



**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY**

**SINGLE AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1998 - 1997**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Western Reserve Port Authority  
Trumbull County  
1453 Youngstown-Kingsville Road NE  
Vienna, Ohio 44473

To the Board of Directors:

We have audited the accompanying financial statements of Western Reserve Port Authority (the Port Authority) as of and for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Port Authority prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Western Reserve Port Authority, as of December 31, 1998 and 1997, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 1999 on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Port Authority, taken as a whole. The accompanying schedules of federal award expenditures are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

November 24, 1999

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**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental - Counties	\$408,430	0	\$408,430
Intergovernmental - State	0	\$218,456	218,456
Intergovernmental - Federal	0	5,211,524	5,211,524
PFC Collections	0	136,547	136,547
Hangar Space Rental	373,618	0	373,618
Fuel Flowage Fees	86,056	0	86,056
Landing, Ramp and Tie Down Fees	18,246	0	18,246
Terminal Space Rental	130,964	0	130,964
Airline Landing Fees	88,845	0	88,845
Airline Ramp Parking Fees	17,192	0	17,192
Security Reimbursement Fees	13,559	0	13,559
Car Rental Proceeds	155,333	0	155,333
Parking Proceeds	63,213	0	63,213
Air Force Reserves Lease	67,500	0	67,500
Utility Reimbursement	22,186	0	22,186
Interest Earned	18,204	0	18,204
Advertising Space Rental	7,240	0	7,240
Gas and Oil Well Royalties	4,428	0	4,428
Reimbursement for Copies, Faxes	1,508	0	1,508
Commissions - Pay Phones, Vending	1,575	0	1,575
Administrative Fees Earned	19,100	0	19,100
Miscellaneous	24,313	0	24,313
	<hr/>		
Total Cash Receipts	1,521,511	5,566,528	7,088,039
<hr/>			
<b>Cash Disbursements:</b>			
Administrative:			
Personal Services	339,227	0	339,227
Employer's PERS and Medicare	49,552	0	49,552
Hospitalization and Insurance	49,539	0	49,539
Personal Fringe Benefits	4,006	0	4,006

(Continued)

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Disbursements - (Continued):</b>			
Construction, Operation and Maintenance:			
Federal Grant Improvement Projects:			
Federal Portion	0	6,305,094	6,305,094
State Portion	0	827,849	827,849
Local Eligible	0	8,210	8,210
Professional Fees	51,890	0	51,890
Security	151,468	0	151,468
Travel, Education and Meetings	7,167	0	7,167
Advertising and Promotion	26,945	22,477	49,423
Insurance	48,049	0	48,049
Utilities	239,714	0	239,714
Repairs and Maintenance	56,536	0	56,536
Contractual Services	94,656	0	94,656
Supplies and Materials	93,562	0	93,562
Fuel, Oil, Etc.	12,024	0	12,024
Equipment Purchases	86,732	0	86,732
Office Supplies	9,486	0	9,486
Postage	25,788	0	25,788
Miscellaneous Cash Disbursements	12,203	0	12,203
	<hr/>		
Total Cash Disbursements	1,358,544	7,163,630	8,522,174
	<hr/>		
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	162,966	(1,597,102)	(1,434,136)
	<hr/>		
<b>Interfund Transfers and Advances:</b>			
Transfers In	129,669	32,335	162,003
Transfers Out	(1,331)	(160,672)	(162,003)
Advances In	34,195	222,382	256,577
Advances Out	(222,382)	(34,195)	(256,577)
	<hr/>		
Total Interfund Transfers and Advances	(59,850)	59,850	0
	<hr/>		
Excess of Cash Receipts Over/(Under) Cash Disbursements	103,116	(1,537,252)	(1,434,136)
	<hr/>		
Fund Cash Balance - January 1, 1998	75,865	1,725,652	1,801,517
	<hr/>		
<b>Fund Cash Balance - December 31, 1998</b>	<b>\$178,981</b>	<b>\$188,400</b>	<b>\$367,381</b>
	<hr/> <hr/>		

