



Dave Yost • Auditor of State

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Western Reserve Port Authority, Trumbull County, Ohio (the Port Authority), as of and for the year ended December 31, 2011, 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 cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Western Reserve Port Authority, Trumbull County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General and Airport Improvement Program funds thereof for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2014, 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.

We conducted our audit to opine on the Port Authority's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and business-type activities. The federal awards expenditure schedule and the Passenger Facility Charges Collected and Expended Schedule (Schedules) are required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. These tables and Schedules provide additional information, but are not part of the basic financial statements. However these tables and Schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and Schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 16, 2014

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

The Management's Discussion and Analysis of the Western Reserve Port Authority (Port Authority) financial performance provides an overall narrative review and analysis of the Port Authority's financial activities for the year ended December 31, 2011, within the limitations of the Port Authority's cash-basis of accounting. The intent of this Discussion and Analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

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

Financial Highlights

Key financial highlights for 2011 are as follows:

Net assets of governmental activities increased \$3,563,871, or 809%, a significant increase from 2010. This was the result of 1) the General Fund realizing an increase in cash and cash equivalents of \$188,942, or 74%, from 2010 primarily the result a 33% increase in commercial passenger activity in 2011 over 2010 and an improvement in the economy in 2011 from 2010 that led to significant increases in corporate and general aviation activity in 2011 as compared to recent years that increased all revenue stream activities of the Aviation Division in 2011 from 2010, 2) the Passenger Facility Fund realizing a decrease in cash and cash equivalents of \$71,393, or 39%, from 2010 primarily the result of increased disbursements for capital improvements in 2011 over 2010, and 3) the Port Authority issuing \$3,610,000 in Airport Development Revenue Bonds in December 2011 of which \$3,438,854 of the proceeds remained unspent at year's end, \$3,236,156 accounted for in the Capital Projects Fund and \$202,698 accounted for in the Debt Service Fund, respectively. The Port Authority began in 2011 an extensive 26-project Airport capital improvement/replacement/acquisition program to address current demand for aircraft hangar and service facilities and expected increase in commercial air service. The Airport Development Revenue Bonds will finance a majority of these projects.

The General Fund's Cash Fund Balance at December 31, 2011 was \$444,116 as compared to \$255,174 at December 31, 2010. The General Fund's Committed Fund Balance at December 31, 2011 was \$32,460 as compared to \$72,416 at December 31, 2010. Therefore, the General Fund's Unassigned (Unreserved/Undesignated) Cash Fund Balance was \$411,656 at December 31, 2011 as compared to \$182,758 at December 31, 2010, a significant increase of \$228,898, or 225%.

Net assets of business-type activities increased \$59,027, or 21%, from 2010. This was entirely the result of the Economic Development Fund, which accounts for the ED Division's operations, realizing an increase in cash and cash equivalents of the same amount from 2010 primarily the result of 1) an increase of \$125,000 received from its funding partners in 2011 over 2010, 2) \$64,583 received from a Small Business Administration Grant awarded in 2011, and 3) offset by a \$115,000 Bond Anticipation Note issued to the General Fund in 2011 which remained outstanding at year's end.

The Port Authority had total governmental activities receipts of \$6,467,192. Program specific receipts accounted for \$1,848,092, or 29%, of total governmental activities receipts. General receipts accounted for \$4,619,100, or 71%, of total governmental activities receipts. Program specific receipts for governmental activities are primarily 1) charges for services (fees and charges for services, and rental and lease income), and 2) intergovernmental receipts consisting of grants from other governmental units that must be used to provide a specific service. These receipts represent respectively 10% and 18% of the total cash received for governmental activities for 2011. General receipts for governmental activities are primarily 1) intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations, 2) proceeds from debt, and 3) miscellaneous receipts. These receipts represent respectively 14%, 56%, and 2% of the total cash received for governmental activities for 2011.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

The Port Authority had total business-type activities receipts of \$420,685. Program specific receipts accounted for \$119,583, or 28%, of total business-type activities receipts. General receipts accounted for \$301,102, or 72%, of total business-type activities receipts. Program specific receipts for business-type activities are charges for services, and 2) intergovernmental receipts consisting of grants from other governmental units that must be used to provide a specific service. These receipts represent respectively 13% and 15% of the total cash received for business-type activities for 2011. General receipts for business-type activities are contributions from other governmental units and community organizations to support financially the ED Division's general operations. These receipts represent 72% of the total cash received for business-type activities for 2011.

The Port Authority had total governmental activities disbursements of \$2,903,320. Program specific receipts offset \$1,848,092, or 64%, of these disbursements. General receipts of \$1,055,228, or 36%, offset the remaining disbursements. Capital outlay represent 35% of total disbursements for governmental activities of which 72% is funded by the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding and 15% is funded by the Port Authority's Passenger Facility Charge Program. Contractual services represent 29% of total disbursements for governmental activities, and of this amount, 56% is comprised of costs of services, such as insurance, security, marketing, legal, and consulting, that are provided by contracted third-parties and 44% is for engineering costs funded 100% by the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding and the Passenger Facility Charge Program. Personal services represent 21% of total disbursements for governmental activities and is comprised of payroll and benefit related costs for Aviation Division employees. Utility disbursements represent 8% of total disbursements for governmental activities.

The Port Authority had total business-type activities disbursements of \$361,658. Program specific receipts offset \$120,583, or 33%, of these disbursements. General receipts of \$242,075, or 67%, offset the remaining disbursements. Personal services represent 57% of total disbursements for business-type activities and is comprised of payroll and benefit related costs for ED Division employees. Issuance of Debt represent 32% of total disbursements for business-type activities and is comprised of the \$115,000 Bond Anticipation Note issued to the General Fund in 2011.

Change in Accounting of Conduit Debt Activity

The Port Authority issued debt in prior years to provide financial resources for the Timken Latrobe Steel Distribution Project, the EXAL Corporation Project, and the Central Waste, Inc. Project, that allowed these companies to retain and expand their local operations. Debt service payments required to satisfy all obligations are made directly from these companies to respective trustees and such payments do not pass-through the Port Authority. In previous years, Management reflected the receipt and disbursement of these payments within a conduit debt fund in its financial statements. However, since these payments do not flow-through the Port Authority and since these payments do not have an effect on the fund balances/net assets of the Port Authority, Management decided in 2011 to discontinue reflecting such debt service activity in its financial statements.

Throughout this Discussion and Analysis, Management will provide readers an expanded comparative analyses of current and past business-type activities since the amount of these conduit debt payments were significant and comprised approximately 96% of receipt and disbursements for business-type activities in most years.

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.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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

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

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 2011, within the limitations of cash-basis of 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 specific receipts for each governmental program and business-type activity. Program specific receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program specific receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Port Authority's general receipts. These statements report the Port Authority's cash position and the changes in cash position. Keeping in mind the limitations of the cash-basis of accounting, you may think of these changes as one way to measure the Port Authority's financial health.

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

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

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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

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

Reporting the Port Authority Most Significant Funds

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

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

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

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

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

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

Port Authority as a Whole

Table 1 provides a comparison of net assets at December 31, 2011 and December 31, 2010 on a cash-basis of accounting.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Assets						
Cash and Cash Equivalents	\$4,004,450	\$440,579	\$345,157	\$286,131	\$4,349,607	\$726,709
Net Assets						
Restricted for:						
Capital Outlay	\$3,357,636	\$185,405	\$0	\$0	\$3,357,636	\$106,051
Debt Service	202,698	0	0	0	202,698	0
Other Purposes	0	0	0	0	0	0
Unrestricted	444,116	255,174	345,157	286,131	789,273	541,305
Total Net Assets	\$4,004,450	\$440,579	\$345,157	\$286,131	\$4,349,607	\$726,709

Over time, net assets can serve as a useful indicator of a government's financial position. As mentioned previously, net assets of governmental activities increased \$3,563,871, or 809%, a significant increase from 2010. This was the result of 1) the General Fund realizing an increase in cash and cash equivalents of \$188,942, or 74%, from 2010 primarily the result of an improvement in the economy in 2011 from 2010 that led to significant increases in corporate and general aviation activity in 2011 as compared to recent years and a 33% increase in commercial passenger activity in 2011 over 2010 that increased all revenue stream activities of the Aviation Division in 2011 from 2010, 2) the Passenger Facility Fund realizing a decrease in cash and cash equivalents of \$71,393, or 39%, from 2010 primarily the result of increased disbursements for capital improvements in 2011 over 2010, and 3) the Port Authority issuing \$3,610,000 in Airport Development Revenue Bonds in December 2011 of which \$3,438,854 of the proceeds remained unspent at year's end, \$3,236,156 accounted for in the Capital Projects Fund and \$202,698 accounted for in the Debt Service Fund, respectively.

In addition, as mentioned previously, net assets of business-type activities increased \$59,027, or 21%, from 2010. This was entirely the result of the Economic Development Fund, which accounts for the ED Division's operations, realizing a increase in cash and cash equivalents of the same amount from 2010 primarily the result of 1) an increase of \$125,000 received from its funding partners in 2011 over 2010, 2) \$64,583 received from a Small Business Administration Grant awarded in 2011, and 3) offset by a \$115,000 Bond Anticipation Note issued to the General Fund in 2011 which remained outstanding at year's end.

Table 2 provides a comparison of changes in net assets for 2011 and 2010 on a cash-basis of accounting.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

(Table 2)
Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010	Business-Type Activities 2011	Business-Type Activities 2010	Total 2011	Total 2010
Receipts:						
<i>Program Receipts:</i>						
Charges for Services	\$648,997	\$599,026	\$55,000	\$6,460,432	\$703,997	\$7,059,458
Operating Grants and Contributions	54,906	19,965	64,583	0	119,489	19,965
Capital Grants and Contributions	1,144,189	668,853	0	0	1,144,189	668,853
Total Program Receipts	1,848,092	1,287,844	119,583	6,460,432	1,967,675	7,748,276
<i>General Receipts:</i>						
Grants and Entitlements not Restricted to Specific Programs	884,239	720,139	300,000	175,000	1,184,239	895,139
Investment Earnings	1,798	2,129	1,102	2,045	2,900	4,174
Proceeds from Debt	3,627,685	0	0	0	3,627,685	0
Other Cash Receipts	105,378	64,896	0	60,736	105,378	125,632
Total General Receipts	4,619,100	787,164	301,102	237,781	4,920,202	1,024,945
Total Receipts	6,467,192	2,075,008	420,685	6,698,223	6,887,877	8,773,221
Disbursements:						
Personal Services	600,500	476,397	205,120	184,678	805,620	661,075
Materials and Supplies	99,037	77,156	4,864	807	103,901	77,963
Contractual Services	837,332	498,083	33,394	32,925	870,726	531,008
Conferences and Travel	10,843	5,717	2,519	3,107	13,362	8,824
Utilities	221,901	200,266	624	280	222,525	200,546
Repair and Maintenance	81,744	74,859	0	0	81,744	74,859
Capital Outlay	1,005,679	465,474	0	0	1,005,679	465,474
Issuance of Debt	0	0	115,000	0	115,000	0
Other Cash Disbursements	46,284	20,122	137	62,988	46,421	83,110
Conduit Debt Activity	0	0	0	6,460,432	0	6,460,432
Total Disbursements	2,903,320	1,818,075	361,658	6,745,218	3,264,978	8,563,291
Increase/(Decrease) in Net Assets	3,563,871	256,933	59,027	(47,005)	3,622,899	209,930
Net Assets – January 1,	440,579	183,646	286,131	333,136	726,710	516,782
Net Assets - December 31,	\$4,004,451	\$440,579	\$345,158	\$286,131	\$4,349,609	\$726,712

Program specific receipts represent 29% of total receipts for governmental activities, and of this amount, 35% is comprised of charges for services (fees and charges for services, and rental and lease income) and 65% is comprised of intergovernmental receipts consisting of restricted grants from other governmental units that must be used to provide a specific service.

Program specific receipts represent 28% of total receipts for business-type activities, and of this amount, 46% is comprised of charges for services and 54% is comprised of intergovernmental receipts consisting of restricted grants from other governmental units that must be used to provide a specific service. In 2010, \$6,460,432, or 100% of program specific receipts and 96% of total receipts for business-type activities, comprised of the receipt of conduit debt payments. Absent conduit debt activity, there were no program specific receipts for business-type activities in 2010.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

General receipts represent 71% of total receipts for governmental activities, and of this amount, 79% is comprised of proceeds from debt issued for capital projects and 19% is comprised of intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations.

General receipts represent 72% of total receipts for business-type activities, and of this amount, 99% is comprised of operating grants and contributions, which are received from other governmental units and community organizations to finance the Port Authority's economic development activity. In 2010, general receipts represented 4% of total receipts for business-type activities. However, absent conduit debt activity, general receipts would have represented 100% of total receipts for business-type activities in 2010.

Capital outlay represent 35% of total disbursements for governmental activities of which 72% is funded by the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding and 15% is funded by the Port Authority's Passenger Facility Charge Program. Contractual services represent 29% of total disbursements for governmental activities, and of this amount, 56% is comprised of costs of services, such as insurance, security, marketing, legal, and consulting, that are provided by contracted third-parties and 44% is for engineering costs funded 100% by the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding and the Passenger Facility Charge Program. Personal services represent 21% of total disbursements for governmental activities and is comprised of payroll and benefit related costs for Aviation Division employees. Utility disbursements represent 8% of total disbursements for governmental activities.

Personal services represent 57% of total disbursements for business-type activities and is comprised of payroll and benefit related costs for ED Division employees. Issuance of Debt represent 32% of total disbursements for business-type activities and is comprised of the \$115,000 Bond Anticipation Note issued to the General Fund in 2011. In 2010, \$6,460,432, or 96% of total disbursements for business-type activities, comprised of the disbursement of conduit debt payments. However, absent conduit debt activity, personal services would have represented 65% of total disbursements and other disbursements would have represented 22% of total disbursements for business-type activities.

Governmental and Business-Type Activities

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

Governmental Activities

Table 3 provides a comparison of total cost of services and net cost of services for governmental activities for 2011 and 2010 on a cash-basis of accounting.

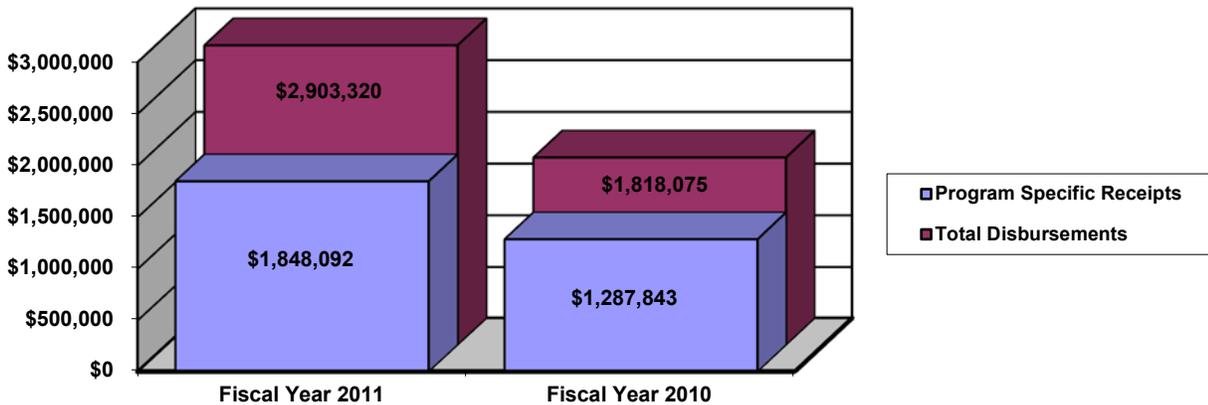
Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2011	2011	2010	2010
Personal Services	\$600,500	(\$346,009)	\$476,397	(\$226,515)
Materials and Supplies	99,037	(57,065)	77,156	(31,061)
Contractual Services	837,332	(296,754)	498,083	(181,444)
Conferences and Travel	10,843	(6,248)	5,717	(3,439)
Utilities	221,901	(127,859)	200,266	(95,222)
Repair and Maintenance	81,744	(47,101)	74,859	(35,594)
Capital Outlay	1,005,679	(162,859)	465,474	47,022
Other Cash Disbursements	46,284	(11,331)	20,122	(3,980)
Total	\$2,903,320	(\$1,055,226)	\$1,818,075	(\$530,232)

The chart below illustrates the Port Authority's dependence upon general receipts for fiscal years 2011 and 2010, as program specific receipts have not been sufficient to cover total disbursements for governmental activities.

Governmental Activities - Program Specific Receipts vs. Total Disbursements

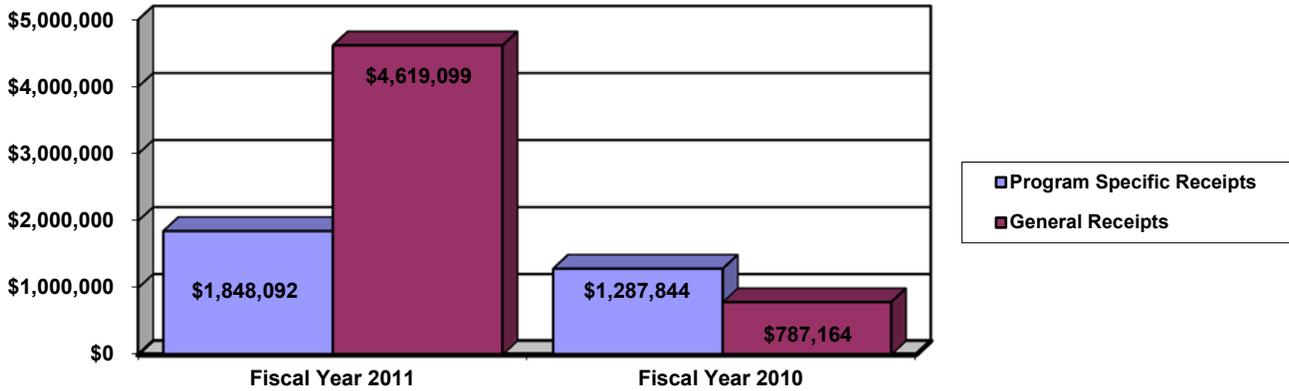


The *Net Cost of Services* amount of (\$1,055,226) for governmental activities represents the costs of the services, which ends up being paid from subsidies provided by Mahoning and Trumbull Counties, investment earnings, debt issuances, and miscellaneous receipts. Therefore, dependence upon general receipts for governmental activities is apparent as 36% of disbursements were supported through general receipts. As mentioned previously, an indicator of whether the Port Authority's financial health is improving or deteriorating is its reliance on general receipts. In 2011, only 29% of disbursements for governmental activities were supported through general receipts, a slight increase in 2011 from 2010. However, The Port Authority began in 2011 an extensive 26-project Airport capital improvement/replacement/acquisition program to address current demand for aircraft hangar and service facilities and expected increase in commercial air service. Therefore, when evaluating financial health, one must also consider that it is common for increased reliance on leveraged financing (a general receipt) during periods of increased capital improvement.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

The chart below illustrates the Port Authority's program specific receipts versus general receipts for fiscal years 2011 and 2010 for governmental activities.

Governmental Activities - General Receipts vs. Program Specific Receipts



Business-Type Activities

Table 4 provides a comparison of total cost of services and net cost of services for business-type activities for 2011 and 2010 on a cash-basis of accounting.

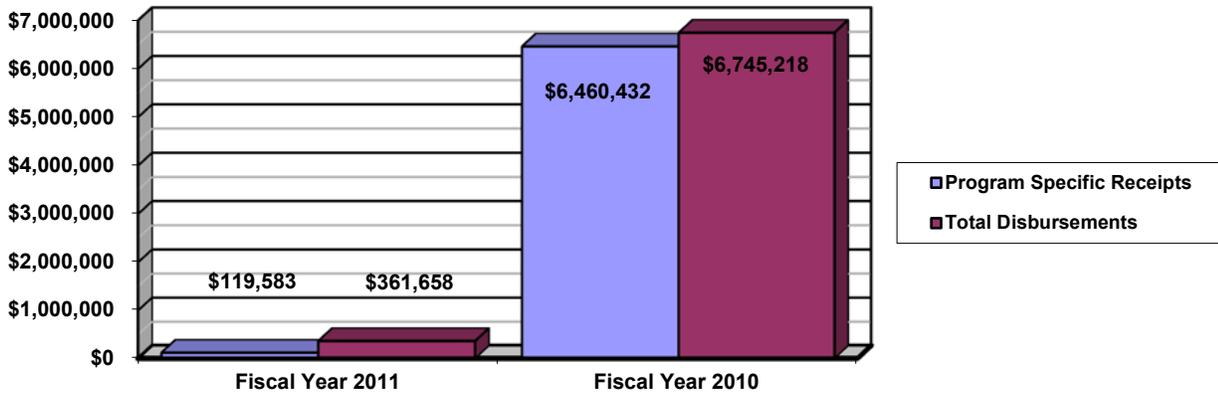
(Table 4)
Cost of Services vs. Net Cost of Services

	Business-Type Activities			
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost Of Services 2010	Net Cost of Services 2010
Personal Services	\$205,120	(\$109,343)	\$184,678	(\$184,678)
Materials and Supplies	4,864	(4,124)	807	(807)
Contractual Services	33,394	(28,315)	32,925	(32,925)
Conferences and Travel	2,519	(2,136)	3,107	(3,107)
Utilities	624	(529)	280	(280)
Issuance of Debt	115,000	(97,511)	0	0
Conduit Debt Activity	0	0	6,460,432	0
Other Cash Disbursements	137	(116)	62,988	(62,988)
Total	\$361,658	(\$242,074)	\$6,745,218	(\$284,786)

The chart below illustrates the Port Authority's dependence upon general receipts for fiscal years 2011 and 2010, as program specific receipts have not been sufficient to cover total disbursements for business-type activities.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

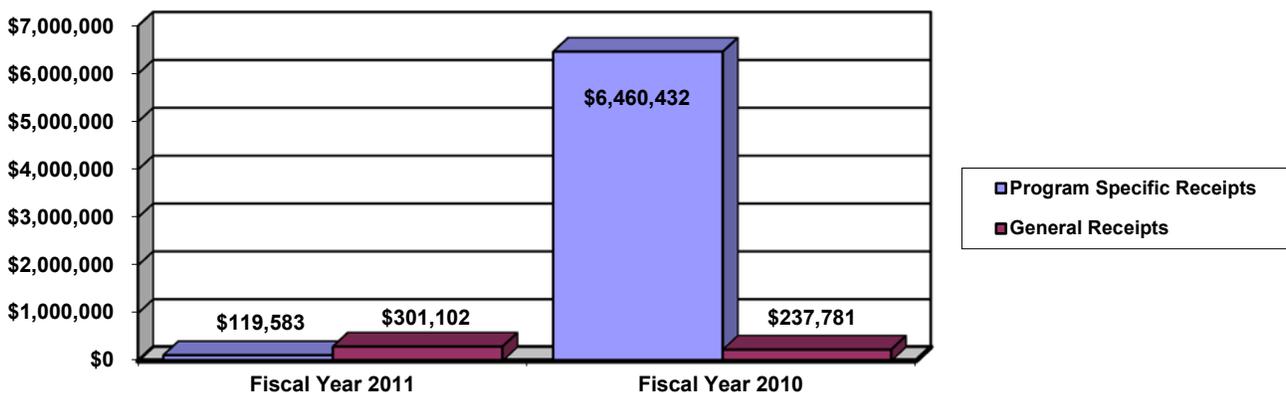
Business-Type Activities - Program Specific Receipts vs. Total Disbursements



The *Net Cost of Services* amount of (\$242,074) for business-type activities represents the costs of the services, which ends up being paid from operating grants and contributions provided by other governmental units and community organizations to finance the Port Authority's economic development activity and from investment earnings. However, the Port Authority's business-type activities account for the operations of its ED Division and 2010 was the ED Division's first full-year of operations. Therefore, a reliance on operating grants and contributions from the ED Division's funding partners is expected at this time as it develops into a self-reliant enterprise. In addition, as mentioned previously, an indicator of whether the Port Authority's financial health is improving or deteriorating is its reliance on general receipts. In 2010, \$284,786 of disbursements for business-type activities were supported through general receipts. Therefore, this decrease in 2011 from 2010 suggests improvement in the ED Division's financial condition.

The chart below illustrates the Port Authority's program specific receipts versus general receipts for fiscal years 2011 and 2010 for business-type activities.

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



As mentioned previously, in 2010, \$6,460,432, or 100% of program specific receipts comprised of the receipt of conduit debt payments. Absent conduit debt activity, there were no program specific receipts for business-type activities in 2010.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

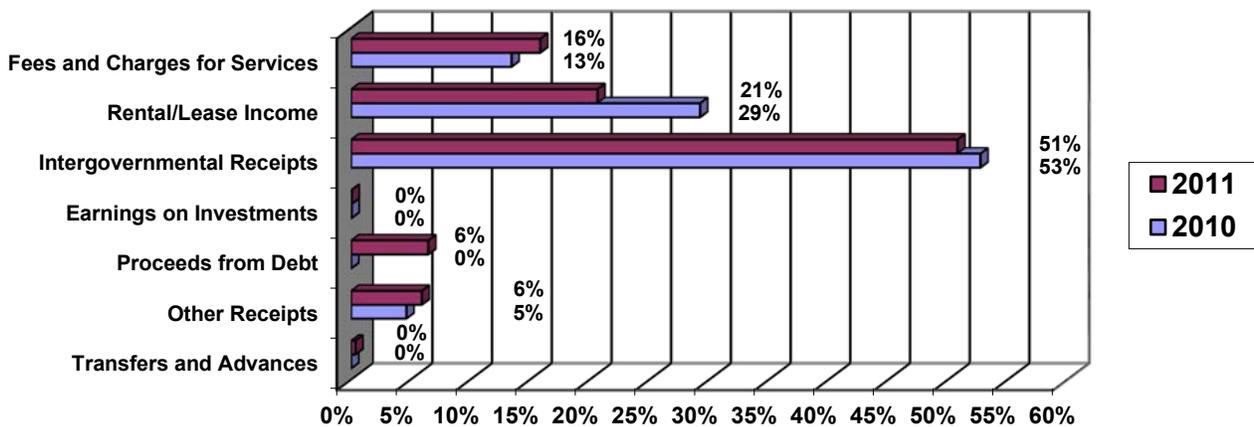
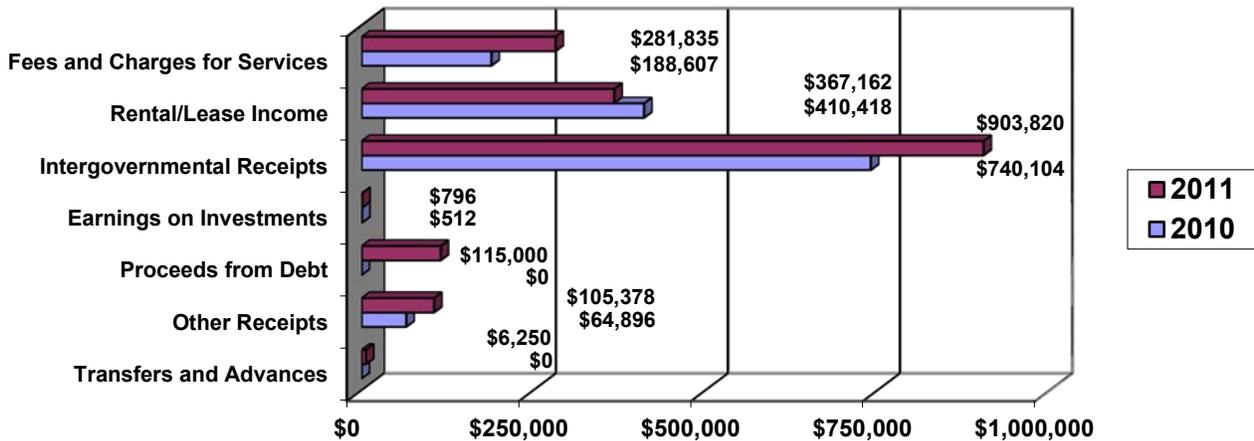
Port Authority Funds Analysis

The Port Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus on the funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Port Authority's financing requirements. In particular, unassigned (unreserved/undesignated) fund balances serve as a useful measure of the Port Authority's net resources available for spending at year-end. At December 31, 2011, the Port Authority's General Fund Unassigned Cash Fund Balance was \$411,656 as compared to \$182,758 at December 31, 2010. This increase portrays a significantly stronger cash position for the General Fund at December 31, 2011 than at December 31, 2010.

The Port Authority had total cash receipts of \$6,887,877 and total cash disbursements of \$3,264,978 for all funds in 2011. Total governmental funds had cash receipts of \$6,467,192 and cash disbursements of \$2,903,320 in 2011.

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

Analysis of General Fund Receipts for Fiscal Years 2011 and 2010



Western Reserve Port Authority, Ohio
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For the Year Ended December 31, 2011

For most of 2010, the Port Authority operated in an extremely challenging economic environment, as did most public and private sector enterprises. As the economy improved in 2011, so followed the revenue streams of the Aviation Division, therein the General Fund. Total receipts of the General Fund increased from \$1,404,538 in 2010 to \$1,780,240 in 2011, a 27% increase, primarily the result of 1) fees and charges for services receipts that increased from \$188,607 in 2010 to \$281,835 in 2011, a 49% increase, 2) intergovernmental receipts that increased from \$740,104 in 2010 to \$903,820 in 2011, a 22% increase, 3) proceeds from debt that increased from \$0 in 2010 to \$115,000 in 2011, a 100% increase, and 4) other receipts that increased from \$64,896 in 2010 to \$105,378 in 2011, a 62% increase. A discussion of the components of the General Fund's receipts follows.

The increase in fees and charges for services receipts was primarily the result of 1) a significant increase in corporate and general aviation activity in 2011 as compared to recent years and 2) a 33% increase in commercial passenger activity in 2011 over 2010 due to the addition of non-stop Allegiant Air leisure service flights to St. Petersburg, FL beginning in late 2010. These two conditions increased parking concessions and rental car concessions in 2011 from 2010 by approximately \$66,886 and \$32,535, respectively.

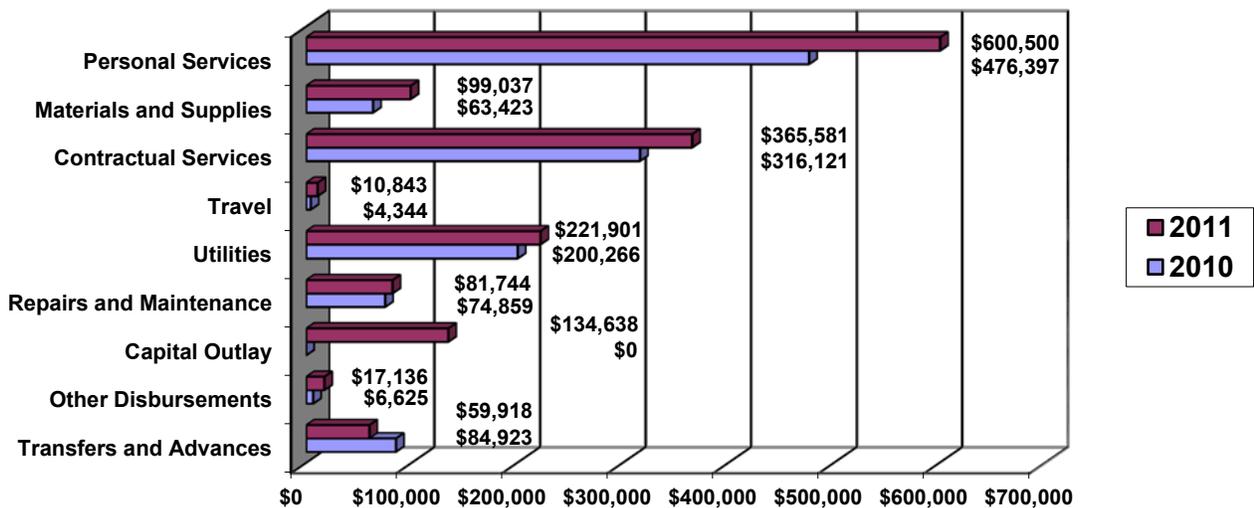
The increase in intergovernmental receipts was primarily the result of the Port Authority receiving 1) \$542,898 in subsidies from Mahoning County in 2011 as opposed to \$489,099 in 2010, an 11% increase, and 2) \$341,341 in subsidies from Trumbull County in 2011 as opposed to \$231,040 in 2010, a 48 increase. These subsidies are derived from lodging excise taxes assessed by Mahoning and Trumbull Counties. Since the lodging industry usually follows the upward or downward trends of the national economy, Management anticipates that the amount of subsidies received from the Counties will continue to increase parallel with or slightly better than the economy.

The increase in proceeds from debt was entirely the result of the Economic Development Fund issuing an \$115,000 Bond Anticipation Note to the General Fund for the acquisition and installation of an access control system for the Airport's parking lot in 2011. The system allowed the Airport to assume management of all parking operations from a contracted third party.

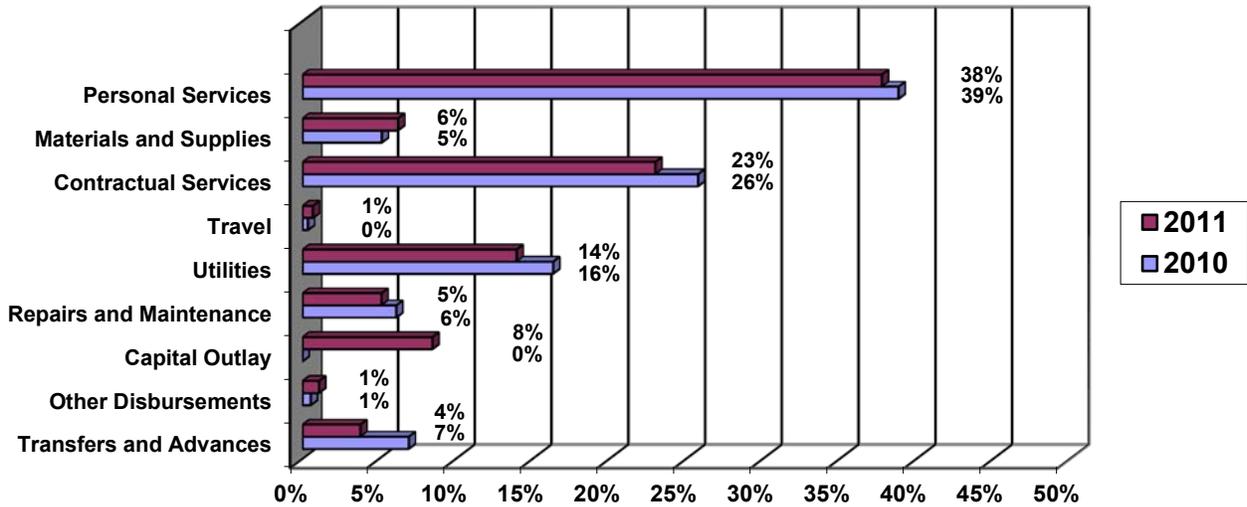
The increase in other receipts was primarily the result of the Port Authority receiving in 2011 \$48,596 in an insurance settlement claimed to recover damages incurred in the Airport terminal due to a pipe burst.

All other General Fund receipts remained moderately constant from 2010 to 2011.

Analysis of General Fund Disbursements for Fiscal Years 2011 and 2010



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Total disbursements of the General Fund increased from \$1,226,959 in 2010 to \$1,591,298 in 2011, a 30% increase, primarily the result of 1) personal services disbursements that increased from \$476,397 in 2010 to \$600,500 in 2011, a 26% increase, 2) materials and supplies disbursements that increased from \$63,423 in 2010 to \$99,037 in 2011, a 56% increase, 3) contractual services disbursements that increased from \$316,121 in 2010 to \$365,581 in 2011, a 16% increase, 4) utilities disbursements that increased from \$200,266 in 2010 to \$221,901 in 2011, an 11% increase, 5) capital outlay disbursements that increased from \$0 in 2010 to \$134,638 in 2011, a 100% increase, and 6) interfund transfers-out and advances-out that decreased from \$89,923 in 2010 to \$59,918 in 2011, a 29% decrease. A discussion of the components of the General Fund's disbursements follows.

The increase in personal services disbursements was primarily the result of 1) the Director of Aviation's position remained vacant for 5 months in 2010 and the Accounting and Business Manager's position remained vacant for 2 months in 2010, 2) an Airport's Maintenance and Operations Technician position remained vacant for 6 months in 2010 and an increase in employee overtime cost in the Airport's Maintenance and Operations Department due to increases in the Airport's snow removal operations resultant of extended periods of inclement weather in 2011, 3) an increase in the costs of employee health care benefits in 2011, and 4) an increase in retirement system costs due to increases in Retirement System Plan's rates in 2011. These four conditions increased personal services disbursements in 2011 from 2010 by approximately \$49,712, \$20,750, \$36,615, and \$16,138, respectively.

The increase in materials and supplies disbursements was primarily the result of Airport Terminal repairs required due to a pipe burst in 2011 that were performed by the Airport's Maintenance and Operations Department and cost approximately \$35,088.

The increase in contractual services disbursements was primarily the result of 1) an increase in 3rd party security monitoring costs in 2011 over 2010 due to an increase in services provided beginning in 2011, 2) an increase in insurance premiums in 2011 over 2010 due to a 2011 reappraisal that resulted in significant increases in the values of Airport property and equipment, 3) an increase in audit costs in 2011 over 2010 due to the timing of the performances and payments for the audits of the Port Authority's 2009 and 2010 annual financial reports, and 4) an increase in aviation consulting costs in 2011 over 2010 due to the Port Authority initiating in late 2010 an aggressive campaign to attract daily scheduled commercial air service by a major airline therein creating the need to have aviation consultants formulate presentations and proposals for Airport Management's discussions with the Airlines and to also represent and/or accompany Airport Management during its discussions with the Airlines and/or at Airline Conferences. These four conditions increased contractual services disbursements in 2011 from 2010 by approximately \$11,553, \$16,245, \$5,215, and \$13,360, respectively.

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The increase in utilities disbursements was primarily the result of 1) an increase in natural gas rates in 2011 from 2010, 2) recurring failures of Airport water and sewer lines in 2011 that increased water consumption and allowed infiltration into the metered sewer system, and 3) the timing of replenishing the Maintenance and Operations Department's gas and diesel fuel tanks. These three conditions increased utilities disbursements in 2011 from 2010 by approximately \$4,586, \$23,195, and \$12,290, respectively. However, this increase was offset by \$19,457 due to energy conservation programs that were implemented at Airport facilities that reduced the amount of electric consumption at the Airport in 2011 from 2010.

The increase in capital outlay was entirely the result of the acquisition and installation of an access control system for the Airport's parking lot in 2011.

The decrease in interfund transfers-out and advances-out was primarily the result of \$30,445 in matching funds the Port Authority was required to contribute from its General Fund into its Federal Small Community Air Service Development Program in 2010 that it was not required to make in 2011.

All other General Fund disbursements remained moderately constant from 2010 to 2011.

Capital Assets and Debt Administration

Capital Assets - The Port Authority does not currently maintain tracking of its capital assets and infrastructure although Management anticipates acquiring software to begin this performance in 2012. However, the Port Authority does maintain an *Airport Capital Improvement Plan* and a *10-Year Master Plan* that collectively are the primary planning tools for systematically identifying, prioritizing, and estimating costs for critical development and associated capital needs of the Airport. In addition, the *Airport Capital Improvement Plan* presents the Airport's warranted and eligible capital assets and infrastructure needs as identified by the Airport's Sponsors, State of Ohio Aviation Officials, and the Federal Aviation Administration (FAA) and are contained in the FAA's National Plan of Integrated Airport Systems. The *10-Year Master Plan* is available for viewing on the Port Authority's Website at www.YNGAirport.com.

Capital Lease Obligations - The Port Authority financed the acquisitions of a truck in 2007, four HVAC units in 2007, and two mower units in 2008, through leasing arrangements. All of these leasing arrangements meet the criteria of capital leases as defined by FASB Statement No. 13 "[Accounting for Leases](#)", which defines a capital lease as one that transfers benefits and risks of ownership to the lessee. Future payments collectively to satisfy these capital lease obligations are \$4,893 and \$1,016 due in 2012 and 2013, respectively.

Debt Administration - The Port Authority's outstanding debt (principal and interest) as of December 31, 2011 for governmental activities is \$5,646,605 consisting of 1) \$75,000 remaining for a zero-percent interest, general obligation loan from Trumbull County received on February 12, 2004, that was utilized to assist the Port Authority in providing an operational security deposit to Vacation Express Airlines necessary for the Airlines to begin its operations of providing direct commercial flights to Myrtle Beach, SC and to Orlando-Sanford Airport, FL, 2) a \$115,000, zero-percent interest, bond anticipation note that the Economic Development Fund issued to the General Fund in May 2011, that was utilized for the acquisition and installation of a parking access control system at the Airport, and 3) \$3,610,000 in 20-year Airport Development Revenue Bonds with various interest rates from 2.125% to 4.625% issued in December 2011 to provide financial resources for the construction and/or improvement of Port Authority Airport facilities. Of the amounts needed to service the debt on the Bonds, including interest and fiscal charges, approximately 60% will be derived from Passenger Facility Charges that are assessed to each enplaning commercial airline passenger as approved by the Federal Aviation Administration and approximately 40% will be derived from revenues (fees, charges, and rents) generated from facilities of which the construction and/or improvement thereof were financed by the proceeds of the Bonds.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

The Port Authority's outstanding debt (principal and interest) as of December 31, 2011 for business-type activities is \$81,537,617, \$7,248,528 in capital lease payments due to the Director of the Ohio Department of Development as related to the Timken Latrobe Steel Distribution Project, \$3,984,618 in loan payments due to the Director of the Ohio Department of Development as related to the EXAL Corporation Project, \$1,828,482 in loan payments due to the Summit County Port Authority as related to the EXAL Corporation Project, and \$68,475,989 in loan payments due to the Director of the Ohio Department of Development as related to the Central Waste, Inc. Project. However, as previously mentioned, debt service obligations for the Timken, EXAL, and Central Waste, Inc. Projects are made directly from these companies to the trustees of such debt obligations and do not pass-through the Port Authority.

General Fund Budgeting Highlights

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

The General Fund had final budgeted receipts of \$1,663,873 while actual receipts were \$1,780,240 for a positive variance of \$116,367. The General Fund had final budgeted disbursements of \$1,761,993 while actual disbursements were \$1,929,517 for a positive variance of \$132,476.

Current Issues

Aviation Division

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

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

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Corporate, General Aviation, and Other Aeronautical Development Initiative of which the goals and objectives are to satisfy present and anticipated demand for aeronautical facilities. Airport Management formulated a Plan for Development that, resultant of a multiphase process, identifies such demand and depicts proposed layouts of buildings, access, utilities, other necessary improvements, and a general use of land to accomplish the demand for the same. The first Project of the Plan for Development is the construction of the East Side Development Project, a designed / planned aircraft hangar and service facility development, for which a \$1.1 mil Airport Improvement Program Federal Assistance Grant is committed toward Phase I of the Project in 2012.

In addition, in April 2012, the Port Authority was awarded a \$94,200 Appalachian Regional Commission Grant to provide financial resources to replace the Airport Terminal water line and to provide water service to the East Site Development Project. In September 2012, the Port Authority issued \$470,000 in Development Revenue Bonds (Series 2012A) (2.84%, 20 years) to provide financial resources for the construction of the 1st of 3 14-unit T-Hangars and in November 2013, the Port Authority issued \$300,000 in Development Revenue Bonds (Series 2013A) (2.97%, 20 years) to provide financial resources for the construction of a wheeled-vehicle maintenance building, both projects located within the East Site Development Project.

Air Cargo Development Initiative of which the goals and objectives are to establish domestic, national, and international air cargo and freight forwarding services at the Airport by implementing a cooperative strategy, that includes the Airport as a regional air cargo facility, with regional freight forwarders, shippers, consignees, and air cargo airlines that currently ship significant cargo to / from the area via other airports, that will result in shipping cargo more efficiently and at a lower cost. In December 2012, the Port Authority issued \$1,075,000 in Development Revenue Bonds (Series 2012B) (2.60%, 20 years) to provide financial resources for the acquisition of an existing air cargo building located on the Airport's Air Cargo Apron that will provide space to potential cargo facilitators.

Economic Development Division

The Port Authority has obtained in the past twelve years, financing in excess of \$92,000,000 for economic development projects within Mahoning and Trumbull Counties. In 2008, in an effort to utilize fully its abilities as a port authority to advance economic development within Mahoning and Trumbull Counties, the Port Authority created the Economic Development Division. The area's leading federal, state, county, and local public officials, as well as the area's leading active business organizations, recognize this Project as one of the area's most critical endeavors to job creation and successful economic development. With the support of these officials and organizations, coupled with significant monetary support already received or pledged from several area governmental units and community organizations, the Port Authority can dedicate additional personnel and resources toward accelerating its duty to be the cornerstone of economic development and growth for the community. As 2011 was only the ED Division's second full-year of operations, the undertaking of projects such as 1) assisting V&M Star with its \$650 million pipe mill construction project by purchasing the former Indalex property in Girard and leasing it to V&M for storage of construction materials during construction, 2) working with Trumbull County to become the lead agency in a countywide redevelopment plan to identify brownfield sites, and seeking state and federal funding for cleanup initiatives, and 3) spearheading a feasibility study to quantify how many business that could benefit from an intermodal facility located in the community, provide testimony to the ED Division's abilities and value to the community.

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 Scott Lynn, Chairman of the Board of Directors, Western Reserve Port Authority, Youngstown-Warren Regional Airport, 1453 Youngstown-Kingsville Road, NE, Vienna, Ohio, 44473.

Western Reserve Port Authority, Ohio

Statement of Net Assets - Cash Basis

December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$4,004,450	\$345,157	\$4,349,607
Net Assets			
Restricted for:			
Capital Outlay	\$3,357,636	\$0	\$3,357,636
Debt Service	202,698	0	202,698
Other Purposes	0	0	0
Unrestricted	444,116	345,157	789,273
Total Net Assets	\$4,004,450	\$345,157	\$4,349,607

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, 2011

	General	Airport Improvement Program	Capital Projects	Other Funds	Total
Assets					
Equity in Pooled Cash and Cash Equivalents	\$444,116	\$7,515	\$3,236,156	\$316,663	\$4,004,450
Fund Balances					
Restricted	\$0	\$7,515	\$3,236,156	\$316,663	\$3,560,334
Committed	32,460	0	0	0	32,460
Assigned	0	0	0	0	0
Unassigned	411,656	0	0	0	411,656
Total Fund Balances	\$444,116	\$7,515	\$3,236,156	\$316,663	\$4,004,450

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, 2011

	General	Airport Improvement Program	Capital Projects	Other Funds	Total
Cash Receipts					
Fees and Charges for Services	\$281,835	\$0	\$0	\$0	\$281,835
Rental/Lease Income	367,162	0	0	0	367,162
Intergovernmental Receipts	903,820	996,536	0	35,326	1,935,682
Earnings on Investments	796	0	0	1,002	1,798
Other Cash Receipts	105,378	0	0	147,653	253,031
Total Cash Receipts	1,658,990	996,536	0	183,981	2,839,507
Cash Disbursements					
Personal Services	600,500		0	0	600,500
Materials and Supplies	99,037	0	0	0	99,037
Contractual Services	365,581	298,365	73,830	99,556	837,332
Conferences and Travel	10,843	0	0	0	10,843
Utilities	221,901	0	0	0	221,901
Repairs and Maintenance	81,744	0	0	0	81,744
Capital Outlay	134,638	721,473	0	149,568	1,005,679
Other Cash Disbursements	17,136	29,148	0	0	46,284
Total Cash Disbursements	1,531,380	1,048,986	73,830	249,124	2,903,320
Excess of Cash Receipts Over/(Under) Cash Disbursements	127,610	(52,450)	(73,830)	(65,143)	(63,813)
Other Financing Receipts and (Disbursements)					
Proceeds from Debt	115,000	0	3,309,986	202,698	3,627,685
Advances-In	6,250	0	0	0	6,250
Advances-Out	0	0	0	(6,250)	(6,250)
Transfers-In	0	59,918	0	0	59,918
Transfers-Out	(59,918)	0	0	0	(59,918)
Total Other Financing Receipts and (Disbursements)	61,332	59,918	3,309,986	196,449	3,627,685
Net Changes in Fund Cash Balances	188,942	7,468	3,236,156	131,305	3,563,871
Fund Cash Balances - January 1, 2011	255,174	47	0	185,357	440,579
Fund Cash Balances - December 31, 2011	\$444,116	\$7,515	\$3,236,156	\$316,663	\$4,004,450

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Receipts, Disbursements, and Changes in Fund Balance -
Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Fees and Charges for Services	\$232,344	\$266,593	\$281,835	\$15,242
Rental/Lease Income	452,000	349,387	367,162	17,775
Intergovernmental Receipts	682,156	819,581	903,820	84,239
Earnings on Investments	200	788	796	8
Other Receipts	64,800	106,274	105,378	(896)
Total Receipts	1,431,500	1,542,623	1,658,990	116,367
Disbursements				
Personal Services	616,000	635,437	600,575	34,862
Materials and Supplies	55,000	113,000	102,396	10,604
Contractual Services	397,000	430,171	394,299	35,872
Conferences and Travel	10,000	11,796	11,401	395
Utilities	249,017	255,776	226,444	29,332
Repair and Maintenance	66,650	92,700	81,744	10,956
Capital Outlay	42,600	144,113	134,638	9,475
Other Disbursements	6,900	16,500	18,102	(1,602)
Total Disbursements	1,443,167	1,699,493	1,569,599	129,894
Excess of Receipts Over/(Under) Disbursements	(11,667)	(156,870)	89,391	246,261
Other Financing Receipts and (Disbursements)				
Proceeds from Debt	0	115,000	115,000	0
Advances-In	0	6,250	6,250	0
Advances-Out	0	0	0	0
Transfers-In	0	0	0	0
Transfers-Out	(75,000)	(62,500)	(59,918)	2,582
Total Other Financing Receipts and (Disbursements)	(75,000)	58,750	61,332	2,582
Net Changes in Fund Balance	(86,667)	(98,120)	150,723	248,843
Fund Balance - January 1, 2011	182,758	182,758	182,758	
Prior Year Encumbrances Appropriated	72,416	72,416	72,416	
Fund Balance - December 31, 2011	\$168,507	\$157,054	\$405,897	\$248,843

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Receipts, Disbursements, and Changes in Fund Balance -
Budget and Actual (Budget Basis)
Airport Improvement Program Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental Receipts	\$996,536	\$996,536	\$996,536	\$0
Disbursements				
Contractual Services	298,365	298,365	298,365	0
Capital Outlay	721,474	721,474	721,474	0
Other Disbursements	29,148	29,148	29,148	0
Total Disbursements	1,048,986	1,048,986	1,048,986	0
Excess of Receipts Over/(Under) Disbursements	(52,450)	(52,450)	(52,450)	0
Other Financing Receipts				
Transfers-In	59,918	59,918	59,918	0
Net Changes in Fund Balance	7,468	7,468	7,468	0
Fund Balance - January 1, 2011	47	47	47	
Prior Year Encumbrances Appropriated	0	0	0	
Fund Balance - December 31, 2011	\$7,515	\$7,515	\$7,515	\$0

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Basis Assets and Fund Balances
Economic Development Fund
December 31, 2011

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$345,157</u>
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Fund Balances

Restricted	\$0
Committed	0
Assigned	345,157
Unassigned	<u>0</u>

Total Fund Balances	<u>\$345,157</u>
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See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Receipts, Cash Disbursements, and
Changes in Cash Basis Fund Balances
Economic Development Fund
For the Year Ended December 31, 2011

Cash Receipts	
Operating Cash Receipts	
Fees and Charges for Services	\$50,000
Rental/Lease Income	5,000
Total Operating Cash Receipts	55,000
Non-Operating Cash Receipts	
Intergovernmental Receipts	364,583
Earnings on Investments	1,102
Total Non-Operating Cash Receipts	365,685
Total Cash Receipts	420,685
Cash Disbursements	
Personal Services	205,120
Materials and Supplies	4,864
Contractual Services	33,394
Conferences and Travel	2,519
Utilities	624
Issuance of Debt	115,000
Other Cash Disbursements	137
Total Cash Disbursements	361,658
Net Changes in Fund Cash Balances	59,027
Fund Cash Balances - January 1, 2011	286,131
Fund Cash Balances - December 31, 2011	\$345,157

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

Reporting Entity

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2(C), these financial statements are presented on a cash-basis of accounting. The cash-basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. Generally Accepted Accounting Principles (GAAP) include all relevant (GASB) pronouncements, which have been applied to the extent they are applicable to the cash-basis of accounting. The Port Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations, issued on or before November 30, 1989, to its governmental activities, business-type activities and its proprietary (enterprise) funds, 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 has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and its proprietary funds, subject to this same limitation. The Port Authority elected not to apply these FASB Statements and Interpretations. Following are the more significant of the Port Authority's accounting policies.

A. Basis of Presentation

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

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

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

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

B. Fund Accounting

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

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

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

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

Capital Projects Fund This Fund accounts for the financial resources of the Port Authority's *2011 Airport Capital Improvement Program*. This Fund's receipts are proceeds from the sale of the Port Authority's Development Revenue Bonds, Series 2011, as described in Note 12. These proceeds are only to be expended for construction and/or improvement of Port Authority Airport facilities.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

Passenger Facility Charge Fund This Fund accounts for the financial resources of the Port Authority's *Passenger Facility Charge Program*. This Fund's receipts are received from the collection of passenger facility charges assessed to each enplaning commercial airline passenger as approved by the Federal Aviation Administration. These proceeds are only to be expended for construction and/or improvement of Port Authority Airport facilities.

Small Community Air Service Development Program Fund This Fund accounts for the financial resources of the Port Authority's *Small Community Air Service Development* Federal Assistance Grant. This fund's receipts are received from the Department of Transportation and local moneys representing matching requirements. These proceeds are only to be expended for the development of commercial air service at the Airport.

Debt Service Fund This Fund accounts for the financial resources accumulated to meet debt service requirements on the Port Authority's Development Revenue Bonds, Series 2011, as described in Note 12. This Fund's receipts are proceeds from the sale of the Bonds that were set-aside for debt service and from future transfers from other funds.

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

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

C. Basis of Accounting

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

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

D. Cash and Cash Equivalents

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

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The Port Authority maintained the cash balances of its funds in interest and non-interest bearing checking accounts. Interest earned from these accounts during 2011 amounted to \$2,900 of which \$796 was credited to the General Fund. A non-interest bearing checking account is maintained due to regulations prohibiting the Port Authority from earning interest on available cash balances received from several of its federal financial assistance grants.

An analysis of the Port Authority's equity in pooled cash at December 31, 2011 is provided in Note 5.

E. