities presents a comparison between direct disbursements with program receipts for each function or program of the Port Authority's governmental activities and business-type activities. Direct disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or government function is self-financing on a cash basis or draws from the Port Authority's general receipts.

Fund Financial Statements During the year, the Port Authority segregates transactions related to certain Port Authority functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Port Authority at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Fund financial statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements generally include costs of sales and services and administrative costs. All other receipts and disbursements are reported as non-operating. The fund statements for governmental funds and for the proprietary fund report receipts as either operating or non-operating and all disbursements are considered operating.

B. Fund Accounting

The Port Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Port Authority maintains two categories of funds: governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions of the Port Authority are financed. The following are the Port Authority's major governmental funds:

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund fund balance is available to the Port Authority for any purpose provided it is expended or transferred according to the general laws of Ohio.

Airport Improvement Program Fund This Fund accounts for the financial resources of the Port Authority's *Airport Improvement Program* Federal Assistance Grants. This Fund's receipts are received from the Federal Aviation Administration and local moneys representing matching requirements. These proceeds are only to be expended for construction and/or improvement of Port Authority Airport facilities.

Capital Projects Fund This Fund accounts for the financial resources of the Port Authority's *2011 and 2012 Airport Capital Improvement Programs*. This Fund's receipts are proceeds from the sale of the Port Authority's Development Revenue Bonds, Series 2012(A), as described in Note 13, and Development Revenue Bonds, Series 2012(B), as described in Note 14. These proceeds are only to be expended for acquisition, construction, and/or improvement of Port Authority Airport facilities.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Other governmental funds of the Port Authority are non-major funds and are used to account for grants and other resources whose use is restricted to a particular purpose. These non-major funds are presented collectively in the accompanying financial statements.

Proprietary Fund A fund financed primarily from user charges for goods or services is classified as proprietary. The Port Authority maintains one proprietary fund that is classified as an enterprise fund.

Economic Development Fund This Fund accounts for the financial resources of the Port Authority's *Economic Development Division*. This Fund's receipts are primarily contributions received from other governmental units and community organizations for advancing economic development within Mahoning and Trumbull Counties and from the Port Authority's *Western Reserve Economic Development Initiative* Federal Assistance Grant received from the Small Business Administration.

C. Basis of Accounting

The Port Authority's financial statements are prepared using the cash-basis of accounting. Except for modifications having substantial support, receipts are recorded in the Port Authority's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in the Port Authority's financial records and reported in the financial statements when cash is paid rather than when a liability is incurred. Any such modifications made by the Port Authority are described in the appropriate section in the notes.

As a result of the use of this cash-basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Cash and Cash Equivalents

To improve cash management, cash received by the Port Authority is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Port Authority records. Each fund's interest in this pool is valued at cost and is presented in the statement of net position as "equity in pooled cash and cash equivalents".

The Port Authority maintained the cash balances of its funds in interest and non-interest bearing checking accounts. Interest earned from these accounts during 2012 amounted to \$2,065 of which \$507 was credited to the General Fund. A non-interest bearing checking account is maintained due to regulations prohibiting the Port Authority from earning interest on available cash balances received from several of its federal financial assistance grants.

An analysis of the Port Authority's equity in pooled cash and cash equivalents at December 31, 2012 is provided in Note 4.

E. Prepaid Items

On the cash-basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2012 are reported as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

F. Inventory

On the cash-basis of accounting, inventories of fuel, oil, and supplies are reported as disbursements when purchased. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

On the cash-basis of accounting, acquisitions of property, plant, and equipment are reported as disbursements when purchased. These items are not reflected as assets in the accompanying financial statements.

H. Long-Term Obligations

On the cash-basis of accounting, proceeds from long-term debt are reported when cash is received and the subsequent debt service principal and interest payments are reported when paid. These long-term debt obligations are not reflected as liabilities in the accompanying financial statements. In addition, on the cash-basis of accounting, payments for other long-term obligations such as capital leases are reported when paid. These long-term obligations are not reflected as liabilities in the accompanying financial statements.

I. Accumulated Leave Time

In certain circumstances, such as separation of employment or retirement, employees are entitled to cash payment for unused leave time. On the cash-basis of accounting, unpaid leave time is not reflected as a liability in the accompanying financial statements.

J. Fund Balances

Following the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Port Authority divides fund balances into five classifications based primarily on the extent to which the Port Authority is bound to observe constraints imposed upon the use of the resources in its funds. Following are such classifications:

Nonspendable A nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted in cash (such as inventory).

Restricted A restricted fund balance includes amounts that can only be spent for specific purposes due to constraints that are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

Committed A committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is “restricted” by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned An assigned fund balance includes amounts intended to be used for specific purposes but do not meet the criterion to be classified as restricted nor committed. In funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Directors.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. In other funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which the amounts have been restricted, committed, or assigned. The deficit fund balance will be reported as a negative amount in the unassigned classification for that fund.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The Port Authority applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balances are available. Similarly, with unrestricted fund balance, committed amounts are reduced first followed by assigned, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Net Position Restrictions

Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions, enabling legislation (adopted by the Port Authority), or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net position reports \$1,329,014 of net position restricted for governmental activities, \$178,518 that is restricted by agreements with grantors, \$1,148,346 that is restricted by the covenants of the Port Authority's Development Revenue Bonds, Series 2011, (\$965,955 for construction and/or improvement of Port Authority Airport facilities and \$182,391 for debt service requirements), and \$2,150 that is restricted by deposit agreements with prospective t-hangar tenants. The net position for business-type activities is not restricted.

The Port Authority first applies restricted resources when incurring an expense for which it may use either restricted or unrestricted resources.

L. Interfund Activity

Non-exchange flows of cash from one fund to another are reported in the financial statements as interfund transfers. The Port Authority maintains certain federal programs that require the Port Authority to contribute local resources (matching funds) to support these programs. The Port Authority complied with the matching requirements of these programs by transferring \$59,256 from the General Fund into the Airport Improvement Program Fund. Also, the Port Authority facilitates its debt service obligations of the Development Revenue Bonds, Series 2011, through the debt service fund. The Port Authority provided the funding to meet such obligations by transferring \$81,931 from the General Fund and \$100,138 from the PFC Fund into the Debt Service Fund. Interfund transfers are reflected as other financing sources/(uses) in the accompanying financial statements.

M. Budgetary Process

The Ohio Revised Code requires the Board of Directors to annually prepare a budget for the Port Authority. The Port Authority's annual budget, which is prepared on the budgetary basis of accounting, presents the Port Authority's estimated resources and appropriations for its funds for the current year, and includes outstanding encumbrances appropriated from prior years. The annual budget is reflected in the accompanying financial statements and is presented separately for each of the Port Authority's major funds and collectively for its non-major funds. The amounts presented in the *Original Budgeted Amounts* column of the budgetary statements reflect the Board of Directors' annual budget. The amounts presented in the *Final Budgeted Amounts* column of the budgetary statements reflect the Board of Directors' final budget resolution for the year.

Estimated resources in the budget include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. Estimated resources establish a limit on the amount the Board of Directors may appropriate. Estimated resources may be adjusted during the year if the Board of Directors projects increases or decreases in receipts.

The appropriations in the budget are the Port Authority's authorization to spend resources and set limits on expenditures plus encumbrances at the level of control selected by the Board of Directors. The legal level of control has been established by the Board of Directors at the function level for its funds. Any budgetary modifications at this level may only be made by resolution of the Board of Directors. The Board of Directors may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources.

L. Accounting of Conduit Debt Activity

As discussed in Notes 9, 10, and 11, the Port Authority issued debt in prior years to provide financial resources for the Timken Latrobe Steel Distribution Project, the EXAL Corporation Project, and the Central Waste, Inc. Project, that allowed these companies to retain and expand their local operations. Debt service payments required to satisfy all obligations are made directly from these companies to respective trustees. Since these payments do not flow-through the Port Authority and since these payments do not have an effect on the fund balances/net position of the Port Authority, such debt service activity is not reflected in the financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2012, the Port Authority has implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans.

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The implementation of GASB Statement No. 57, GASB Statement No. 60, GASB Statement No. 62, GASB Statement No. 63, and GASB Statement No. 64 did not affect the presentation of the financial statements and did not have an effect on the fund balances/net position of the Port Authority as previously reported at December 31, 2011.

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes require the classification of funds held by the Port Authority into three categories. Active deposits are public deposits determined to be necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority treasury, 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 not required for use within the current five-year period of designation of depositories as identified by the Port Authority Board of Directors. 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, which 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 accounts, including passbook accounts.

Protection of Port Authority deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Port Authority's Board Secretary by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or by any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two-percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or other Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The Port Authority may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds and other obligations guaranteed by the United States;
2. Discount notes of the Federal National Mortgage Association;
3. Bonds of the State of Ohio; and
4. Bonds of any municipal corporation, village, county, township, or other political subdivision of the State of Ohio, as to which there is no default of principal, interest, or coupons.

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 Port Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institution. Payment for investments may be made only upon delivery of the securities representing the investments to the Port Authority's Board Secretary or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At December 31, 2012, the Port Authority had \$1,000 of undeposited cash on hand.

B. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of the Port Authority's deposits was \$2,240,599 and the bank balance was \$2,364,615. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2012, \$1,368,986 of the Port Authority's bank balance was covered by Federal Deposit Insurance while \$995,629 of the Port Authority's bank balance was exposed to custodial credit risk as discussed below.

Custodial Credit Risk Custodial credit risk is the risk that in the event of bank failure, the Port Authority's deposits may not be returned. Protection of the Port Authority's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the institution holding the assets. The Port Authority has no policy on custodial credit risk and is governed by the Ohio Revised Code. Ohio Law requires that deposits be placed in eligible banks or savings and loan institutions located in Ohio. Any public depository in which the Port Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other legal constituted authority of any other state, or 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.

C. Investments

The Port Authority did not maintain any investments in 2012.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

D. Reconciliation of Cash and Investments to the Statement of Net Position

<u>Cash and Investments per Footnote</u>	
Undeposited Cash on Hand	\$1,000
Carrying amount of deposits with financial institutions	<u>2,240,599</u>
Total	<u>\$2,241,599</u>
 <u>Equity in Pooled Cash and Cash Equivalents Per Statement of Net Position</u>	
Governmental Activities	\$1,900,025
Business-Type Activities	<u>341,574</u>
Total	<u>\$2,241,599</u>

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statements of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual (Budget Basis) for the Port Authority’s funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year-end encumbrances are treated as expenditures (budgetary basis) rather than a constraint of fund balance (cash basis).

General Fund, Capital Projects Fund, PFC Fund, and Economic Development Fund encumbrances outstanding at December 31, 2012 (budgetary basis) amounted to \$55,278, \$84,161, \$20,415, and \$9,797, respectively.

NOTE 6 – CAPITAL LEASE OBLIGATIONS

The Port Authority financed the acquisition of a truck in 2007 through a leasing arrangement (cost/principal \$22,018, 60-month term, 6.75%); financed the acquisition of four HVAC units in 2007 through a leasing arrangement (cost/principal \$27,350, 60-month term, 6.08%); financed the acquisition of a mower unit in 2008 through a leasing arrangement (cost/principal \$10,525, 60-month term, 5.93%); and financed the acquisition of a copier in 2012 through a leasing arrangement (cost/principal \$14,333, 63-month term, 23.15%). All of these leasing arrangements meet the criteria of capital leases as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

Payments totaling \$9,875 were made in 2012 to satisfy current requirements of the leases. The capital lease obligations of the truck and the four HVAC units were fulfilled in 2012. The copier was initially leased and was subsequently purchased in 2012.

Future payments for the capital lease obligations of the mower unit follow:

Year	Amount
2013	<u>\$977</u>

NOTE 7 – TRUMBULL COUNTY – GENERAL OBLIGATION LOAN

In 2004, the Port Authority received a \$150,000, zero-percent interest, general obligation loan from Trumbull County that was utilized to assist the Port Authority in providing an operational security deposit to Vacation Express Airlines necessary for the Airlines to begin its operations of providing direct commercial flights to Myrtle Beach, South Carolina and to Orlando-Sanford Airport, Florida.

Although payment was not required in 2012, the Port Authority repaid \$75,000 prior to 2012. The remaining payment of \$75,000 is required January 2013.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 8 – BOND ANTICIPATION NOTE OBLIGATION – ECONOMIC DEVELOPMENT FUND

In 2011, the Economic Development Fund issued an \$115,000, zero-percent interest, bond anticipation note to the General Fund that was utilized for the installation of a parking access control system at the Airport. Repayment of \$115,000 was made in 2012 from the proceeds of the Development Revenue Bonds (Series 2011) from the Capital Project Fund to the Economic Development Fund discussed in Note 12 to satisfy the requirements of the Note.

NOTE 9 – CONDUIT DEBT OBLIGATION – TIMKEN LATROBE STEEL DISTRIBUTION PROJECT

In 2000, the Port Authority participated with the State of Ohio, through the Director of the Ohio Department of Development (Director), in the Timken Latrobe Steel Distribution (Timken) Project (Project) that consisted of assisting Timken retain and expand its operations in the Mahoning Valley by providing financial resources to Timken to acquire a site, construct a building, and equip and furnish the same. The Port Authority's involvement in the Project consisted of obtaining a \$150,000 Development Grant from the Ohio Department of Development (ODOD). The Director obtained \$6,185,000 in State Economic Development Revenue Bonds (8.64% - 20 years) through the Ohio Enterprise Bond Fund Program, and obtained a \$3,000,000 Loan (2% - 20 Years) from ODOD's 166 Direct Loan Program.

The Port Authority passed through the proceeds of the Grant to the Director who administered the Project and retained ownership of the land, improvements, facilities, and equipment.

The Director let a 20-year capital lease to the Port Authority for the land, improvements, facilities, and equipment. The Port Authority subleased the same to Timken who makes monthly lease payments directly to the Director to meet amounts needed to service the debt, including interest and fiscal charges, on the Bonds and the Loan. In the event of default by Timken, the Port Authority shall not have any liability under or in respect of its performances of the lease agreement. At such time, the Director will terminate the lease agreement and exclude the Port Authority from possession of the Project.

Payments totaling \$854,468 were made by Timken in 2012 to satisfy current principal and interest requirements of the Lease.

Future lease payments paid by Timken to the Director follow:

Year	Amount
2013	\$858,502
2014	858,129
2015	858,386
2016	860,402
2017	863,965
2018 – 2020	<u>2,094,676</u>
Total	<u>\$6,394,060</u>

NOTE 10 – CONDUIT DEBT OBLIGATION – EXAL CORPORATION PROJECT

In 2006, the Port Authority participated with the State of Ohio, through the Director of the Ohio Department of Development (Director), and the Summit County Port Authority (SC Port Authority) in the EXAL Corporation (EXAL) Project (Project) that consisted of assisting EXAL expand its operations in the Mahoning Valley by providing financial resources to EXAL for the construction of a 178,000 square foot manufacturing facility and equipping and furnishing the same.

The Director obtained \$5,000,000 in State Economic Development Revenue Bonds (5.42% - 10 Years) through the Ohio Enterprise Bond Fund Program, and obtained a \$2,000,000 Loan (3% - 10 Years) from ODOD's 166 Direct Loan Program. The SC Port Authority obtained \$3,000,000 in Economic Development Revenue Bonds (5.75% - 10 Years) through the Summit County Bond Fund Program.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The Port Authority's involvement in the Project consisted of receiving the proceeds of the Bonds and the Loan and passing through those proceeds to EXAL. Semiannual payments by EXAL to the Director and the SC Port Authority meet the amounts needed to service the debt, including interest and fiscal charges, on the Bonds and the Loan. In the event of default by EXAL, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bonds and Loan. The Bonds and the Loan are secured on a pari passu, shared first mortgage, on the property/assets acquired by EXAL from the proceeds of the Bonds and the Loan. Payments totaling \$1,291,324 were made by EXAL in 2012 to satisfy current principal and interest requirements of the Bonds and Loan.