*The notes to the financial statements are an integral part of this statement.*

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Intergovernmental - Counties	\$408,986		\$408,986
Intergovernmental - State	0	\$1,571,822	1,571,822
Intergovernmental - Federal	0	9,327,207	9,327,207
PFC Collections	0	39,617	39,617
Hangar Space Rental	218,553	0	218,553
Fuel Flowage Fees	78,554	0	78,554
Landing, Ramp and Tie Down Fees	23,454	0	23,454
Terminal Space Rental	68,219	0	68,219
Airline Landing Fees	70,598	0	70,598
Airline Ramp Parking Fees	19,533	0	19,533
Security Reimbursement Fees	7,039	0	7,039
Car Rental Proceeds	141,059	0	141,059
Parking Proceeds	59,627	0	59,627
Air Force Reserves Lease	50,625	0	50,625
Utility Reimbursement	20,416	0	20,416
Interest Earned	35,487	0	35,487
Advertising Space Rental	6,754	0	6,754
Gas and Oil Well Royalties	6,658	0	6,658
Reimbursement for Copies, Faxes	767	0	767
Commissions - Pay Phones, Vending	4,195	0	4,195
Miscellaneous	9,694	2,064	11,758
	<hr/>		
Total Cash Receipts	1,230,219	10,940,711	12,170,930

**Cash Disbursements:**

Administrative:

Personal Services	325,538	0	325,538
Employer's PERS and Medicare	49,169	0	49,169
Hospitalization and Insurance	69,943	0	69,943
Personal Fringe Benefits	4,464	0	4,464

(Continued)

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Disbursements - (Continued):</b>			
Construction, Operation and Maintenance:			
Federal Grant Improvement Projects:			
Federal Portion	0	8,273,957	8,273,957
State Portion	0	968,606	968,606
Local Eligible	0	30,333	30,333
Local Ineligible	0	8,711	8,711
Professional Fees	39,239	0	39,239
Security	132,604	0	132,604
Travel, Education and Meetings	4,668	0	4,668
Advertising and Promotion	2,886	0	2,886
Insurance	34,098	0	34,098
Utilities	244,361	0	244,361
Repairs and Maintenance	42,506	0	42,506
Contractual Services	76,901	0	76,901
Supplies and Materials	63,333	0	63,333
Fuel, Oil, Etc.	9,364	0	9,364
Major Repairs	51,543	0	51,543
Office Supplies	5,173	0	5,173
Postage	1,081	0	1,081
Miscellaneous Cash Disbursements	5,059	0	5,059
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	1,161,929	9,281,607	10,443,537
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	<hr/>	<hr/>	<hr/>
	68,289	1,659,103	1,727,393
<b>Interfund Transfers and Advances:</b>			
Transfers In	64,580	41,804	106,384
Transfers Out	(25,530)	(80,853)	(106,384)
Advances In	124,335	10,113	134,448
Advances Out	(10,113)	(124,335)	(134,448)
	<hr/>	<hr/>	<hr/>
Total Interfund Transfers and Advances	153,271	(153,271)	0
Excess of Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	221,561	1,505,832	1,727,393
Fund Cash Balance - January 1, 1997	<hr/>	<hr/>	<hr/>
	(145,696)	219,820	74,124
<b>Fund Cash Balance - December 31, 1997</b>	<hr/> <b>\$75,865</b>	<hr/> <b>\$1,725,652</b>	<hr/> <b>\$1,801,517</b>

*The notes to the financial statements are an integral part of this statement.*

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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

Western Reserve Port Authority (Port Authority) is a body corporate and politic created under the provisions of Revised Code Section 4582.202, and established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority operates under the direction of an appointed eight member Board of Directors established under the provisions of Revised Code Section 4582.27. The Mahoning County and Trumbull County Boards of County Commissioners each appoint four Directors. An appointed director of aviation is responsible for the operation of the airport facilities. An appointed administrative assistant is responsible for fiscal control of the resources of the Port Authority that the Port Authority maintains in the funds described below. The Port Authority is responsible for the safe and efficient operation and maintenance of the Youngstown-Warren Regional Airport.

