



Mary Taylor, CPA
Auditor of State

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis	12
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	13
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds.....	14
Statement of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual (Budget Basis) - General Fund.....	15
Statement of Cash Basis Assets and Fund Balances – Proprietary Fund	16
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Proprietary Fund	17
Notes to the Financial Statements	19
Schedule of Federal Awards Expenditures.....	27
Notes to Schedule of Federal Awards Expenditures	28
Schedule of Expenditures of Passenger Facility Charges	29
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	33
Independent Accountants' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance.....	35
Schedule of Findings.....	37

THIS PAGE INTENTIONALLY LEFT BLANK.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Western Reserve Port Authority
Trumbull County
1453 Youngstown-Kingsville Rd.
Vienna, Ohio 44473

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Western Reserve Port Authority, Trumbull County, Ohio (the Port Authority), as of and for the year ended December 31, 2004, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Western Reserve Port Authority, Trumbull County, Ohio, as of December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the Port Authority revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the Management's discussion and analysis and express no opinion on it.

The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 23, 2007

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis of the Western Reserve Port Authority (Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2004, within the limitations of the Port Authority's cash basis accounting. 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.

Financial Highlights

Key financial highlights for 2004 are as follows:

Net assets of the governmental activities decreased \$87,313, or 46 percent, a significant change from 2003. This was almost entirely due to the Airport Improvement Program Fund realizing a decrease in cash and cash equivalents of \$87,444 from 2003 due to the timing between the receipt of federal program funding for airport improvement projects and the subsequent payment of the same, and the release of contractual retainages that were held subject to final inspection and approval of completed airport improvement projects performances.

The cash and cash equivalents of the General Fund remained constant from 2003. The financial activities of the General Fund remained moderately constant from 2003 with the exception of contractual services disbursements that increased from \$314,779 in 2003 to \$730,329 in 2004, a 57 percent increase. This increase was primarily the result of the Port Authority, assisted with subsidies to the Port Authority from Mahoning and Trumbull Counties, seeding \$400,000 to Vacation Express, a large air carrier group, to provide passenger services to the leisure markets of Orlando, Florida and Myrtle Beach, South Carolina, with the premise of reestablishing scheduled passenger enplanements necessary to receive federal entitlements and to provide air services to popular destination points for the community.

The Port Authority's general receipts for governmental activities are primarily (1) charges for services (fees and charges for services, and rental and lease income), (2) intergovernmental receipts consisting of grants from other governmental units that must be used to provide a specific service, and (3) intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations. These receipts represent respectively 13 percent, 66 percent, and 20 percent of the total cash received for governmental activities for 2004.

Using the Basic Financial Statements

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

Report Components

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

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

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

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Port Authority has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Port Authority's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Port Authority as a Whole

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

The *Statement of Net Assets* and the *Statement of Activities* reflect how the Port Authority did financially during 2004, within the limitations of cash basis accounting. The *Statement of Net Assets* presents cash balances and investments of the governmental and business-type activities of the Port Authority at year-end. The *Statement of Activities* compares cash disbursements with program receipts for each governmental program and business-type activity. 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. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Port Authority's general receipts.

These statements report the Port Authority's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you may think of these changes as one way to measure the Port Authority's financial health. Over time, increases or decreases in the Port Authority's cash position is one indicator of whether the Port Authority's financial health is improving or deteriorating. When evaluating the Port Authority's financial condition, you should also consider other non-financial factors as well such as the Port Authority's reliance of non-local financial resources for operations such as subsidies from other governmental units, the condition of the Port Authority's capital assets and infrastructure, the extent of the Port Authority's debt obligations, and the need for growth in the major local revenue sources such as property taxes.

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

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

Business-Type Activities - The Port Authority participated with the State of Ohio, through the Director of the Ohio Department of Development, in the Delphi Automotive Systems Project (Delphi) and the Timken Latrobe Steel Distribution Project (Timken) that consisted of assisting Delphi and Timken retain their operations in the Mahoning Valley by providing financial resources to Delphi and Timken to acquire sites, construct buildings, and equip and furnish the same. The Port Authority's business-type activities are an accounting for the conduit debt activity of these projects, which is financed entirely by capital lease payments made by Delphi and Timken to the Port Authority.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Reporting the Port Authority Most Significant Funds

Fund financial statements provide detailed information about the Port Authority's funds – not the Port Authority as a whole. The Port Authority establishes separate funds to 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 funds of the Port Authority are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Port Authority's activities are reported in governmental funds. The governmental fund financial statements (The *Statement of Cash Basis Assets and Fund Balances* and the *Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances*) provide a detailed view of the Port Authority's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Port Authority's programs. The Port Authority maintains two governmental funds, the General Fund and the Airport Improvement Program Fund, which the governmental funds statements present in separate columns. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Fund - When a governmental unit charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. As described above, the Port Authority participated in the Delphi Automotive Systems Project (Delphi) and the Timken Latrobe Steel Distribution Project (Timken). The Port Authority maintains an enterprise fund to account for the conduit debt activity of these projects, which is financed entirely by sublease payments made by Delphi and Timken to the Port Authority.

