

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

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

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





# Dave Yost • Auditor of State

Board of Directors  
Western Reserve Port Authority  
240 North Champion Street  
Youngstown, Ohio 44503

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, 2016 through December 31, 2016. 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.

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Dave Yost  
Auditor of State

October 31, 2017

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**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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## **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 cash basis financial statements of the business-type activities and each major fund of the Western Reserve Port Authority, Trumbull County, Ohio (Port Authority), as of and for the year ended December 31, 2016, 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 business-type activities and each major fund of the Western Reserve Port Authority, Ohio, as of December 31, 2016, and the respective changes in the cash basis financial position 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 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. The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Schedule of Passenger Facility Charges Collected and Expended is required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. The Schedule of Receipts and 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.

The Schedule of Receipts and 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, the Schedule of Receipts and 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 Information***

We applied no procedures to the Management's Discussion and Analysis as listed in the table of contents. Accordingly, 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, 2017, 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.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style.

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

July 28, 2017

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**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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The Management's Discussion and Analysis of the Western Reserve Port Authority's (Port Authority) financial performance provides an overall narrative review and analysis of the Port Authority's financial activities for the year ended December 31, 2016, 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).

**Using the Basic Financial Statements**

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

**Report Components**

The *Statement of Net Position-Cash Basis* and the *Statement of Activities-Cash Basis* 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 Fund Net Position - Cash Basis* and the *Statement of Receipts, Disbursements, and Changes in Fund Net Position - Cash Basis* present financial information by fund.

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.

**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), certain liabilities and their related expenses (such as accounts payable), and deferred inflows/outflows of resources 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.

**WESTERN RESERVE PORT AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Financial Highlights**

Key financial highlights for 2016 are as follows:

Net position of business-type activities at December 31, 2016 decreased \$270,440, or 16 percent, a moderate decrease from December 31, 2015. This was primarily the result of:

- 1) the Port Authority Fund realizing in 2016 a decrease in net position of \$287,132, or 51 percent, from 2015 due primarily to a decrease of \$89,765 in lodging tax receipts from Mahoning and Trumbull Counties in 2016 under 2015, and an increase of \$377,702 in contractual service disbursements (due primarily to \$361,715 for a 2016 airline revenue guarantee program) in 2016 over 2015, all of which was offset by an increase of \$235,115 in federal assistance program receipts (reimbursement for the airline revenue guarantee program) in 2016 over 2015, and a decrease of \$65,000 in interfund transfers-out to other funds in 2016 under 2015;
- 2) the Aviation Fund realizing in 2016 a decrease in net position of \$199,330, or 23 percent, from 2015 due primarily to a decrease of \$132,322 in charges for service receipt (parking and other activity concessions) in 2016 under 2015, a decrease of \$3,093,003 in federal assistance program receipts (capital improvements) in 2016 under 2015, a decrease of \$262,500 in sale of assets receipts in 2016 under 2015, a decrease of \$177,165 in other receipts (passenger facility charges and reimbursement of administrative costs) in 2016 under 2015, a decrease of \$215,000 in interfund transfers-in from other funds in 2016 under 2015, an increase of \$92,757 in personal service disbursements in 2016 over 2015, and an increase of \$23,769 in repairs and maintenance disbursements in 2016 over 2015, all of which was offset by a decrease of \$37,453 in materials and supplies disbursements (operations and maintenance) in 2016 under 2015, a decrease of \$224,021 in contractual service disbursements (engineering) in 2016 under 2015, a decrease of \$3,714,777 in capital outlay disbursements (capital improvements) in 2016 under 2015, and a decrease of \$107,810 in other disbursements (reimbursement of administrative costs) in 2016 under 2015; and
- 3) the Economic Development Fund realizing in 2016 an increase in net position of \$216,022, or 104 percent, due primarily to an increase of \$89,030 in charges for services receipts (administrative fees) in 2016 over 2015, an increase of \$134,480 in federal assistance program receipts in 2016 over 2015, an increase of \$150,000 in interfund transfers-in from other funds in 2016 over 2015, and a decrease of \$213,302 in contractual service disbursements (engineering services) in 2016 under 2015, all of which was offset by an increase of \$128,009 in personal services in 2016 over 2015.

The Port Authority had total receipts of \$4,199,218, excluding Interfund Transfers In. Program specific receipts accounted for \$2,329,682, or 55 percent, of total receipts. General receipts accounted for \$1,869,536, or 45 percent, of total 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 53 percent and 47 percent of total program specific receipts. General receipts for governmental activities are primarily 1) intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations, and 3) miscellaneous receipts. These receipts represent respectively 80 and 20 percent of total general receipts.

**WESTERN RESERVE PORT AUTHORITY  
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The Port Authority had total disbursements of \$4,469,658, excluding Interfund Transfers Out. Personal services represent 32 percent of total disbursements and is comprised of payroll and benefit related costs. Contractual services represent 29 percent of total disbursements of which 51 percent is comprised of costs of services, such as insurance, security, marketing, legal, and consulting, that are provided by contracted third parties, 28 percent is comprised of airline revenue guarantees funded by a Small Community Air Service Development Program Federal Assistance Grant and related required matching funding, and 22 percent is comprised of engineering costs, funded primarily by Airport Improvement Program Federal Assistance Grants, a Brownfields Assessment and Cleanup Federal Assistance Grant, and a JobsOhio Revitalization Phase II Assistance Grant. Capital outlay (capital improvement/replacement/acquisition projects) represents 11 percent of total disbursements of which 91 percent is funded by Airport Improvement Program Federal Assistance Grants and related required matching funding and 8 percent is funded primarily from Airport receipts. Debt service represents 11 percent of total disbursements. Repairs and maintenance of facilities and equipment represents 6 percent of total disbursements. Utilities of facilities represents 6 percent of total disbursements.

**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 2016, within the limitations of the cash basis of accounting.

The *Statement of Net Position* presents cash balances and investments of the Port Authority at year-end. The *Statement of Activities* compares cash disbursements with program specific receipts for each 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 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.

**WESTERN RESERVE PORT AUTHORITY  
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**Reporting the Port Authority 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 better manage 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 Port Authority's fund structure is comprised of three business-type proprietary funds (enterprise funds): the Port Authority Fund, the Aviation Fund, and the Economic Development Fund.

The Port Authority Fund accounts for financial resources that the Port Authority can expend at its discretion according to the general laws of Ohio (no restrictions). The Aviation Fund accounts for all financial resources of the Airport for which the use is restricted by the FAA and other regulatory agencies that limits such use to be only for the operation of the Airport and maintenance, acquisition, construction, and/or improvement of its facilities. The Economic Development Fund accounts for all financial resources of the Economic Development Division that are expended for advancing economic development and from financial assistance grants for furthering the Port Authority's economic development initiatives.

**Port Authority as a Whole**

Table 1 provides a comparison of net position at December 31, 2016 and December 31, 2015 on a cash basis of accounting.