Future debt service of principal and interest to be paid by EXAL to the Director follow:

Year	Amount
2013	\$890,818
2014	890,671
2015	888,917
2016	<u>424,857</u>
Total	<u>\$3,095,263</u>

Future debt service of principal and interest to be paid by EXAL to the Summit County Port Authority follow:

Year	Amount
2013	\$403,569
2014	404,019
2015	413,175
2016	<u>205,750</u>
Total	<u>\$1,426,513</u>

NOTE 11 – CONDUIT DEBT OBLIGATION – CENTRAL WASTE, INC. PROJECT

In 2007, the Port Authority participated with the State of Ohio, through the Director of the Ohio Department of Development (Director), in the Central Waste, Inc. (Central Waste) Project (Project) that consisted of assisting Central Waste expand its operations in the Mahoning Valley by providing financial resources to Central Waste to establish a solid waste landfill including costs for site acquisition, construction and installation of solid waste disposal facilities, and related equipment purchases.

The Port Authority's involvement in the Project consisted of obtaining \$40,000,000 in Solid Waste Facility Revenue Bonds (Series 2007(A)) (\$12,750,000 @ 6.1% - 20 years and \$27,250,000 @ 6.35% - 20 years) through the Ohio Enterprise Bond Fund, and obtaining \$5,000,000 in Subordinate Solid Waste Facility Revenue Bonds (Series 2007(B)) (7.25% - 20 years) through the Ohio Enterprise Bond Fund. The Port Authority passed through the proceeds of the Bond issuances to the Director who administered the Project.

The Director let a 20-year loan to Central Waste for site acquisition, construction and installation of solid waste disposal facilities, and equipment purchases. Annual payments by Central Waste to the to the Director meet the amounts needed to service the debt, including interest and fiscal charges, on the Bonds. In the event of default by Central Waste, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bonds. The Bonds are secured by a first mortgage on the property/assets acquired by Central Waste from the proceeds of the Bonds.

Payments totaling \$4,297,225 were made by Central Waste in 2012 to satisfy current principal and interest requirements of the Bonds.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Future debt service of principal and interest to be paid by Central Waste to the Director follow:

Year	Amount
2013	\$4,297,118
2014	4,295,795
2015	4,297,895
2016	4,297,808
2017	4,295,228
2018 – 2022	21,351,820
2023 – 2027	<u>21,343,100</u>
Total	<u>\$64,178,764</u>

NOTE 12 – DEVELOPMENT REVENUE BONDS (SERIES 2011) – SPECIAL OBLIGATION

In 2011, pursuant to a Cooperative Agreement, dated November 1, 2011, between the Port Authority, Mahoning County, and Trumbull County, the Port Authority issued \$3,610,000 in Development Revenue Bonds (Series 2011) (various rates from 2.125% to 4.625%, 20 years) to provide financial resources for the construction and/or improvement of Port Authority Airport facilities.

Of the amounts needed to service the debt on the Bonds, including interest and fiscal charges, approximately 55% will be derived from Passenger Facility Charges that are assessed to each enplaning commercial airline passenger as approved by the Federal Aviation Administration and approximately 45% will be derived from revenues (fees, charges, and rents) generated from facilities of which the construction and/or improvement thereof were financed by the proceeds of the Bonds. In the event of default by the Port Authority, Mahoning County and Trumbull County have agreed, severally not jointly, to satisfy current debt service requirements on the Bonds.

Payments totaling \$202,414 were made in 2012 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	General Fund	PFC Fund	Total
2013	\$120,507	\$147,287	\$267,794
2014	121,002	147,892	268,894
2015	121,430	148,414	269,844
2016	122,341	149,528	271,869
2017	120,383	147,135	267,518
2018 – 2022	604,457	738,781	1,343,238
2023 – 2027	606,659	741,472	1,348,131
2028 – 2031	<u>547,605</u>	<u>669,295</u>	<u>1,216,900</u>
Total	<u>\$2,364,384</u>	<u>\$2,889,804</u>	<u>\$5,254,188</u>

NOTE 13 – DEVELOPMENT REVENUE BOND (SERIES 2012(A)) – T-HANGAR CONSTRUCTION PROJECT

In August 2012, the Port Authority issued a \$470,000 Development Revenue Bond (Series 2012(A)) (2.84%, 20 years amortization, 10 years repayment plus balloon payment) to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the T-Hangar.

Payments totaling \$7,737 were made in 2012 to satisfy current principal and interest requirements of the Bond.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Future debt service of principal and interest follow:

Year	Amount
2013	\$30,947
2014	30,947
2015	30,947
2016	30,947
2017	30,947
2018 – 2022	<u>416,232</u>
Total	<u>\$570,966</u>

NOTE 14 – DEVELOPMENT REVENUE BOND (SERIES 2012(B)) – AIR CARGO BUILDING ACQUISITION

In December 2012, the Port Authority issued a \$1,075,000 Development Revenue Bond (Series 2012(B)) (2.60%, 20 years amortization, 10 years repayment plus balloon payment) to provide financial resources for the acquisition of an air cargo building. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the air cargo building.

Payments to satisfy current principal and interest requirements of the Bond begin February 2013.

Future debt service of principal and interest follow:

Year	Amount
2013	\$63,448
2014	69,216
2015	69,216
2016	69,216
2017	69,216
2018 – 2022	346,081
2023	<u>614,965</u>
Total	<u>\$1,301,358</u>

NOTE 15 – PENSION PLANS

Plan Description The Port Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The *Traditional Pension Plan* is a cost-sharing, multiple-employer defined benefit pension plan. The *Member-Directed Plan* is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% 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 thereon. 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 in nature to the *Traditional Pension Plan* benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension* and *Combined Plans*. Members of the *Member-Directed Plan* do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy The Ohio Revised Code provides statutory authority for employee and employer contributions and currently limits the employer contribution to a rate not to exceed 14% of covered payroll and the employee contribution to a rate not to exceed 10% of covered payroll. For 2012, employee and employer contribution rates were consistent across all three *Plans*. Employer contribution rates are actuarially determined.

For 2012, the employee contribution rate was 10% of covered payroll and the Port Authority's contribution rate was 14% of covered payroll. A portion of the Port Authority's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For 2012, 10.0% of covered payroll was used to fund pension obligations and 4% of covered payroll was used to fund health care benefits. The Port Authority's contributions allocated to fund pension obligations for the years ending December 31, 2012, 2011, and 2010 were \$112,657, \$75,194, and \$85,657, respectively. In January 2013, the Port Authority made a \$19,002 contribution to satisfy its 2012 pension obligations.

NOTE 16 – POSTRETIREMENT BENEFIT PLANS

Plan Description OPERS maintains a cost-sharing, multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, a prescription drug program, and Medicare Part B Premium reimbursement, to qualifying members of both the *Traditional Pension* and the *Combined Plans*. Members of the *Member-Directed Plan* do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the *Traditional Pension* and *Combined Plans* must have 10 or more years of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the *Traditional Pension* or *Combined Plans* is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, the Port Authority contributed 14% of covered payroll. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2012, the Port Authority's contribution allocated to the post-employment healthcare plan was 4.0% of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ending December 31, 2012, 2011, and 2010, were \$22,531, \$15,039, and \$23,017, respectively. In January 2013, the Port Authority made a \$3,800 contribution to satisfy its 2012 post-employment health care benefits obligations.

Other Information Changes to the healthcare plan were adopted by the OPERS Retirement Board on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under Senate Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate the 4 percent rate of the employer contributions toward the health care fund after the end of the transition period.

NOTE 17 – CONTINGENT LIABILITIES

A. Pending Litigation

The Port Authority is a party to legal proceedings. However, Port Authority management is of the opinion that ultimate disposition of these claims and proceedings will not have a material effect, if any, on the overall financial position of the Port Authority.

B. Grant Compliance

The Port Authority receives assistance from federal agencies in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims, including amounts already received, resulting from such audits could become a liability of the General Fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Port Authority at December 31, 2012.

NOTE 18 – RISK MANAGEMENT

The Port Authority is exposed to various risks of loss to torts; thefts of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disaster. The Port Authority maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general airport liability. Vehicle policies include liability coverage for bodily injury and property damage. Real property and building contents are 90% coinsured.

The Port Authority has also obtained commercial insurance for its general liability risks and its public officials' liability risks. The Port Authority provides health insurance, dental, and vision coverage to full-time employees through a private carrier.

Workers' compensation is provided by the State of Ohio. The Port Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 19 – COMPLIANCE

Contrary to Ohio Revised Code Section 5705.41(B), the following fund had actual expenditures in excess of final appropriations at the legal level of budgetary control:

	Final Appropriations	Actual Expenditures	Variance
Proprietary Fund:			
Economic Development Fund			
Other Cash Disbursements	\$ 2,000	\$ 30,536	\$ (28,536)

Management has indicated that appropriations and corresponding expenditures will be closely monitored to ensure no future violations occur.

NOTE 20 – SUBSEQUENT EVENTS

In November 2013, the Port Authority issued a \$300,000 Development Revenue Bond (Series 2013(A)) (2.97%, 20 years amortization, 10 years repayment plus balloon payment) to provide financial resources for the construction of a wheeled-vehicle maintenance building. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the wheeled-vehicle maintenance building.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Entity/Grant Identifying Number	Receipts	Expenditures
<u>U.S. Department of Transportation</u>				
<i>Federal Aviation Administration:</i>				
Airport Improvement Program	20.106	3-39-0096-4011	\$ 881,514	\$ 888,982
Total U.S. Department of Transportation			<u>881,514</u>	<u>888,982</u>
<u>U.S. Department of Commerce</u>				
<i>Small Business Administration:</i>				
Western Reserve Economic Development Initiative	59.xxx	SBAHQ-11-I-0029	135,417	135,417
Total U.S. Department of Commerce			<u>135,417</u>	<u>135,417</u>
Total Receipts and Expenditures of Federal Awards			<u>\$ 1,016,931</u>	<u>\$ 1,024,399</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes the activity of the Port Authority's federal awards programs. The Schedule is presented on the cash basis of accounting.

NOTE 2: MATCHING REQUIREMENTS

The Port Authority maintains certain federal programs that require the Port Authority to contribute non-federal resources (matching funds) to support these federal programs. The Port Authority has complied with the matching requirements of these federal programs. However, the expenditure of the non-federal matching funds is not included on the Schedule.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2012**

Passenger Facility Charges Collected	\$ 172,511
Interest Earnings	<u>548</u>
Total	173,059
Passenger Facility Charges Expended	<u>(108,552)</u>
Decrease in Unexpended Passenger Facility Charges	64,507
Unexpended Passenger Facility Charges - January 1, 2012	<u>113,964</u>
Unexpended Passenger Facility Charges - December 31, 2012	<u>\$ 178,471</u>

See accompanying Note to the Schedule of Passenger Facility Charges Collected and Expended.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTE TO THE SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED
AND EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2012**

The Aviation Safety and Capacity Expansion Act of 1990 and its implementing Regulation, 14 CFR Part 158, provide airports with the ability to obtain funds for improvement projects by assessing a \$1, \$2, \$3, \$4, or \$4.50 Passenger Facility Charge (PFC) for each enplaning commercial airline passenger (passenger). Each airport choosing to assess PFCs must make an application with the Federal Aviation Administration of the U.S. Department of Transportation (FAA) to obtain approval for the PFC amount that will be assessed each passenger and for the improvement projects that PFCs collected may be expended for. Upon such approval, commercial airlines are then required to collect PFCs from passengers and remit them to the assessing airport, net of allowable processing fees incurred by the commercial airlines.

The Western Reserve Port Authority (Port Authority), for its operation of the Youngstown-Warren Regional Airport (the Airport), has been granted FAA approval for its Application #6, which allows the Airport to assess a PFC for each passenger at a rate of \$4.50 through January 1, 2033.

The accompanying Schedule of Passenger Facility Charges Collected and Expended (the Schedule) was prepared to comply with regulations issued by the FAA (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 PFCs to commercial airlines. However, the Schedule is presented on the cash basis of accounting. Under the cash basis of accounting, the Port Authority records PFCs as collected when received from an airline rather than when earned (assessed) and records PFCs as expended when cash is paid rather than when a liability is incurred.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of 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**

Board of Directors
Western Reserve Port Authority

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Western Reserve Port Authority, Trumbull County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Western Reserve Port Authority, Ohio's basic financial statements, and have issued our report thereon dated July 28, 2014, wherein we noted that the Western Reserve Port Authority, Ohio, uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Western Reserve Port Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Western Reserve Port Authority, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Western Reserve Port Authority, Ohio's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Western Reserve Port Authority, Ohio's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Western Reserve Port Authority, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Western Reserve Port Authority, Ohio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,
CPA, President
James G. Zupka, CPA, Inc.
Certified Public Accountants

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.08.07 16:44:39 -04'00'

July 28, 2014

JAMES G. ZUPKA, C.P.A., INC.

*Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Board of Trustees
Western Reserve Port Authority

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Western Reserve Port Authority, Trumbull County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Western Reserve Port Authority, Ohio's major federal program for the year ended December 31, 2012. The Western Reserve Port Authority, Ohio's major federal program is identified in the *Summary of Auditor's Results Section* of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Western Reserve Port Authority, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Western Reserve Port Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Western Reserve Port Authority, Ohio's compliance.

Opinion on the Major Federal Program

In our opinion, the Western Reserve Port Authority, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2012-001**. Our opinion on its major federal program is not modified with respect to this matter.

The Western Reserve Port Authority, Ohio's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Western Reserve Port Authority, Ohio's response is not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Western Reserve Port Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Western Reserve Port Authority, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Western Reserve Port Authority, Ohio's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,
CPA, President

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Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.08.07 16:44:57 -04'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

July 28, 2014

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Trustees
Western Reserve Port Authority

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program

We have audited the Western Reserve Port Authority, Trumbull County, Ohio's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its Passenger Facility Charge Program for the year ended December 31, 2012.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its Passenger Facility Charge Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Western Reserve Port Authority, Ohio's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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 Western Reserve Port Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Passenger Facility Charge Program

In our opinion, the Western Reserve Port Authority, Ohio complied, in all material respects, with the compliance requirements referred to above that are applicable to its Passenger Facility Charge Program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Western Reserve Port Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Western Reserve Port Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on the Passenger Facility Charge Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Passenger Facility Charge Program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Western Reserve Port Authority, Ohio's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of the Passenger Facility Charge Program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with compliance requirements of the Passenger Facility Charge Program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with compliance requirements of the Passenger Facility Charge Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA,
President
James G. Zupka, CPA, Inc.
Certified Public Accountants

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July 28, 2014

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unmodified
2012(ii)	Were there any control weaknesses reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2012(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2012(v)	Type of Major Programs' Compliance Opinions	Unmodified
2012(vi)	Are there any audit findings under .510?	Yes
2012(vii)	Major Programs (list): Airport Improvement Program - CFDA #20.106	
2012(viii)	Dollar Threshold: A/B Programs	Type A: \$300,000 Type B: All Others
2012(ix)	Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
DECEMBER 31, 2012
(CONTINUED)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding No. 2012-001 - Material Non-Compliance - Submission of the Data Collection Form and Reporting Package

CFDA Title and Number: Airport Improvement Program - CFDA #20.106
Federal Award Year: 2012
Federal Agency: Federal Aviation Administration
Pass-Through Agency: None - Direct Award

Statement of Condition/Criteria:

OMB Circular A-133 Section 200(b) states that non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with Section 500, except when they elect to have a program-specific audit conducted in accordance with paragraph (c) of this Section.

OMB Circular A-133 Section 320(a) states that the audit shall be completed and the Data Collection Form described in paragraph (c) of this Section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The Western Reserve Port Authority did not file its December 31, 2012 Data Collection Form and reporting package within the nine month time frame.

Cause

The Western Reserve Port Authority had two separate accounting performances, one for the Aviation Division and another for the Economic Development Division. Furthermore, the audit report for the fiscal year ended December 31, 2011 had not been finalized.

Effect

The Western Reserve Port Authority is not in compliance with Federal guidelines regarding the timely submission of its Data Collection Form and reporting package.

Recommendation

We recommend that the Western Reserve Port Authority comply with OMB Circular A-133 Section 320 and submit its Data Collection Form and reporting package within the required time frame.

Client Response - Corrective Action Plan

The Western Reserve Port Authority consolidated its accounting performances into one Department, thereby facilitating the timely preparation and filing of its annual financial report and other financial documentation pursuant to applicable laws and regulations.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain.
2011-001	Submission of the Data Collection Form and Reporting Package	No	Not Corrected; Repeated as Finding 2012-001.

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

WESTERN RESERVE PORT AUTHORITY

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2014**