Port Authority as a Whole

Table 1 provides a summary of the Port Authority's net assets for 2004 compared to 2003 on a cash basis.

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2004	2003	2004	2003	2004	2003
Assets						
Cash and Cash Equivalents	\$101,105	\$188,418	\$13,941	\$13,941	\$115,046	\$202,359
Net Assets						
Restricted for:						
Other Purposes	43,079	130,524	0	0	43,079	130,524
Unrestricted	58,026	57,894	13,941	13,941	71,967	71,835
Total Net Assets	\$101,105	\$188,418	\$13,941	\$13,941	\$115,046	\$202,359

As mentioned previously, net assets of the governmental activities decreased \$87,313, or 46 percent, during 2004 due to the timing of receipt of federal program funding for airport improvement projects and the subsequent payment of the same, and the release of contractual retainages which were held subject to final inspection and approval of completed airport improvement projects performances.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2 reflects the changes in net assets in 2004. Since the Port Authority did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Receipts:			
<i>Program Receipts:</i>			
Charges for Services	\$478,727	\$1,572,198	\$2,050,925
Operating Grants and Contributions	1,969,510	0	1,969,510
Capital Grants and Contributions	553,385	0	553,385
<i>Total Program Receipts</i>	<u>3,001,622</u>	<u>1,572,198</u>	<u>4,573,820</u>
<i>General Receipts:</i>			
Grants and Entitlements not Restricted to Specific Programs	768,023	0	768,023
Investment Earnings	514	0	514
Miscellaneous Receipts	61,362	0	61,362
<i>Total General Receipts</i>	<u>829,899</u>	<u>0</u>	<u>829,899</u>
<i>Total Receipts</i>	<u>3,831,521</u>	<u>1,572,198</u>	<u>5,403,719</u>
Disbursements:			
Personal Services	451,388	0	451,388
Materials and Supplies	20,060	0	20,060
Contractual Services	1,270,440	0	1,270,440
Travel	5,940	0	5,940
Utilities	239,552	0	239,552
Repair and Maintenance	1,349,150	0	1,349,150
Capital Outlay	556,610	0	556,610
Other Disbursements	25,694	0	25,694
Capital Lease Payments	0	1,572,198	1,572,198
<i>Total Disbursements</i>	<u>3,918,834</u>	<u>1,572,198</u>	<u>5,491,032</u>
Increase/(Decrease) in Net Assets	(87,313)	0	(87,313)
<i>Net Assets – January 1, 2004</i>	<u>188,418</u>	<u>13,941</u>	<u>202,359</u>
Net Assets - December 31, 2004	<u>\$101,105</u>	<u>\$13,941</u>	<u>\$115,046</u>

Program receipts represent 78 percent of total receipts for governmental activities and are comprised of charges for services (fees and charges for services, and rental and lease income) and intergovernmental receipts consisting of restricted grants from other governmental units that must be used to provide a specific service. Program receipts represent 100 percent of total receipts for business-type activities and are comprised of charges for services, which are the sublease payments, received to finance the Port Authority's conduit debt activity.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

General receipts represent 22 percent of total receipts for governmental activities, and of this amount, 93 percent are intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations. Repairs and maintenance and capital outlay together represent 49 percent of total disbursements for governmental activities, and of this amount, 96 percent was comprised of the expenditure of the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding.

Contractual services represent 32 percent of total disbursements for governmental activities. Of this amount, 43 percent was comprised of the expenditure of the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding. Also, of this amount, 31 percent represented the \$400,000 seeding to Vacation Express necessary to receive federal entitlements and to provide air services to popular destination points for the community.

Personal services represent 12 percent of total disbursements for governmental activities and are comprised of payroll and benefit related expenses for Port Authority employees.

Capital lease payments represent 100 percent of total disbursements for business-type activities and are made to satisfy the Port Authority's conduit debt activity requirements.