**Table 1 - Statement of Net Position - Cash Basis**

	Port Authority Fund		Aviation Fund		Economic Development Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<b><u>Assets</u></b>								
Cash and Cash Equivalents	\$ 279,738	\$ 566,870	\$ 497,921	\$ 696,543	\$ 423,183	\$ 207,161	\$ 1,200,842	\$ 1,470,574
Restricted Cash in								
Segregated Accounts	0	0	0	0	0	0	0	0
Restricted Cash with								
Fiscal Agent	0	0	182,352	183,060	0	0	182,352	183,060
<b>Total Assets</b>	<b>\$ 279,738</b>	<b>\$ 566,870</b>	<b>\$ 680,273</b>	<b>\$ 879,603</b>	<b>\$ 423,183</b>	<b>\$ 207,161</b>	<b>\$ 1,383,194</b>	<b>\$ 1,653,634</b>
<b><u>Net Position</u></b>								
Restricted for:								
Capital Outlay	\$ 0	\$ 0	\$ 308,887	\$ 539,933	\$ 0	\$ 0	\$ 308,887	\$ 539,933
Debt Service	0	0	182,352	183,060	0	0	182,352	183,060
Other Purposes	0	0	3,575	9,788	0	0	3,575	9,788
Assigned:								
Airport Operations	0	0	185,459	146,822			185,459	146,822
Economic Development Operations	0	0	0	0	423,183	207,161	423,183	207,161
Unrestricted	279,738	566,870	0	0	0	0	279,738	566,870
<b>Total Net Position</b>	<b>\$ 279,738</b>	<b>\$ 566,870</b>	<b>\$ 680,273</b>	<b>\$ 879,603</b>	<b>\$ 423,183</b>	<b>\$ 207,161</b>	<b>\$ 1,383,194</b>	<b>\$ 1,653,634</b>

**WESTERN RESERVE PORT AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Over time, net position can serve as a useful indicator of a government's financial position. The Port Authority's total unrestricted net position was \$888,380 at December 31, 2016 as compared to \$920,853 at December 31, 2015, a decrease of \$32,473, or 4 percent. However, this was primarily the result of the Economic Development Fund expending \$90,889 for engineering costs in 2016 that will be reimbursed in 2017 through a JobsOhio Revitalization Phase II Assistance Grant. The Port Authority's total net position was \$1,383,194 at December 31, 2016 as compared to \$1,653,634 at December 31, 2015, a decrease of \$270,440, or 16 percent. This decrease portrays a weaker cash position for the Port Authority at December 31, 2016 than at December 31, 2015 although, as discussed above, \$90,889 for engineering costs in 2016 will be reimbursed in 2017 through a JobsOhio Grant, and the remaining decrease in cash position was primarily due to a continuing investment in Airport capital improvement/replacement/acquisition projects that will facilitate Airport Management in attracting additional tenants and users of the Airport.

Table 2 on the following page provides a comparison of changes in net position for 2016 and 2015 on a cash basis of accounting.

**Table 2 - Statement of Activities - Cash Basis**

	Port Authority Fund		Aviation Fund		Economic Development Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Receipts</b>								
<u>Program Specific Receipts</u>								
Charges for Services	\$ 208	\$ 1,145	\$ 1,048,256	\$ 1,180,578	\$ 177,100	\$ 88,070	\$ 1,225,564	\$ 1,269,793
Operating Grants and Contributions	235,115	0	14,660	14,600	347,296	212,816	597,071	227,416
Capital Grants and Contributions	0	0	507,047	3,600,050	0	0	507,047	3,600,050
<b>Total Program Specific Receipts</b>	<b>235,323</b>	<b>1,145</b>	<b>1,569,963</b>	<b>4,795,228</b>	<b>524,396</b>	<b>300,886</b>	<b>2,329,682</b>	<b>5,097,259</b>
<u>General Receipts</u>								
Grants and Entitlements not Restricted to Specific Programs	1,485,050	1,574,815	0	0	0	0	1,485,050	1,574,815
Investment Income	0	0	2,841	4,112	894	749	3,735	4,861
Proceeds from Debt	0	0	0	0	0	0	0	0
Gain/(Loss) on Sale of Capital Assets	0	0	22,500	285,000	0	0	22,500	285,000
All Other Receipts	0	0	343,251	520,415	15,000	20,039	358,251	540,454
Transfers In	0	0	1,145,000	1,360,000	300,000	150,000	1,445,000	1,510,000
<b>Total General Receipts</b>	<b>1,485,050</b>	<b>1,574,815</b>	<b>1,513,592</b>	<b>2,169,527</b>	<b>315,894</b>	<b>170,788</b>	<b>3,314,536</b>	<b>3,915,130</b>
<b>Total Receipts</b>	<b>1,720,373</b>	<b>1,575,960</b>	<b>3,083,555</b>	<b>6,964,755</b>	<b>840,290</b>	<b>471,674</b>	<b>5,644,218</b>	<b>9,012,389</b>
<u>Disbursements</u>								
Personal Services	131,917	124,427	977,402	884,645	289,007	160,998	1,398,326	1,170,070
Materials and Supplies	1,600	0	152,628	190,081	17,078	8,852	171,306	198,933
Contractual Services	403,463	25,761	663,882	887,903	241,190	454,493	1,308,535	1,368,157
Conferences and Travel	525	0	14,631	12,153	13,751	8,615	28,907	20,768
Utilities	0	0	256,125	232,356	8,699	5,077	264,824	237,433
Repair and Maintenance	0	0	253,294	235,945	0	0	253,294	235,945
Capital Outlay	0	0	478,909	4,193,686	5,440	5,974	484,349	4,199,660
Facility Leases	0	0	0	0	0	0	0	0
Debt Service	0	0	483,747	481,722	0	0	483,747	481,722
Other Disbursements	25,000	25,000	2,267	110,077	49,103	30,352	76,370	165,429
Transfers Out	1,445,000	1,510,000	0	0	0	0	1,445,000	1,510,000
<b>Total Disbursements</b>	<b>2,007,505</b>	<b>1,685,188</b>	<b>3,282,885</b>	<b>7,228,568</b>	<b>624,268</b>	<b>674,361</b>	<b>5,914,658</b>	<b>9,588,117</b>
Increase/(Decrease) in Net Position	(287,132)	(109,228)	(199,330)	(263,813)	216,022	(202,687)	(270,440)	(575,728)
Net Position - January 1, 2016	566,870	676,098	879,603	1,143,416	207,161	409,848	1,653,634	2,229,362
<b>Net Position - December 31, 2016</b>	<b>\$ 279,738</b>	<b>\$ 566,870</b>	<b>\$ 680,273</b>	<b>\$ 879,603</b>	<b>\$ 423,183</b>	<b>\$ 207,161</b>	<b>\$ 1,383,194</b>	<b>\$ 1,653,634</b>

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Program specific receipts represent 55 percent of total receipts, excluding Interfund Transfers In, of which 53 percent is comprised of charges for services (fees and charges for services, and rental and lease income) and 47 percent 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 45 percent of total receipts (excluding Interfund Transfers In) of which 80 percent is comprised of intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations, 13 percent is comprised of passenger facility charges collections, and 7 percent is comprised of other receipts, the majority consisting of sale of assets, reimbursement of administrative costs received from capital grants, and reimbursement of utility costs received from tenants of Airport facilities

The *Net Cost of Services* of \$2,139,976 represents total disbursements (excluding Interfund Transfers Out) of \$4,469,658 less program specific receipts of \$2,329,682. The *Net Cost of Services* represents the costs of the services, which ends up being paid from general receipts (subsidies provided by Mahoning and Trumbull counties, investment earnings, sale of assets, passenger facility charges, and miscellaneous receipts). Therefore, dependence upon general receipts is apparent as 48 percent of total disbursements (excluding Interfund Transfers Out) were supported through general receipts. However, an indicator of whether the Port Authority's financial health is improving or deteriorating is its reliance on fund balances available at January 1. In 2016, 6 percent of total disbursements (excluding Interfund Transfers-Out) were supported for fund balances available at January 1 as compared to 7 percent in 2015. This decrease in 2016 from 2015 in reliance on fund balances available at January 1 suggests a slight improvement in the Port Authority's financial condition.

**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 2017. 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](http://www.yngairport.com).

**Capital Lease Obligations**

The Port Authority financed the acquisition of a copier in 2013 and financed the acquisition of a copier in 2014 through leasing arrangements. These leasing arrangements meet the criteria of a capital lease as defined by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1987 FASB and AICPA Pronouncements*, which defines a capital lease as one that transfers benefits and risks of ownership to the lessee. Future payments collectively to satisfy these capital lease obligations are \$9,269 due in 2017 through 2019.



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**Debt Administration**

The Port Authority's outstanding debt at December 31, 2016 for capital projects is \$7,250,163, \$5,646,358 principal and \$1,603,805 interest, consisting of \$2,995,000 of principal remaining for 20-year Airport Development Revenue Bonds with various interest rates from 2.125 percent to 4.625 percent issued in December 2011 to provide financial resources for the construction and/or improvement of Port Authority Airport facilities. Of the amounts needed to service this debt, including interest and fiscal charges, approximately 55 percent 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 percent 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; 2) \$387,757 of principal remaining for a 10-year Development Revenue Bond, 2.84 percent, 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; 3) \$906,897 of principal remaining for a 10-year Development Revenue Bond, 2.60 percent, 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; 4) \$263,794 of principal remaining for a 10-year Development Revenue Bond, 2.93 percent, issued in 2013 to provide financial resources for the construction of a wheeled-vehicle maintenance building. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the wheeled-vehicle maintenance building; 5) \$518,667 of principal remaining for a 10-year Development Revenue Bond, 3.08 percent, issued in 2014 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 6) \$574,243 of principal remaining for a 10-year Development Revenue Bond, 2.89 percent, issued in 2014 to provide financial resources for the replacement of the Airport Terminal's electrical substation and stand-by generator. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from revenues (fees, charges, and rents) generated from the Terminal.

The Port Authority's outstanding debt (principal and interest) at December 31, 2016 for conduit debt arrangements is \$120,728,213, of which \$2,958,640 as related to the Timken Latrobe Steel Distribution Project, \$51,283,239 as related to the Central Waste, Inc. Project, \$40,949,329 as related to the Beulah Park Gaming Project, \$3,093,595 as related to the Southern Park Mall Project, \$10,280,617 as related to the Poland Way Project, \$10,210,666 as related to the Hallmark Project, and \$1,952,127 as related to the Pittsburg Institute of Aeronautics Project. However, debt service obligations for all of these obligations are made directly from the owners of these Projects to the trustees of such debt obligations and do not pass through the Port Authority.

In 2013 the Port Authority authorized the issuance of a maximum aggregate of \$60,000,000 in taxable revenue bonds to assist Penn National Gaming, Inc. relocate its Beulah Park racetrack operations to the Mahoning Valley. As of December 31, 2015, the Port Authority has issued \$32,891,027 in Bonds. All Bonds mature at July 1, 2023, at which time a balloon payment will be made to satisfy in full, all remaining debt and charges. In the event of default by Penn National, 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 the facilities/assets constructed/acquired from the proceeds of the Bonds. As of December 31, 2015 \$42,100,515 in capital lease payments were due to the Port Authority.

In addition, in 2015 the Port Authority participated in the Southern Park Mall, LLC (SPM) Project (Project) by assisting SPM engage in energy efficiency improvements at the Southern Park Mall, including roof improvements, lighting system upgrades, and other related improvements. \$3,314,332 due to Southern Park Mall as of December 31, 2015.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**Fund Budgeting**

The Port Authority's annual 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 budget presents the Port Authority's estimated resources and appropriations for its funds for the current year, and includes outstanding encumbrances appropriated from prior years.

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.

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.

**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 John Moliterno, Executive Director, Western Reserve Port Authority, Youngstown-Warren Regional Airport, 240 North Champion Street, Youngstown, Ohio 44503.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
STATEMENT OF NET POSITION – CASH BASIS  
DECEMBER 31, 2016**

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	<b>Business-Type Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,200,842
Restricted Cash With Fiscal Agent	182,352
<b>Total Assets</b>	<b>1,383,194</b>
 <b>Net Position</b>	
Restricted for:	
Capital Outlay	308,887
Debt Service	182,352
Other Purposes	3,575
Unrestricted	888,380
<b>Total Net Position</b>	<b>\$ 1,383,194</b>

See accompanying notes to the basic financial statements.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
STATEMENT OF ACTIVITIES – CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

		Program Cash Receipts				Net Receipts (Disbursements) and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total
<b><u>Business-Type Activities</u></b>						
Port Authority	\$ 562,505	\$ 208	\$ 235,115	\$ 0		\$ (327,182)
Aviation	3,282,885	1,048,256	14,660	507,047		(1,712,922)
Economic Development	624,268	177,100	347,296	0		(99,872)
<b>Total Business-Type Activities</b>	<b>\$ 4,469,658</b>	<b>\$ 1,225,564</b>	<b>\$ 597,071</b>	<b>\$ 507,047</b>		<b>(2,139,976)</b>
			<b><u>General Receipts</u></b>			
			Grants and Entitlements Not			
			Restricted to Specific Programs		1,485,050	
			Investment Earnings		3,735	
			Sale of Assets		22,500	
			Miscellaneous Receipts		358,251	
			<b>Total General Receipts</b>		<b>1,869,536</b>	
			Changes in Net Position		(270,440)	
			Net Position - January 1, 2016		1,653,634	
			<b>Net Position-December 31, 2016</b>		<b>\$ 1,383,194</b>	