The Port Authority's management believes these financial statements present all of the funds and activities for which the Port Authority is financially accountable.

**B. BASIS OF ACCOUNTING**

The Port Authority's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

The Port Authority's financial statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. CASH AND INVESTMENTS**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. FUND ACCOUNTING**

The Port Authority maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**Governmental Fund Types:**

**General Fund**

The General Fund is the general operating fund of the Port Authority. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Special Revenue Funds**

These funds are utilized to account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes. The Port Authority established these funds to account for the financial activity of the Port Authority's Airport Improvement Program Federal Assistance Grants. These Funds' receipts are received from the Federal Aviation Administration, the State of Ohio, and local moneys representing matching requirements. These proceeds are only to be utilized for construction and/or improvement of Port Authority facilities.

**E. PROPERTY, PLANT AND EQUIPMENT**

Acquisition of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the financial statements.

**F. ACCUMULATED UNPAID VACATION AND SICK PAY**

The Port Authority full-time employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Port Authority.

**G. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The carrying amount of cash and investments at December 31 was as follows:

	<b>1998</b>	<b>1997</b>
Demand deposits	\$261,312	\$1,200,914
Repurchase Agreements	<u>106,069</u>	<u>600,603</u>
Total deposits and investments	<u>\$367,381</u>	<u>\$1,801,517</u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** Repurchase Agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent, but not in the Port Authority's name.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**3. CONTRACTUAL OBLIGATION**

The Board of Directors entered a contractual agreement on September 4, 1998, that leases airport property to a company and that allows the company to construct a hangar on the property for private use. Included in the agreement is language permitting the company to improve the area around the hangar which such improvements are necessary and essential to the operation of the hangar. The agreement provides that the company will pay for the improvements and associated costs, but will require reimbursement from the Port Authority once the improvements are completed. Repayment shall consist of equal monthly installments of five hundred, twenty dollars per month, over a five-year period, with interest accruing at eleven per cent per annum. At the end of the five-year period, the Port Authority will make a final payment equal to the unamortized amount of the obligation. Management estimates the cost of the improvements to be one hundred, fifty thousand dollars. The improvements have not been completed as of November 24, 1999.

**4. RISK MANAGEMENT**

The Port Authority maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general airport liability. Vehicle policies include liability coverage for bodily injury and property damage. Real property and building contents are 90% coinsured. The Port Authority has also obtained commercial insurance for its general liability risks and its public officials' liability risks. The Authority also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**5. RETIREMENT SYSTEMS**

Port Authority employees are members of the Public Employees Retirement System of Ohio (PERS) which is a state operated, cost sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides post retirement health care, and survivor and disability benefits to vested employees as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For the period January 1, 1997 through December 31, 1998, PERS members contributed 8.5% of their gross salaries. The Port Authority contributed an amount equal to 13.55% of the members gross salaries. The Port Authority has paid PERS for all contributions required through December 31, 1998.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**  
**(Continued)**

**6. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The Port Authority has taken an inventory of computer systems and other electronic equipment necessary to conduct Port Authority operations and has identified the following systems requiring year 2000 remediation:

- *Financial Accounting and Reporting Systems.* All testing and validation of the Port Authority's financial accounting and reporting systems have been completed.
- *Security Access Control Systems.* All testing and validation of the Port Authority's security access control systems have been completed.
- *Communication Systems.* All testing and validation of the Port Authority's communication systems have been completed.
- *Air Traffic Control Systems.* The Federal Aviation Administration (FAA) provides air traffic control services to the Port Authority. The FAA is responsible for remediating its systems and is solely responsible for any associated costs. The FAA reports that its systems are year 2000 compliant.
- *Fixed Base Operator Systems.* The Port Authority's Fixed Base Operator (FBO) is an outside service provider that performs a significant portion of the Port Authority's ground operations. The FBO is responsible for remediating its systems and is solely responsible for any associated costs. The FBO reports that its systems are year 2000 compliant.
- *Car Rental Services Systems.* Certain major car rental companies provide car rental services to the Port Authority. These companies are responsible for remediating their systems and are solely responsible for any associated costs. These companies report that their systems are year 2000 compliant.
- *Passenger Flight Services Systems.* Certain major commercial airline companies provide passenger flight services to the Port Authority. These companies are responsible for remediating their systems and are solely responsible for any associated costs. These companies report that their systems are year 2000 compliant.
- *Emergency Services Systems.* The Vienna Township Police Department and the 910<sup>th</sup> Air Force Reserve Station provide emergency services to the Port Authority. Vienna Township Police Department and 910<sup>th</sup> Air Force Reserve Station are responsible for remediating their systems and are solely responsible for any associated costs. Vienna Township Police Department and 910<sup>th</sup> Air Force Reserve Station report that their systems are year 2000 compliant.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Port Authority is or will be year 2000 ready, and that the Port Authority's remediation efforts will be successful in whole or in part, or that parties with whom the Port Authority does business with will be year 2000 ready.

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**SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

<b>Federal Grantor/ Sub-Grantor Program Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Award Amount</b>
<b>U.S. Department of Transportation/ Federal Aviation Administration:</b>			
Airport Improvement Program	20.106	FA93-GL-2277	1,130,129
Airport Improvement Program	20.106	FA96-GL-2844	1,000,000
Airport Improvement Program	20.106	FA97-GLDET-001	11,538,500
Airport Improvement Program	20.106	FA97-GLDET-047	700,000
Airport Improvement Program	20.106	FA98-GLDET-060	500,000
Airport Improvement Program	20.106	FA98-GLDET-098	3,000,123
Total			

CFDA - Catalog of Federal Domestic Assistance

**Federal  
Receipts**

**Federal  
Disbursements**

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\$ 742	\$ 581
60,154	61,536
2,655,333	3,743,181
699,877	699,877
483,259	487,759
<u>1,312,159</u>	<u>1,312,160</u>
<u>\$5,211,524</u>	<u>\$6,305,094</u>

**SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 1997**

<b>Federal Grantor/ Sub-Grantor Program Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Award Amount</b>
<b>U.S. Department of Transportation/ Federal Aviation Administration:</b>			
(A) Airport Improvement Program	20.106	FA91-GL-1858	432,224
(A) Airport Improvement Program	20.106	FA92-GL-2082	135,564
Airport Improvement Program	20.106	FA93-GL-2277	1,130,129
Airport Improvement Program	20.106	FA95-GL-2653	614,619
Airport Improvement Program	20.106	FA95-GL-2708	65,046
Airport Improvement Program	20.106	FA95-GL-2730	590,670
Airport Improvement Program	20.106	FA96-GL-2844	1,000,000
Airport Improvement Program	20.106	FA97-GLDET-001	11,538,500

Total

(A) These Federal Grant Programs were awarded in the name of the City of Youngstown which owned and operated the Airport prior to its conveyance to Western Reserve Port Authority on January 1, 1993.

CFDA - Catalog of Federal Domestic Assistance

Federal Receipts	Federal Disbursements
\$ -	\$ 2,624
-	1,858
63,959	31,036
92,193	87,765
19,654	27,937
-	34,775
738,002	757,641
<u>8,413,399</u>	<u>7,330,321</u>
<u>\$9,327,207</u>	<u>\$8,273,957</u>

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Western Reserve Port Authority  
Trumbull County  
1453 Youngstown-Kingsville Road NE  
Vienna, Ohio 44473

To the Board of Directors:

We have audited the financial statements of Western Reserve Port Authority as of and for the years ended December 31, 1998 and 1997 and have issued our report thereon dated November 24, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Western Reserve Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1998-21178-001 and 1998-21178-002. We also noted certain immaterial instances of noncompliance that we have reported to management of Western Reserve Port Authority in a separate letter dated November 24, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Western Reserve Port Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Western Reserve Port Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1998-21178-003 and 1998-21178-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Western Reserve Port Authority in a separate letter dated November 24, 1999.

This report is intended for the information and use of the audit committee, management, Board of Directors, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

November 24, 1999



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

Western Reserve Port Authority  
Trumbull County  
1453 Youngstown-Kingsville Road NE  
Vienna, Ohio 44473

To the Board of Directors:

**Compliance**

We have audited the compliance of Western Reserve Port Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. Western Reserve Port Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Western Reserve Port Authority's management. Our responsibility is to express an opinion on Western Reserve Port Authority's compliance based on our audit.

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

In our opinion, Western Reserve Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item *1998-21178-005*. We also noted certain immaterial instances of noncompliance that do not require inclusion in this report that we have reported to management of Western Reserve Port Authority in a separate letter dated November 24, 1999.

### **Internal Control Over Compliance**

The management of Western Reserve Port Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Western Reserve Port Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Western Reserve Port Authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings as item 1998-21178-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of Western Reserve Port Authority in a separate letter dated November 24, 1999.

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

**JIM PETRO**  
Auditor of State

November 24, 1999

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 1998**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs:</b>	Airport Improvement Program - CFDA #20.106
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

<b>Finding Number</b>	1998-21178-001
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Ohio Rev. Code Section 4582.58, provides in part, that all final actions of the port authority shall be journalized and such journal and the records of the port authority shall be open to public inspection at all reasonable times.

The Port Authority did not provide evidence supporting that the Board of Directors approved contracts let by competitive bid for four of the nine contracts tested to determine compliance with this provision. The awarded amounts of the contracts were \$11,950, \$4,206,393, \$327,953, and \$444,985, respectfully. Also, the Port Authority did not provide evidence supporting that the Board of Directors approved change orders to contracts let by competitive bid in six instances identified during testing to determine compliance with this provision.

We recommend the Board of Directors establish internal controls that ensure that all final actions of the port authority are journalized. Also, we recommend the Board of Directors review the above contracts and change orders that were not properly journalized, and take action to formally document the approval of those commitments.

<b>Finding Number</b>	1998-21178-002
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OMB Circular A-133, Subpart C, Section 320, provides in part, that the audit shall be completed and the data collection form described in paragraph (b) of that section and reporting package described in paragraph (c) of that section shall be submitted within nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. (However, for fiscal years beginning on or before June 30, 1998, auditees shall have 13 months after the end of the audit period to complete the audit and submit the reporting package.)

The Port Authority's audit for 1997 was not completed, and the above described data collection form and reporting package for 1997 were not submitted, within thirteen months after the end of the audit period

<b>Finding Number</b>	1998-21178-003
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We noted the following internal control conditions during our examination of the financial records:

Receipt line-items, and disbursement line-items were not always classified according to the coding systems provided in the Port Authority's *Chart of Accounts*;

Receipt and disbursement transactions were not always posted to the appropriate line-item;

Receipt and disbursement transactions were not always posted to the appropriate fund;

Receipt and disbursement transactions, as supported by source documents, were not always posted to the receipt and disbursement ledgers.

The Port Authority's financial records required audit adjustments as a result of the matters noted above. Also, the posting of federal receipt and disbursement transactions to incorrect funds caused deficits to occur in certain federal funds. This condition required advances from the General Fund to these federal funds to meet obligations while other federal funds maintained surpluses.

We recommend the Board of Directors carefully review this matter and establish internal controls that support the integrity of the Port Authority's financial records. These controls should include procedures that remedy the aforementioned conditions including those that ensure all transaction postings are timely, accurate and complete.

<b>Finding Number</b>	1998-21178-004
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We noted the following internal control conditions during our examination of forty expenditure transactions:

The Port Authority's Procurement Policy requires, in part, that purchase requisitions be executed for all expenditures. However, documentation was not provided supporting that a purchase requisition or other form of evidence of need was executed for eight transactions;

The Port Authority's Procurement Policy requires, in part, that the Director of Aviation approve all expenditures that exceed twenty-five dollars but not exceeding two hundred, fifty dollars. However, documentation was not provided supporting that the Director of Aviation approved expenditures for three of the nineteen transactions within this range;

The Port Authority's Procurement Policy requires, in part, that at least two verbal documented quotes be obtained or a statement explaining the lack of such documentation for all expenditures that exceed two hundred, fifty dollars but not exceeding one thousand dollars. However, documentation was not provided supporting that the above described quotes were obtained or a statement reflecting the lack of the same for five of the seven transactions within this range;

The Port Authority's Procurement Policy requires, in part, that at least three verbal documented quotes be obtained or a statement explaining the lack of such documentation for all expenditures that exceed one thousand dollars but not exceeding five thousand dollars. However, documentation was not provided supporting that the aforementioned quotes were obtained or a statement reflecting the lack of the same for one of the seven transactions within this range;

Purchase orders are not utilized for their intended purpose as purchase orders were prepared and approved subsequent to the purchase of the good/service for six transactions;

Invoices and/or other documentation supporting the purchase of a good/service were not signed by the employee who made the purchase as an indication that the good/service was actually received for ten transactions.

The Port Authority's Procurement Policy provides that the Port Authority's petty cash fund should not be used for purchases exceeding \$250.00. However, the amount of the expenditure exceeded two hundred, fifty dollars for four transactions. These transactions should be executed out of the general depository account and follow the Procurement Policy's *Small Purchasing Procedures*.

Also, we noted the following internal control conditions during our examination of six expenditure transactions that exceeded five thousand dollars but not exceeding ten thousand dollars:

The Port Authority's Procurement Policy requires, in part, that at least three written documented quotes be obtained or a statement explaining the lack of such documentation for all expenditures within this range. However, documentation was not provided supporting that the aforementioned quotes were obtained or a statement reflecting the lack of the same for expenditures within this range for four transactions;

The Port Authority's Procurement Policy requires, in part, that purchase requisitions be executed for all expenditures. However, documentation was not provided supporting that a purchase requisition or other form of evidence of need was executed for two transactions;

The Port Authority's Procurement Policy requires, in part, that the Director of Aviation and the Chairperson of the Operations Committee approve all expenditures within this range although the approval of the Director of Aviation shall be sufficient in the case of an emergency. However, documentation was not provided supporting that the Chairperson of the Operations Committee approved expenditures within this range nor that an emergency condition existed for the same for six transactions;

We recommend the Board of Directors follow its established policies and/or review its policies and modify them if it determines that it does not require specific policies (however, the modified policies should provide appropriate control).

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Title of Finding**

<b>Finding Number</b>	1998-21178-005
<b>CFDA Title and Number</b>	Airport Improvement Program - CFDA #20.106
<b>Federal Award Number / Year</b>	All Grants reflected in Schedules of Federal Award Expenditures
<b>Federal Agency</b>	U.S. Department of Transportation/ Federal Aviation Administration
<b>Pass-Through Agency</b>	Non-Applicable

**Noncompliance Citation**

Reference GAGAS Finding #1998-21178-002 above. This Finding is also required to be reported in accordance with OMB Circular A-133.

**Title of Finding**

<b>Finding Number</b>	1998-21178-006
<b>CFDA Title and Number</b>	Airport Improvement Program - CFDA #20.106
<b>Federal Award Number / Year</b>	All Grants reflected in Schedules of Federal Award Expenditures
<b>Federal Agency</b>	U.S. Department of Transportation/ Federal Aviation Administration
<b>Pass-Through Agency</b>	Non-Applicable

**Reportable Condition**

Reference GAGAS Finding #1998-21178-003 above. This Finding is also required to be reported in accordance with OMB Circular A-133.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
FEBRUARY 8, 2000**