Governmental and Business-Type Activities

If you look at the *Statement of Activities* on page 12, you will see that the first column lists the major services provided by the Port Authority. The next column entitled *Cash Disbursements* identifies the costs of providing these services. The next three columns entitled *Program Receipts* identify amounts paid by customers who are directly charged for services, and for grants received by the Port Authority that must be used to provide a specific service. The *Net Receipts (Disbursements)* columns compare the program receipts for governmental and business-type activities to the cost of the services. A comparison between the total costs of services and the net cost for governmental and business-type activities is presented in Table 3.

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

	Governmental Activities		Business-Type Activities	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2004	2004	2004	2004
Personal Services	\$451,388	(\$310,506)	\$0	\$0
Materials and Supplies	20,060	(13,799)	0	0
Contractual Services	1,270,440	(243,402)	0	0
Travel	5,940	(4,086)	0	0
Utilities	239,552	(164,786)	0	0
Repair and Maintenance	1,349,150	(152,971)	0	0
Capital Outlay	556,610	(2,219)	0	0
Other Disbursements	25,694	(25,443)	0	0
Capital Lease Payments	0	0	1,572,198	0
Total	\$3,918,834	(\$917,212)	\$1,572,198	\$0

The *Net Cost of Services* amount of (\$917,212) for governmental activities represents the costs of the services which ends up being paid from subsidies provided by Mahoning and Trumbull Counties, from investment earnings and miscellaneous receipts, and from a reduction in net assets (cash and cash equivalents).

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Port Authority Funds Analysis

The Port Authority had cash receipts of \$5,403,719 and cash disbursements of \$5,491,032 for all funds in 2004. Total governmental funds had cash receipts of \$3,831,521 and cash disbursements of \$3,918,834 in 2004. The greatest change in cash receipts and cash disbursements within governmental funds from 2003 to 2004 occurred in the Airport Improvement Program Fund. The Airport Improvement Program Fund's cash receipts increased from \$820,289 in 2003 to \$2,223,062 in 2004 and cash disbursements increased from \$813,734 in 2003 to \$2,384,982 in 2004 due to an increase in federal and state funding in 2004 for airport improvement projects and capital outlay. As mentioned previously, the financial activities of the General Fund remained moderately constant from 2003 to 2004 with the exception of the increase in cash receipts and cash disbursements related to the seeding of \$400,000 to Vacation Express that the Port Authority made, assisted with subsidies to the Port Authority from Mahoning and Trumbull Counties. The Port Authority transferred \$74,475 from the General Fund into the Airport Improvement Program Fund in 2004 to comply with the matching requirements of certain federal programs that require the Port Authority to contribute local resources (matching funds) to support these federal programs.

Capital Assets and Debt Administration

Capital Assets - The Port Authority does not currently maintain tracking of its capital assets and infrastructure.

Debt Administration - The Port Authority does not have any outstanding debt as of December 31, 2004 for governmental activities. The Port Authority's outstanding debt as of December 31, 2004 for business-type activities includes (1) \$13,496,936 in capital lease payments due to the Director of the Ohio Department of Development as related to the Timken Latrobe Steel Distribution Project, and (2) capital lease payments due to the Director of the Ohio Department of Development as related to the Delphi Automotive Systems Project. Future capital lease payments related to the Delphi Project are determined monthly by the financial institution owning the bonds using a derived LIBO Rate; therefore, a schedule of lease payments to maturity is not prepared. However, as described above, the Port Authority's debt service obligations for the Timken Project and the Delphi Project are financed entirely by sublease payments made by Timken and Delphi to the Port Authority.

General Fund Budgeting Highlights

The Port Authority's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances (budgetary basis of accounting). The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual (Budget Basis)*, presents the Port Authority's estimated resources and appropriations for the General Fund only. The Board of Directors did not prepare a budget for the Airport Improvement Program Fund because the fund was established to account for the financial resources of the Port Authority's Airport Improvement Program Federal Assistance Grants. The associated grant agreements include individual budgets set by the Federal Aviation Administration (FAA). The FAA reviews and approves the expenditure of grant proceeds prior to transmitting such proceeds and any deviation from the grants' budgets is not permitted.