See accompanying notes to the basic financial statements.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
STATEMENT OF FUND NET POSITION – CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2016**

	Port Authority Fund	Aviation Fund	Economic Development Fund	Total Enterprise Funds
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 279,738	\$ 497,921	\$ 423,183	\$ 1,200,842
Restricted Cash With Fiscal Agent	0	182,352	0	182,352
<b>Total Assets</b>	<b>279,738</b>	<b>680,273</b>	<b>423,183</b>	<b>1,383,194</b>
<b><u>Net Position</u></b>				
Restricted for:				
Capital Outlay	0	308,887	0	308,887
Debt Service	0	182,352	0	182,352
Other Purposes	0	3,575	0	3,575
Assigned	0	185,459	423,183	608,642
Unassigned	279,738	0	0	279,738
<b>Total Net Position</b>	<b>\$ 279,738</b>	<b>\$ 680,273</b>	<b>\$ 423,183</b>	<b>\$ 1,383,194</b>

See accompanying notes to the basic financial statements.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND NET POSITION – CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Port Authority Fund	Aviation Fund	Economic Development Fund	Total Enterprise Funds
<b><u>Operating Cash Receipts</u></b>				
Fees and Charges for Services	\$ 208	\$ 631,275	\$ 172,100	\$ 803,583
Rental/Lease Income	0	416,981	5,000	421,981
<b>Total Operating Cash Receipts</b>	<b>208</b>	<b>1,048,256</b>	<b>177,100</b>	<b>1,225,564</b>
<b><u>Operating Cash Disbursements</u></b>				
Personal Services	131,917	977,402	289,007	1,398,326
Materials and Supplies	1,600	152,628	17,078	171,306
Contractual Services	403,463	663,882	241,190	1,308,535
Conferences and Travel	525	14,631	13,751	28,907
Utilities	0	256,125	8,699	264,824
Repairs and Maintenance	0	253,294	0	253,294
Capital Outlay	0	478,909	5,440	484,349
Debt Service	0	483,747	0	483,747
Other Cash Disbursements	25,000	2,267	49,103	76,370
<b>Total Operating Cash Disbursements</b>	<b>562,505</b>	<b>3,282,885</b>	<b>624,268</b>	<b>4,469,658</b>
Operating Income/(Loss)	(562,297)	(2,234,629)	(447,168)	(3,244,094)
<b><u>Non-Operating Cash Receipts</u></b>				
Intergovernmental Receipts	1,720,165	521,707	347,296	2,589,168
Earnings on Investments	0	2,841	894	3,735
Sale of Assets	0	22,500	0	22,500
Passenger Facility Charges	0	246,939	0	246,939
Other Cash Receipts	0	96,312	15,000	111,312
<b>Total Non-Operating Cash Receipts</b>	<b>1,720,165</b>	<b>890,299</b>	<b>363,190</b>	<b>2,973,654</b>
Transfers In	0	1,145,000	300,000	1,445,000
Transfers Out	(1,445,000)	0	0	(1,445,000)
Change in Net Position	(287,132)	(199,330)	216,022	(270,440)
Net Position - January 1, 2016	566,870	879,603	207,161	1,653,634
<b>Net Position - December 31, 2016</b>	<b>\$ 279,738</b>	<b>\$ 680,273</b>	<b>\$ 423,183</b>	<b>\$ 1,383,194</b>

See accompanying notes to the basic financial statements.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

The Western Reserve Port Authority (the Port Authority) is a body corporate and politic created under the provisions of Ohio 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 Ohio 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 is responsible for overseeing the overall operation of the Port Authority. The 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 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*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, 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.



**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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**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. Following are the more significant of the Port Authority's accounting policies.

**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.

***Government-Wide Financial Statements*** The Statement of Net Position and the Statement of Activities display information about the Port Authority as a whole. The government-wide Statement of Net Position presents the cash balances of the 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 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 proprietary fund financial statements is on major funds. The Port Authority maintains three funds - each is a major fund and is presented in a separate column.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation** (Continued)

Proprietary 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 of the Port Authority disbursements are reported as 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 three funds, all of which are classified as proprietary.

***Proprietary Funds*** A fund financed primarily from user charges for goods or services is classified as proprietary. The following are the Port Authority's proprietary funds that are classified as enterprise funds:

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

***Aviation Fund*** The Aviation Fund accounts for all financial resources of the Port Authority's *Aviation Division* that operates the Youngstown-Warren Regional Airport. This Fund's receipts include fees and charges for services, rental and lease income, operating and capital improvement financial assistance grants, and proceeds from the issuance of debt. These receipts are only to be expended for operation of the Airport and maintenance, acquisition, construction, and/or improvement of its facilities.

***Economic Development Fund*** The Economic Development Fund accounts for all financial resources of the Port Authority's *Economic Development Division*. This Fund's receipts include administrative fees for administrating and/or financing economic development projects, contributions received from other governmental units and community organizations for advancing economic development, and from financial assistance grants for furthering the Port Authority's economic development initiatives.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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) and deferred inflows/outflows of resources are not recorded in these financial statements.

**D. Cash and Cash Equivalents**

To improve cash management, except proceeds from bond issuances, 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".

Cash received by the Port Authority from bond issuances is restricted to use and are maintained in a segregated account or maintained with a fiscal agent in accounts in the name of the Port Authority.

All of the Port Authority's cash and cash equivalents are maintained in interest and non-interest bearing checking accounts. Interest earned from these accounts during 2016 amounted to \$3,735, of which \$2,841 was credited to the Aviation Fund and \$894 credited to the Economic Development 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 at December 31, 2016 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, 2016 are reported as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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. 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 \$494,814 of net position restricted for business-type activities, of which \$61,936 is restricted by enabling legislation, as defined by GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, \$52,683 is restricted by requirements of Federal Aviation Administration Airport Improvement Grants, \$194,268 is restricted by agreements with the Federal Aviation Administration permitting the collection and expending of Passenger Facility Charges, \$182,352 is restricted by covenants of the Port Authority's Development Revenue Bonds, Series 2011, (for debt service requirements), and \$3,575 is restricted by deposit agreements with current and prospective t-hanger tenants.

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

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**K. Interfund Activity**

Non-exchange flows of cash from one fund to another are reported in the financial statements as interfund transfers. The Port Authority may make interfund transfers from its Port Authority Fund to its other funds to contribute financial resources to support the operations accounted for by those funds. In 2016, the Port Authority transferred \$1,145,000 from the Port Authority Fund into the Aviation Fund and transferred \$300,000 from the Port Authority Fund into the Economic Development Fund. Interfund transfers are reflected as other financing sources/(uses) in the accompanying financial statements.

**L. 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.

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.

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.

**M. Accounting of Conduit Debt Activity**

As discussed in Notes 13 through 22, the Port Authority issued debt to provide financial resources for the Timken Latrobe Steel Distribution Project, the EXAL Corporation Project, the Central Waste, Inc. Project, the Beulah Park Gaming Ventures, Inc. Project, the Southern Park Mall, LLC Project, and the Poland Way Facility Realty, LLC Project, that allowed these companies to establish and/or retain and expand their local operations. Debt service payments required to satisfy all obligations are made directly from these companies to respective trustees. Based on the criteria described in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, since these payments do not flow through the Port Authority and since these payments do not have an effect on the net position of the Port Authority, such debt service activity is not reflected in the financial statements.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

A. **Implementation of New Accounting Pronouncements**

For 2016, the Port Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed of fair value and acceptable valuation techniques. This Statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position

GASB Statement No. 76 improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in the authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

GASB Statement No. 77 improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement also establishes requirements for recognition and measurement of pension expenses, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

A. **Implementation of New Accounting Pronouncements** (Continued)

GASB Statement No. 79 enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

The implementation of GASB Statements No. 72, No. 76, No. 77, No. 78, and No. 79, did not affect the presentation of the financial statement and did not have an effect on the fund balances/net position of the Port Authority as previously reported at December 31, 2015.

B. **Future Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which extends the approach to accounting and financial reporting established in GASB Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in GASB Statement No. 68 should not be considered pension plan assets. This Statement requires that information similar to that required by GASB Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. This Statement improves financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 73 is required to be adopted for years beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting requirements for post-employment benefits other than pensions (OPEB) including defined contribution OPEB plans. This Statement improves financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information enhances the decision-usefulness of the financial reports of those OPEB plans, their values for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. GASB Statement No. 74 is required to be adopted for years beginning after June 15, 2016.

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NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

**B. Future Accounting Pronouncements** (Continued)

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, which addresses amending the blending requirements for the financial statement presentation of component units of all state and local governments by requiring the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement enhances the comparability of financial statements among governments and improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability. GASB Statement No. 80 is required to be adopted for years beginning after June 15, 2016.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement enhances the comparability of financial statements and enhances the decision-usefulness of general-purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. GASB Statement No. 81 is required to be adopted for years beginning after December 15, 2016.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement improves financial reporting by enhancing consistency in the application of financial reporting to certain pension issues. GASB Statement No. 82 is required to be adopted for years beginning after June 15, 2016.

The Port Authority is currently evaluating the impact GASB Statements No. 73, No. 74, No. 80, No. 81, and No. 82, will have on its financial statements when adopted during the Port Authority's 2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, which addresses reporting by governments that provide post-employment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Port Authority to recognize, on the face of its financial statements, its proportionate share of the net OPEB liability related to its participation in the OPERS OPEB plan. This Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Port Authority is currently evaluating the impact this Statement will have on its financial statements when adopted. The provisions of this Statement are effective for the Port Authority's financial statements for the year ending December 31, 2018.



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**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;

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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

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 bankers 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.

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, 2016, the Port Authority had \$1,850 of undeposited cash on hand and \$1,000 held by a third-party.

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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

**B. Deposits with Financial Institutions**

At December 31, 2016, the carrying amount of the Port Authority's deposits was \$1,383,194 and the bank balance was \$1,495,382. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2016, \$592,403 of the Port Authority's bank balance was covered by Federal Deposit Insurance while \$902,979 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 percent of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other 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 2016.

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

Cash and Investments per Footnote

Undeposited Cash on Hand	\$	1,850
Cash Held by Others		1,000
Carrying Amount of Deposits with Financial Institutions		1,380,344
<b>Total Cash and Investments per Footnote</b>	<b>\$</b>	<b>1,383,194</b>

Cash and Cash Equivalents per Statement of Net Position

Business-Type Activities	\$	1,383,194
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**NOTE 5: CAPITAL LEASE OBLIGATION**

The Port Authority financed the acquisition of a copier in 2013 through a leasing arrangement (cost/principal \$6,490, 60 month term, 12.50 percent) and financed the acquisition of a copier in 2014 through a leasing arrangement (cost/principal \$12,743, 60 month term, 10.35 percent).

Payments totaling \$5,028 were made in 2016 to satisfy current requirements of the leases.

Future payments for the capital lease obligations follow:

Year	Amount
2017	\$ 5,028
2018	3,422
2019	819
<b>Total</b>	<b>\$ 9,269</b>

**NOTE 6: LONG TERM OBLIGATIONS**

Changes in the Port Authority's long-term obligations for the year ended December 31, 2016 follows:

	Balance January 1, 2016	Increase	Decrease	Balance December 31, 2016	Due Within One Year
Development Revenue Bonds (Series 2011)	\$ 3,140,000	\$ 0	\$ 145,000	\$ 2,995,000	\$ 145,000
Development Revenue Bonds (Series 2012(A))	407,203	0	19,446	387,757	20,045
Development Revenue Bonds (Series 2012(B))	951,499	0	44,602	906,897	45,862
Development Revenue Bonds (Series 2013)	275,544	0	11,750	263,794	12,133
Development Revenue Bonds (Series 2014(A))	540,415	0	21,748	518,667	22,483
Development Revenue Bonds (Series 2014(B))	610,253	0	36,010	574,243	37,128
	<b>\$ 5,924,914</b>	<b>\$ 0</b>	<b>\$ 278,556</b>	<b>\$ 5,646,358</b>	<b>\$ 282,651</b>

Additional information for these obligations is discussed in Notes 7 through 12.

**NOTE 7: 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 percent to 4.625 percent, 20 years) to provide financial resources for the construction and/or improvement of Port Authority Airport facilities.

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**NOTE 7: DEVELOPMENT REVENUE BONDS (SERIES 2011) – SPECIAL OBLIGATION**  
(Continued)

Of the amounts needed to service the debt on the Bonds, including interest and fiscal charges, approximately 55 percent will be derived from Passenger Facility Charges (PFCs) that are assessed to each enplaning commercial airline passenger as approved by the Federal Aviation Administration and approximately 45 percent will be derived from Airport 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 \$271,869 were made in 2016 to satisfy current principal and interest requirements of the Bonds.

Future debt service of principal and interest follow:

Year	Airport Revenues	PFCs	Total
2017	\$ 120,383	\$ 147,135	\$ 267,518
2018	120,676	147,493	268,169
2019	121,070	147,974	269,044
2020	121,140	148,060	269,200
2021	122,960	147,840	270,800
2022-2026	605,922	740,572	1,346,494
2027-2031	668,953	817,609	1,486,562
Total	<u>\$ 1,881,104</u>	<u>\$ 2,296,683</u>	<u>\$ 4,177,787</u>

**NOTE 8: DEVELOPMENT REVENUE BONDS (SERIES 2012(A)) – T-HANGER CONSTRUCTION PROJECT**

In 2012, the Port Authority issued a \$470,000 Development Revenue Bond (Series 2012(A)) (2.84 percent, 20 year 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 \$30,947 were made in 2016 to satisfy current principal and interest requirements of the Bond.

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**NOTE 8: DEVELOPMENT REVENUE BONDS (SERIES 2012(A)) – T-HANGER CONSTRUCTION PROJECT** (Continued)

Future debt service of principal and interest follow:

Year	Amount
2017	\$ 30,947
2018	30,947
2019	30,947
2020	30,947
2021	30,947
2021-2022	287,350
Total	\$ 442,085

**NOTE 9: DEVELOPMENT REVENUE BONDS (SERIES 2012(B)) – AIR CARGO BUILDING ACQUISITION**

In 2012, the Port Authority issued a \$1,075,000 Development Revenue Bond (Series 2012(B)) (2.60 percent, 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 totaling \$69,216 were made in 2016 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2017	\$ 69,216
2018	69,216
2019	69,216
2020	69,216
2021	69,216
2022	683,085
Total	\$ 1,029,165

**NOTE 10: DEVELOPMENT REVENUE BONDS (SERIES 2013) – WHEELED VEHICLE MAINTENANCE BUILDING CONSTRUCTION PROJECT**

In 2013, the Port Authority issued a \$300,000 Development Revenue Bond (Series 2013(A)) (2.93 percent, 20-year amortization, 10-year 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.

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**NOTE 10: DEVELOPMENT REVENUE BONDS (SERIES 2013) – WHEELED VEHICLE MAINTENANCE BUILDING CONSTRUCTION PROJECT (Continued)**

Payments totaling \$19,920 were made in 2016 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2017	\$ 19,920
2018	19,920
2019	19,920
2020	19,920
2021	19,920
2022-2023	210,112
Total	\$ 309,712

**NOTE 11: DEVELOPMENT REVENUE BONDS (SERIES 2014(A)) – T-HANGAR B CONSTRUCTION PROJECT**

In 2014, the Port Authority issued a \$570,000 Development Revenue Bond (Series 2014(A)) (3.08 percent, 20-year amortization, 10-year 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 \$38,349 were made in 2016 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2017	\$ 38,349
2018	38,349
2019	38,349
2020	38,349
2021	38,349
2022-2024	430,170
Total	\$ 621,915

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**NOTE 12: DEVELOPMENT REVENUE BONDS (SERIES 2014(B)) – TERMINAL ENERGY IMPROVEMENT PROJECT**

In 2014, the Port Authority issued a \$650,000 Development Revenue Bond (Series 2014(B)) (2.89 percent, 15-year amortization, 10-year repayment plus balloon payment) to provide financial resources for the replacement of the Airport Terminal's electrical substation and stand-by generator. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from revenues (fees, charges, and rents) generated from the Terminal.

Payments totaling \$53,446 were made in 2016 to satisfy principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2017	\$ 53,446
2018	53,446
2019	53,446
2020	53,446
2021	53,446
2022-2024	404,269
Total	\$ 671,499

**NOTE 13: 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 Director obtained \$6,185,000 in State Economic Development Revenue Bonds (8.64 percent - 20 years) through the Ohio Enterprise Bond Fund Program, and obtained a \$3,000,000 Loan (2 percent - 20 Years) from the Ohio Department of Development's (ODOD) 166 Direct Loan Program.

The Port Authority's involvement in the Project consisted of obtaining a \$150,000 Development Grant from the Ohio Department of Development (ODOD) and passing 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.



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**NOTE 13: CONDUIT DEBT OBLIGATION – TIMKEN LATROBE STEEL DISTRIBUTION PROJECT** (Continued)

Payments totaling \$860,402 were made in 2016 by Timken to satisfy current principal and interest requirements of the Lease.

Future lease payments paid by Timken to the Director follow:

Year	Amount
2017	\$ 863,965
2018	865,134
2019	868,838
2020	360,703
Total	\$ 2,958,640

**NOTE 14: 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 percent - 10 Years) through the Ohio Enterprise Bond Fund Program, and obtained a \$2,000,000 Loan (3 percent - 10 Years) from ODOD's 166 Direct Loan Program. The SC Port Authority obtained \$3,000,000 in Economic Development Revenue Bonds (5.75 percent - 10 Years) through the Summit County Bond Fund Program.

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. Semi-annual 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 \$424,857 were made to the Director and payments totaling \$205,750 were made to the Summit County Port Authority to satisfy final principal and interest requirements of the Bonds and Loan.

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**NOTE 15: CONDUIT DEBT OBLIGATION – CENTRAL WASTE, INC. PROJECT**

In 2007, the Port Authority participated 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 issuing \$40,000,000 in Solid Waste Facility Revenue Bonds (Series 2007(A)) (\$12,750,000 at 6.1 percent - 20 years and \$27,250,000 at 6.35 percent - 20 years) and issuing \$5,000,000 in Subordinate Solid Waste Facility Revenue Bonds (Series 2007(B)) (7.25 percent - 20 years). The Port Authority passed through the proceeds of the Bond issuances to Central Waste, Inc. 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.

In 2013, Central Waste defaulted on payments needed to service the debt, including interest and fiscal charges, on the Bonds. Central Waste has filed for Chapter 7 bankruptcy.

Payments totaling \$1,100,000 were made in 2016 from Reserve Funds toward outstanding principal and interest of the Bonds.

As of December 31, 2016, \$29,233,582 of principal and \$14,693,407 of accrued interest remain outstanding of the Solid Waste Facility Revenue Bonds (Series 2007(A)) and \$5,000,000 of principal and \$2,356,250 of accrued interest remain outstanding of the Subordinate Solid Waste Facility Revenue Bonds (Series 2007(B)).

**NOTE 16: CONDUIT DEBT OBLIGATION – BEULAH PARK GAMING PROJECT**

In 2013, the Port Authority participated in the Penn National Gaming, Inc. (Penn National) Beulah Park Gaming Project (Project) by assisting Penn National relocate its Beulah Park racetrack operations to the Mahoning Valley. The Project consisted of the construction, equipping, and furnishing of thoroughbred racetrack and video lottery terminal facilities (to be known as Hollywood Gaming at Mahoning Valley Race Course).

The Port Authority's involvement in the Project consisted of 1) entering into a ground lease with Penn National to secure property necessary for the Project, 2) issuing \$32,891,027 in Taxable Revenue Bonds (Series 2013 at 3.5 percent for 10 years), and 3) letting of a facility lease to Penn National for its operation of such facilities.

Semi-annual facility lease payments by Penn National meet the amounts needed to service current interest and fiscal charges on the Bonds. All bonds mature at July 1, 2023, at which time a balloon payment will be made to satisfy, in full, all remaining debt and charges. In the event of default by Penn National, 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 the facilities/assets constructed/acquired from the proceeds of the Bonds.

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**NOTE 16: CONDUIT DEBT OBLIGATION – BEULAH PARK GAMING PROJECT** (Continued)

Payments totaling \$1,151,286 were made in 2016 to satisfy current interest requirements of the Bond.

Future debt service of principal and interest follow:

<u>Year</u>	<u>Amount</u>
2017	\$ 1,151,186
2018	1,151,186
2019	1,151,186
2020	1,151,186
2021	1,151,186
2022-2024	35,193,399
Total	<u>\$ 40,949,329</u>

**NOTE 17: CONDUIT DEBT OBLIGATION – SOUTHERN PARK MALL PROJECT**

In 2015, the Port Authority participated in the Southern Park Mall, LLC (SPM) Project (Project) by assisting SPM engage in energy efficiency improvements at the Southern Park Mall, including roof improvements, lighting system upgrades, and other related improvements.

The Port Authority's involvement in the Project consisted of 1) creating an Ohio Energy Special Improvement District in the Township of the Project, and 2) issuing \$2,338,000 (4.835 percent - 15 Years) in Property Assessed Clean Energy Taxable Revenue Bonds (Series 2015). Special assessments assessed against SPM will meet amounts needed to service the debt, including interest and fiscal charges, on the Bonds. In the event of default by SPM, 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 future special assessments assessed against SPM.

Payments totaling \$220,737 were made in 2016 to satisfy current principal and interest requirements of the Bonds.

Future debt service of principal and interest follow:

<u>Year</u>	<u>Amount</u>
2017	\$ 221,394
2018	220,786
2019	220,911
2020	220,746
2021	221,268
2022-2026	1,104,623
2027-2030	883,867
Total	<u>\$ 3,093,595</u>

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**NOTE 18: CONDUIT DEBT OBLIGATION – POLAND WAY PROJECT**

In 2015, the Port Authority participated in the Poland Way Facility Realty, LLC (Poland Way) Project (Project) by assisting Poland Way construct an 89-bed assisted living facility. The Project consists of constructing, equipping, and furnishing the facility (to be known as the Inn at Poland Way).

The Port Authority's involvement in the Project consists of 1) entering into a ground lease with Poland Way to secure land necessary for the Project, 2) issuing a maximum of \$13,000,000 Development Revenue Bonds (Series 2015) to finance the Project, and 3) letting of a capital (facility) lease to Poland Way to construct the Project and operate such facility.

The Bond is being issued in increments, as a draw-down bond, similar to a traditional draw-down loan. \$10,280,617 has been drawn as of December 31, 2016. Interest is accruing at applicable rates (determined by the purchaser of the Bond) on outstanding principal amounts. A 25-year amortization schedule will be set at the end of the construction period (approximately 15 months) and capital lease payments by Poland Way will meet amounts needed to service the debt, including interest and fiscal charges on the bond. However, the bond matures at November 15, 2022, and at this time a balloon payment will be made to satisfy in full, all debt and charges. The Bond and capital lease are co-terminus. In the event of default by Poland Way, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

**NOTE 19: CONDUIT DEBT OBLIGATION – HALLMARK PROJECT**

In 2016, the Port Authority participated in the Hallmark Student Housing Youngstown, LLC (Hallmark) Project (Project) by assisting Hallmark construct an approximate 496-bed student housing facility located at Youngstown State University. The multi-phase Project consists of constructing, equipping, and furnishing the facility (known as the University Edge).

The Port Authority's involvement in the Project consists of 1) entering into a ground lease with Hallmark to secure land necessary for the Project, 2) issuing a maximum \$20,000,000 Development Revenue Bond (Series 2016(A)) to finance the Project, and 3) letting of a capital (facility) lease to Hallmark to construct the Project and operate such facility.

The Bond is being issued in increments, as a draw-down, similar to a traditional draw-down loan, \$10,210,666 has been drawn as of December 31, 2016. Interest is accruing at 3.12367 percent on outstanding principal amounts and is being paid monthly through capital lease payments. An amortization schedule will be set at the end of the construction period which ends September 28, 2018, and capital lease payments by Hallmark will meet amounts needed to service the debt, including interest and fiscal charges, on the Bond. However, the Bond matures at September 28, 2021, and at this time a balloon payment will be made to satisfy in full, all debt and charges. The Bond and capital lease are co-terminus. In the event of default by Hallmark, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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**NOTE 20: CONDUIT DEBT OBLIGATION – PITTSBURG INSTITUTE OF AERONAUTICS PROJECT**

In 2016, the Port Authority participated in the Pittsburgh Institute of Aeronautics (PIA) Project (Project) by assisting (PIA) construct an approximate 8,500 sq. ft. addition to its existing aviation technician training facility located at Youngstown-Warren Regional Airport. The Project consists of the constructing, equipping, and furnishing additional offices and classrooms at the facility. PIA owns the existing facility and maintains a ground lease with the Port Authority for land where the existing facility is situated and for land necessary for the Project.

The Port Authority's involvement in the Project consists of 1) issuing \$1,521,000 Development Revenue Bond (Series 2016(B)) (2.699 percent – 20 years) to finance the Project, and 2) letting of a loan and finance agreement to PIA. Monthly payments by PIA will meet amounts needed to service the debt, including interest and fiscal charges, on the Bond. In the event of default by PIA, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

In 2016, payments totaling \$24,713 were made to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

<b>Year</b>	<b>Amount</b>
2017	\$ 98,851
2018	98,851
2019	98,851
2020	98,851
2021	98,851
2022-2026	494,257
2027-2031	494,257
2032-2036	469,358
	<hr/>
Total	<u>\$ 1,952,127</u>

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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**NOTE 21: CONDUIT DEBT OBLIGATION – YOUNGSTOWN CAMPUS ASSOCIATE PROJECT**

In 2016, the Port Authority participated in the Youngstown Campus Associated, LLC (YCA) Project (Project) by assisting YCA construct a retail and approximate 166-bed student housing facility located at Youngstown State University. The Project consists of constructing, equipping, and furnishing of the facility (known as the YSU Enclave). The Port Authority 's involvement in the Project consists of 1) entering into a ground lease with YCA to secure land necessary for the Project, 2) issuing a maximum \$14,000,000 Development Revenue Bond (Series 2016 (C )) to finance the Project, and 3) letting of a capital (facility) lease to YCA to construct the Project and operate such facility. The Bond is being issued in increments, as a draw-down bond, similar to a traditional draw-down loan. However, the Bond has not been drawn upon as of December 31, 2016. Capital lease payments by YCA will meet amounts needed to service the debt, including interest and fiscal charges, on the Bond. The Bond and capital lease are co-terminus. In the event of default by YCA, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

**NOTE 22: CONDUIT DEBT OBLIGATION – YOUNGSTOWN STAMBAUGH HOLDINGS PROJECT**

In 2016, the Port Authority began participating in the Youngstown Stambaugh Holdings, LLC (YSH) Project (Project) by assisting YSH improve and convert into a hotel facility the Stambaugh Building located in downtown Youngstown. The Project consists of remodeling, equipping, and furnishing of the facility. The Port Authority's involvement in the Project consists of 1) entering into a ground lease and a capital (facility) lease with YSH to secure facilities necessary for the Project, 2) issuing a maximum \$32,000,000 Development Revenue Bond (Series 2016 (D)) to finance the Project, and 3) letting of a capital (facility) lease to YSH to construct the Project and operate such facility. The Bond is being issued in increments, as a draw-down bond, similar to a traditional draw-down loan. However, the Bond has not been drawn upon December 31, 2016. Capital lease payments by YSH will meet amounts needed to service the debt, including interest and fiscal charges on the Bond. The Bond and capital lease are co-terminus. In the event of default by YSH, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

**NOTE 23: PENSION PLANS  
Plan Description**

Port Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Port Authority employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in the Traditional Pension Plan; therefore, the following disclosure focuses on the Traditional Pension Plan.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 23: **PENSION PLANS** (Continued)

**Plan Description** (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension Plan. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about OPERS' fiduciary net position which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (800) 222-7377.

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

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

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

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

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 23: **PENSION PLANS** (Continued)

**Plan Description** (Continued)

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

**Funding Policy**

The Ohio Revised Code provides statutory authority for Port Authority employee and employer contributions as follows:

	<u>State and Local</u>
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer (Port Authority)	14.0%
Employee (Member)	10.0%
 <b>2016 Actual Contribution Rates</b>	
Employer (Port Authority):	
Pension	12.0%
Post-Employment Health Care Benefits	2.0%
Total Employer (Port Authority) Contribution Rate	14.0%
Total Employee (Member) Contribution Rate	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's contractually required contributions to fund pension obligations for the years ending December 31, 2016, 2015, and 2014 were \$207,473, \$185,599, and \$158,349, respectively. In January 2016, the Port Authority made \$15,653 in contributions to satisfy fully its 2016 pension obligations.

NOTE 24: **POST-RETIREMENT BENEFIT PLANS**

**Plan Description**

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care 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.



**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 24: **POST-RETIREMENT BENEFIT PLANS** (Continued)

**Plan Description** (Continued)

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. Health care coverage for disability benefits and qualifying survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS's eligibility requirements for post-employment health care coverage changed for those retiring on or after January 1, 2015. Please see the Plan Statement in the OPERS 2014 CAFR for details.

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. 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 (800) 222-7377.

**Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. Employer contribution rates are expressed as a percentage of the earnable payroll of active members. In 2016, the Port Authority contributed at a rate of 14 percent of earnable payroll of active members. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not fund post-employment health care.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and the Combined Plan was 2 percent during calendar year 2016.

The Post-Employment Health Care 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.

Effective January 1, 2016, the portion of employer contributions allocated to health care remains at 2 percent for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 24: **POST-RETIREMENT BENEFIT PLANS** (Continued)

**Fund Policy** (Continued)

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ending December 31, 2016, 2015, and 2014, were \$18,861, \$16,873, and \$14,395, respectively. In January 2017, the Port Authority made \$1,423 in contributions to satisfy fully its 2016 post-employment health care obligations.

***Other Information*** Changes to the health care plan were adopted by the OPERS Retirement Board on September 19, 2012, with a transition plan commencing January 1, 2014. With the 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 25: **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 Port Authority Fund or any other applicable Fund. 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, 2016.

NOTE 26: **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 percent 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.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Federal Grantor/ Passed Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Entity/Grant Number</b>	<b>Receipts</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Transportation</u></b>				
<i>Direct Award:</i>				
Payments for Small Community Air Service Development Program	20.930	OST-2012-0069-0061	\$ 235,114	\$ 235,114
<i>Total Direct Award</i>			<u>235,114</u>	<u>235,114</u>
<i>Passed through Federal Aviation Administration:</i>				
Airport Improvement Program	20.106	3-39-0096-4214	24,719	24,719
Airport Improvement Program	20.106	3-39-0096-4315	469,719	469,719
Airport Improvement Program	20.106	3-39-0096-4416	12,609	12,609
<i>Total Passed through Federal Aviation Administration</i>			<u>507,047</u>	<u>507,047</u>
<b>Total U.S. Department of Transportation</b>			<u>742,161</u>	<u>742,161</u>
<b><u>U.S. Environmental Protection Agency</u></b>				
<i>Direct Award:</i>				
Brownfield Assessment and Clean-Up Cooperative Agreement Program	66.818	BF00E01222	347,296	347,296
<b>Total U.S. Environmental Protection Agency</b>			<u>347,296</u>	<u>347,296</u>
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Direct Award:</i>				
Law Enforcement Officer (LEO) Reimbursement Agreement Program	97.090	HSTS0213HSLR254	14,660	14,660
<b>Total U.S. Department of Homeland Security</b>			<u>14,660</u>	<u>14,660</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,104,117</u>	<u>\$ 1,104,117</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES  
OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Western Reserve Port Authority (Port Authority) under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port Authority, it is not intended to and does not present the financial position or changes in net position of the Port Authority.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3: INDIRECT COST RATE**

The Port Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4: 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, 2016**

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Passenger Facility Charges Collected	\$ 246,939
Interest Earnings	<u>1,475</u>
<b>Total</b>	<b>248,414</b>
Passenger Facility Charges Expended	<u>(536,178)</u>
Decrease in Unexpected Passenger Facility Charges	(287,764)
Unexpended Passenger Facility Charges - January 1, 2016	<u>482,032</u>
<b>Unexpended Passenger Facility Charges - December 31, 2016</b>	<b><u>\$ 194,268</u></b>

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, 2016**

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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 approvals for its Applications #6 and #7, 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.

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*Garfield Hts., Ohio 44125*

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## **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 General of the United States, the cash basis financial statements of the business-type activities and each major fund of the Western Reserve Port Authority, Trumbull County, Ohio, as of and for the year ended December 31, 2016, 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, 2017, 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.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style.

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

July 28, 2017



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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

Board of Directors  
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 (Port Authority) compliance with the types of compliance requirements described in the OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 Each 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, 2016.

### **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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

July 28, 2017

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

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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

Board of Directors  
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, 2016.

***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, 2016.

## 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, Inc.  
Certified Public Accountants

July 28, 2017

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNIFORM GUIDANCE  
DECEMBER 31, 2016**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
2016(i)	Type of Financial Statement Opinion	Unmodified
2016(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2016(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2016(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2016(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2016(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2016(v)	Type of Major Programs' Compliance Opinion	Unmodified
2016(vi)	Any there any reportable findings under 2 CFR 200.516(a)?	No
2016(vii)	Major Programs (list):  Airport Improvement Program - CFDA #20.106	
2016(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
2016(ix)	Low Risk Auditee?	No
<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>		
	None.	
<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>		
	None.	

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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The prior audit report, as of December 31, 2015, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit report.



# 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  
NOVEMBER 14, 2017**