The Port Authority's final budgeted receipts were \$1,730,289 while actual receipts were \$1,608,459. The negative difference of \$121,830 was primarily due to lower than expected intergovernmental receipts from other governmental units to be used for general operations (\$52,177) and lower than expected rental/lease income (\$100,391). Higher rental/lease income for Hangars 2 and 3 was anticipated in 2004. Hangar 2 tenant, National Marine, Inc., relocated to the Air Cargo Facility on the Airport's west side as a subtenant of Airport Properties, Inc., and was in the final stages of obtaining a long term lease arrangement with the airport for five acres to build and expand their business. This was initially projected to benefit the airport nearly \$50,000 in rental/ lease receipts, however, during final negotiations, National Marine encountered off airport legal complications and later fell into bankruptcy. Ready Air, LLC, signed an agreement in late 2003 to become the airports first ever additional FBO operator.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

It was anticipated that Ready Air would occupy the National Marine facility, Hangar 2, once it was vacated. As National Marine did not move their operations until May 2004, Ready Air took position much later than projected, in June 2004. The timing of this later than expected start date of Ready Air tenancy and coupled with Ready Air's poor rental and fee payment practices, significantly impacted rental/lease income by nearly \$40,000 in 2004. Hangar 3 rents had lower than expected based aircraft occupancy, which resulted in underachieved rental/lease income of nearly \$20,000 for 2004.

The Port Authority's final budgeted disbursements were \$1,629,680 while actual disbursements were \$1,533,852. The positive difference of \$95,828 was primarily due to lower than expected utility costs (39,844) and repairs and maintenance (\$30,028), and greater overall spending controls for general operations.

Current Issues

In the spring of 2004 the airport applied for a USDOT Small Community Air Service Development (SCASD) grant. The goals and objectives of this submitted application were three fold: (1) to promote existing public charter services to leisure destinations from the airport and promote expansion of those services, (2) demonstrate the potential of the airport to support scheduled air services, and (3) reestablish scheduled air service at the Airport by using scheduled charter services as a bridge. In September 2004 the airport was awarded a \$250,000 SCASD federal grant. As the grant required approximately 20% for matching funds, \$320,000 became available for these goals and objectives. This allowed the Port Authority in late 2004 to formally engage the assistance of a local marketing firm with the purposes of developing marketing materials and to assist in promulgating a strategic marketing campaign. Through the use of the SCASD grant funding, and armed with the experienced load factors from Vacation Express flights, this campaign contacted virtually all domestic air carriers throughout 2005 and continues on today.

In May 2006, Allegiant Air, a scheduled CFR 14, Part 121 air carrier, announced non-stop scheduled YNG to Orlando-Sanford Airport, Florida, air service. Based in Las Vegas, Nevada, with a homogenous fleet of MD80 series aircraft, Allegiant Air operates out of over 40 cities throughout the United States, offering low cost, non-stop flights to Las Vegas, Orlando, and Tampa area airports.

In 2004, the Port Authority began a process toward establishing an association with educational institutions, with the intent of launching a quality training and educational program for various career fields in aviation. This effort led to a Memorandum of Understanding between Kent State University, Trumbull Campus, the Pittsburgh Institute of Aeronautics (PIA), and the Port Authority toward proceeding with this endeavor. In 2005, the Port Authority created OPCAT (Ohio Pennsylvania Center for Aviation Technology) as a Non Profit (501c3) platform to launch this program. Shortly after its creation, PIA signed a long-term agreement to begin classes in the Fall of 2006 at the Youngstown-Warren Regional Airport. PIA, an accredited FAA training institution, has been training Aviation Maintenance Technicians for over 75 years.

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 Steve Bowser, Director of Aviation, Western Reserve Port Authority, Youngstown-Warren Regional Airport, 1453 Youngstown-Kingsville Road, NE, Vienna, Ohio, 44473.

THIS PAGE INTENTIONALLY LEFT BLANK.

Western Reserve Port Authority, Ohio
Statement of Net Assets - Cash Basis
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$101,105	\$13,941	\$115,046
Net Assets			
Restricted for:			
Other Purposes	\$43,079	\$0	\$43,079
Unrestricted	58,026	13,941	71,967
Total Net Assets	\$101,105	\$13,941	\$115,046

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts				Net Receipts (Disbursements) and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Personal Services	\$451,388	\$140,882	\$0	\$0	(\$310,506)	\$0	(\$310,506)
Materials and Supplies	20,060	6,261	0	0	(13,799)	0	(13,799)
Contractual Services	1,270,440	227,942	799,096	0	(243,402)	0	(243,402)
Travel	5,940	1,854	0	0	(4,086)	0	(4,086)
Utilities	239,552	74,766	0	0	(164,786)	0	(164,786)
Repair and Maintenance	1,349,150	25,765	1,170,414	0	(152,971)	0	(152,971)
Capital Outlay	556,610	1,006	0	553,385	(2,219)	0	(2,219)
Other Cash Disbursements	25,694	251	0	0	(25,443)	0	(25,443)
Total Governmental Activities	3,918,834	478,727	1,969,510	553,385	(917,212)	0	(917,212)
Business-Type Activities							
Capital Lease Payments	1,572,198	1,572,198	0	0	0	0	0
Total	\$5,491,032	\$2,050,925	\$1,969,510	\$553,385	(917,212)	0	(917,212)
General Receipts							
Grants and Entitlements not							
Restricted to Specific Programs					768,023	0	768,023
Investment Earnings					514	0	514
Miscellaneous Receipts					61,362	0	61,362
Total General Receipts					829,899	0	829,899
Changes in Net Assets					(87,313)	0	(87,313)
Net Assets - January 1, 2004					188,418	13,941	202,359
Net Assets - December 31, 2004					\$101,105	\$13,941	\$115,046

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Airport Improvement Program	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$58,026	\$43,079	\$101,105
Fund Balances			
Reserved for Encumbrances	\$33,338	\$0	\$33,338
Unreserved and/or Undesignated	24,688	43,079	67,767
Total Fund Balances	\$58,026	\$43,079	\$101,105

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Airport Improvement Program	Total
Cash Receipts			
Operating Cash Receipts:			
Fees and Charges for Services	\$203,533	\$0	\$203,533
Rental/Lease Income	275,196	0	275,196
Total Operating Cash Receipts	478,729	0	478,729
Non-Operating Cash Receipts:			
Intergovernmental Receipts	1,068,022	2,222,894	3,290,916
Earnings on Investments	346	168	514
Other Cash Receipts	61,362	0	61,362
Total Non-Operating Cash Receipts	1,129,730	2,223,062	3,352,792
Total Cash Receipts	1,608,459	2,223,062	3,831,521
Cash Disbursements			
Personal Services	451,388	0	451,388
Materials and Supplies	20,060	0	20,060
Contractual Services	730,329	540,111	1,270,440
Travel	5,940	0	5,940
Utilities	239,552	0	239,552
Repair and Maintenance	82,552	1,266,598	1,349,150
Capital Outlay	3,225	553,385	556,610
Other Cash Disbursements	806	24,888	25,694
Total Cash Disbursements	1,533,852	2,384,982	3,918,834
Excess of Cash Receipts Over/(Under) Cash Disbursements	74,607	(161,920)	(87,313)
Other Financing Receipts and (Disbursements)			
Transfers-In	0	74,475	74,475
Transfers-Out	(74,475)	0	(74,475)
Total Other Financing Receipts and (Disbursements)	(74,475)	74,475	0
Net Changes in Fund Cash Balances	132	(87,445)	(87,313)
Fund Cash Balances - January 1, 2004	57,894	130,524	188,418
Fund Cash Balances - December 31, 2004	\$58,026	\$43,079	\$101,105

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Receipts, Disbursements, and Changes in Fund Balances -
Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Operating Receipts:				
Fees and Charges for Services	\$193,902	\$193,902	\$203,533	\$9,631
Rental/Lease Income	340,587	375,587	275,196	(100,391)
Total Operating Receipts	534,489	569,489	478,729	(90,760)
Non-Operating Receipts:				
Intergovernmental Receipts	660,200	1,120,200	1,068,022	(52,178)
Earnings on Investments	0	0	346	346
Other Receipts	40,600	40,600	61,362	20,762
Total Non-Operating Receipts	700,800	1,160,800	1,129,730	(31,070)
Total Receipts	1,235,289	1,730,289	1,608,459	(121,830)
Disbursements				
Personal Services	417,969	455,132	451,388	3,744
Materials and Supplies	22,004	30,084	20,060	10,024
Contractual Services	334,003	742,088	730,329	11,759
Travel	5,500	6,000	5,940	60
Utilities	207,787	279,396	239,552	39,844
Repair and Maintenance	151,117	112,580	82,552	30,028
Capital Outlay	3,000	3,400	3,225	175
Other Disbursements	1,000	1,000	806	194
Total Disbursements	1,142,380	1,629,680	1,533,852	95,828
Excess of Receipts Over/(Under) Disbursements	92,909	100,609	74,607	(26,002)
Other Financing Receipts and (Disbursements)				
Transfers-Out	(45,000)	(74,500)	(74,475)	25
Net Changes in Fund Balances	47,909	26,109	132	(25,977)
Fund Balances - January 1, 2004	18,008	18,008	18,008	
Prior Year Encumbrances Appropriated	39,886	39,886	39,886	
Fund Balances - December 31, 2004	\$105,803	\$84,003	\$58,026	(\$25,977)

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Basis Assets and Fund Balance
Proprietary Fund
December 31, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$13,941</u></u>
--	------------------------

Fund Balances

Unreserved and/or Undesignated	<u><u>\$13,941</u></u>
--------------------------------	------------------------

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Receipts, Cash Disbursements, and
Changes in Cash Basis Fund Balance
Proprietary Fund
For the Year Ended December 31, 2004

Operating Cash Receipts	
Sublease Payments	\$1,572,198
Operating Cash Disbursements	
Capital Lease Payments	<u>1,572,198</u>
Net Changes in Fund Cash Balance	0
Fund Cash Balance - January 1, 2004	<u>13,941</u>
Fund Cash Balance - December 31, 2004	<u><u>\$13,941</u></u>

See accompanying Notes to the Basic Financial Statements.

THIS PAGE INTENTIONALLY LEFT BLANK.

Note 1 – Reporting Entity

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

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 Board of Directors contracted with the Office of the Mahoning County Auditor to provide fiscal controls over the resources of the funds described below beginning in 2000. However, the Port Authority is ultimately responsible over all fiscal matters of the Youngstown-Warren Regional Airport.

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. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally Accepted Accounting Principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Port Authority does not apply FASB statements issued after November 30, 1989 to its business-type activities and to its enterprise fund. 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 a government-wide statement of net assets, a statement of activities, and fund financial statements providing a more detailed level of financial information.

Government-Wide Financial Statements The statement of net assets and the statement of activities display information about the Port Authority as a whole. The statements distinguish between those activities of the Port Authority that are governmental and those that are considered business-type.

The government-wide statement of net assets presents the cash balances of the governmental and business-type activities of the Port Authority at year-end. The government-wide statement of activities compares disbursements with program receipts for each function or program of the Port Authority's governmental activities and business-type activities. 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.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

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

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

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

Special Revenue Fund This fund is utilized to account for grants and other sources whose use is restricted to a particular purpose. The Port Authority established this fund to account for the financial resources of the Port Authority's Airport Improvement Program Federal Assistance Grants. This fund's receipts are received from the Federal Aviation Administration, 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.

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

Enterprise Fund This Fund is utilized to account for the conduit debt activity of the Timken Latrobe Steel Distribution Project and the Delphi Automotive Systems as described in Notes 5 and 6.

C. Basis of Accounting

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

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

D. Cash and Cash Equivalents

To improve cash management, the Port Authority's cash and investments are maintained by Mahoning County. Investment procedures are restricted by the provisions of the Ohio Revised Code and Mahoning County is responsible for such compliance. However, individual fund integrity is maintained through Port Authority records. The amount of the Port Authority's cash and investments maintained by Mahoning County is valued at cost and is presented in the statement of net assets as "equity in pooled cash and cash equivalents".

E. Inventory and Prepaid Items

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.

F. 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.

G. Long-Term Obligations

On the cash basis of accounting, proceeds from long-term debt is 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. Also, 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.

H. 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.

I. Fund Balance Reserves

The Port Authority segregates its fund balances into two categories (1) those portions that are legally reserved for specific future use or which are not available for appropriation or disbursement in future periods, and (2) those portions that are unreserved that are available for appropriation or disbursement in future periods. Therefore, fund balance reserves have been established for encumbrances. These fund balance designations are reflected in the accompanying financial statements.

J. Net Assets Restrictions

Net assets are reported as restricted when there are limitations imposed on their 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 assets reports \$43,079 of restricted net assets for governmental activities, all of which is restricted by agreements with grantors.

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

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 maintains certain federal programs that require the Port Authority to contribute local resources (matching funds) to support these federal programs. The Port Authority complied with the matching requirements of these federal programs by transferring \$74,475 from the General Fund into the Airport Improvement Program 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 the General Fund. The Board of Directors did not prepare a budget for the Airport Improvement Program fund because the fund was established to account for the financial resources of the Port Authority's Airport Improvement Program Federal Assistance Grants. The associated grant agreements include individual budgets set by the Federal Aviation Administration (FAA). The FAA reviews and approves the expenditure of grant proceeds prior to transmitting such proceeds and any deviation from the grants' budgets is not permitted.

Estimated resources in the budget include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. Estimated resources establish a limit on the amount the Board of Directors may appropriate. Estimated resources may be adjusted during the year if the Board of Directors projects increases or decreases in receipts. The appropriations in the budget are the Port Authority's authorization to spend resources and set limits on expenditures plus encumbrances at the level of control selected by the Board of Directors. The legal level of control has been established by the Board of Directors at the function level for the General Fund. 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.

Note 3 – Change in Accounting Principles

For 2004, the Port Authority has implemented GASB Statement No. 39, "Determining whether Certain Organizations are Component Units", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post Employment Benefit Expenditure/Expense and Liabilities by Cost-Sharing Employers".

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 46 clarifies when net assets should be considered restricted based upon enabling legislation.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a coast-sharing multiple-employer pension and other post employment benefit (OPEB) plans.

The implementation of GASB Statement No. 39, GASB Statement No. 46, and GASB Technical Bulletin No 2004-2 did not affect the presentation of the financial statements of the Port Authority.

Note 4 – Deposits and Investments

The Port Authority's deposits and investments are maintained by Mahoning County. The Ohio Revised Code prescribes allowable deposits and investments and Mahoning County is responsible for such compliance. The carrying amount of the Port Authority's share of Mahoning County's cash and investments pool at December 31, 2004 was \$115,046. As of December 31, 2004, Mahoning County had complied with the provisions of the Ohio Revised Code governing deposits and investments including insuring and/or collateralizing its deposits in accordance with State statutes.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual receipts with the budget. The difference between the budgetary basis and the cash basis is that outstanding year-end encumbrances are treated as expenditures (budgetary basis) than as a reservation of fund balance (cash basis). The General Fund encumbrances outstanding at December 31, 2004 (budgetary basis) amounted to \$33,338.

Note 6 – Timken Latrobe Steel Distribution Project – Capital Lease Obligation

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 its operations in the Mahoning Valley by providing financial resources to Timken to acquire a site, construct a building, and equip and furnish the same.

The Port Authority's involvement in the Project consisted of obtaining a \$150,000 Development Grant from the Ohio Department of Development (ODOD). The Director obtained \$6,185,000 in State Economic Development Revenue Bonds (8.64% - 20 years) through the Ohio Enterprise Bond Fund, and obtained a \$3,000,000 Loan (2% - 20 Years) from ODOD's 166 Direct Loan Program. The Port Authority passed through the proceeds of the Grant to the Director who administered the Project and retained ownership of the land, improvements, facilities, and equipment.

The Director let a 20-year capital lease to the Port Authority for the land, improvements, facilities, and equipment. Quarterly lease payments by the Port Authority meet the amounts needed to service the debt, including interest and fiscal charges, on the Bonds and the Loan. The Port Authority subleased the same to Timken who will make monthly lease payments meeting the amounts of the Port Authority's lease requirements. 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.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Future lease payments paid by Timken to the Port Authority, and subsequently paid by the Port Authority to the Director, follow:

Year	Amount
2005	865,994
2006	866,446
2007	868,550
2008	868,878
2009	867,363
2010 - 2020	<u>9,159,705</u>
Total	<u>\$13,496,936</u>

Note 7 – Delphi Automotive Systems Project – Capital Lease Obligation

The Port Authority participated with the State of Ohio, through the Director of the Ohio Department of Development (Director), in the Delphi Automotive Systems (Delphi) Project (Project) that consisted of assisting Delphi retain its operations in the Mahoning Valley by providing financial resources to Delphi to acquire a site, construct a building, and equip and furnish the same.

The Port Authority's involvement in the Project consisted of obtaining a \$250,000 Development Grant from the Ohio Department of Development (ODOD). The Director of the Ohio Department of Development obtained \$22,480,174 in State Economic Development Revenue Bonds (10 year bonds, interest is calculated using a variable rate determined by using the Key Bank base rate or the Derived LIBO Rate during the interest period) through the Ohio Enterprise Bond Fund, and obtained a \$5,000,000 Loan (3% - 10 Years) from ODOD's 166 Direct Loan Program. The Port Authority passed through the proceeds of the Grant to the Director who administered the Project and retained ownership of the land, improvements, facilities, and equipment.

The Director let a 10-year capital lease to the Port Authority for the land, improvements, facilities, and equipment. Quarterly lease payments by the Port Authority meet the amounts needed to service the debt, including interest and fiscal charges, on the Bonds and the Loan. The Port Authority subleased the same to Delphi who will make monthly lease payments meeting the amounts of the Port Authority's lease requirements. In the event of default by Delphi, 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.

Future lease payments paid by Delphi to the Port Authority, and subsequently paid by the Port Authority to the Director, are determined monthly by the financial institution owning the bonds using a derived LIBO Rate; therefore, a schedule of lease payments to maturity is not prepared. Lease payments commenced during 2003, the average monthly payment during 2004 was \$58,692 totaling \$704,308 for the year.

Note 8 – Defined Benefit Pension Plan

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

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5% of their annual covered salaries to fund pension obligations. The Port Authority's contribution rate for pension benefits for 2004 was 9.55%. The Ohio Revised Code provides statutory authority for member and employer contributions. The Port Authority's contributions for the years ending December 31, 2004, 2003, and 2002 were \$62,180, \$63,148, and \$68,304 respectively.

Note 9 – Post-Employment Benefits Other than Pension Benefits

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-Employment Benefit (OPB) as described in *GASB Statement No. 12*, "Disclosure of Information on Post-Employment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5 percent and 6.3 percent based on annual pay increases. Health care premiums were assumed to increase between 1 percent and 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. The Port Authority's actual contributions for 2004, which were used to fund post-employment benefits, were \$18,356. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 were \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

Note 10 – 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 and state agencies in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims, including amounts already received, resulting from such audits could become a liability of the General Fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Port Authority as of December 31, 2004.

Note 11 – Risk Management

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

The Port Authority also provides health insurance, dental and vision coverage to full-time employees through a private carrier.

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

Note 13 – Discontinued Commercial Air Service

In April 2004, Vacation Express began direct (nonstop) commercial flights on Boeing 737-200's to Myrtle Beach, South Carolina and to Orlando-Sanford Airport, Florida. Trumbull County, Mahoning County, and the Port Authority provided \$400,000 in seed money for this start-up. Although load factor averages were strong at nearly 80%, airline operator determined pricing created yields insufficient to effectively cover their aging fleet and maintenance cost burden. On September 7th, 2004, all Vacation Express flights were suspended after experiencing 10,536 enplaned passengers through the airport. However, Port Authority management is of the opinion that the loss of this commercial air service will not have a material effect on the overall financial position of the Port Authority.

In May 2006, Allegiant Air, a scheduled CFR 14, Part 121 air carrier, announced non-stop scheduled from Youngstown to Orlando-Sanford Airport, Florida, air service. Based in Las Vegas, Nevada, with a homogenous fleet of MD80 series aircraft, Allegiant Air operates out of over 40 cities throughout the United States, offering low cost, non-stop flights to Las Vegas, Orlando, and Tampa area airports.

Western Reserve Port Authority, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004

Federal Grantor/Pass Through Pass Through Grantor Program Title	Entity/Grant Identifier Number	CFDA Number	Receipts	Expenditures
U.S. Department of Transportation/ Federal Aviation Administration:				
Airport Improvement Program	3-39-0096-2399	20.106	\$0	\$6,007
	3-39-0096-2400	20.106	2,455	0
	3-39-0096-2702	20.106	6,787	30,754
	3-39-0096-2803	20.106	730,848	754,578
	3-39-0096-2904	20.106	<u>1,399,045</u>	<u>1,399,040</u>
Total Federal Financial Assistance			<u>\$2,139,135</u>	<u>\$2,190,379</u>

See accompanying notes to the Schedule of Federal Awards Expenditures

Western Reserve Port Authority, Ohio
Notes to the Schedule of Federal Expenditures
For the Year Ended December 31, 2004

Note 1 – Significant Accounting Policies

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

Note 2 – Matching Requirements

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

WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED DECEMBER 31, 2004

Passenger Facility Charge Revenues	\$ 168
Passenger Facility Charge Expenditures	<u>36,368</u>
Excess of Revenues Over Expenditures	(36,200)
Balance January 1, 2004	<u>36,941</u>
Balance December 31, 2004	<u><u>\$ 741</u></u>

THIS PAGE INTENTIONALLY LEFT BLANK.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Western Reserve Port Authority, Trumbull County, (the Port Authority) as of and for the year ended December 31, 2004, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated February 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, we noted immaterial instances that we have reported to management of Western Reserve Port Authority in a separate letter dated February 23, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, we 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 February 23, 2007.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Western Reserve Port Authority
Trumbull County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 23, 2007



Mary Taylor, CPA

Auditor of State

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

Western Reserve Port Authority
Trumbull County
1453 Youngstown-Kingsville Road N.E.
Vienna, Ohio 44473

To the Board of Directors:

Compliance

We have audited the compliance of Western Reserve Port Authority, Trumbull County, (the 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 apply to its major federal program for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the Port Authority's major federal program. The Port Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Port Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the 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, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 23, 2007



Mary Taylor, CPA

Auditor of State

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

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, Trumbull County, 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, 2004. Compliance with the requirements of laws and regulations applicable to its passenger facility charge 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 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 occurred with the types of 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 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 passenger facility charge program for the year ended December 31, 2004.

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 and regulations applicable to its passenger facility charge program. 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 its passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 23, 2007

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505**

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number	None
-----------------------	------

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	None
-----------------------	------



Mary Taylor, CPA
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
MAY 10, 2007**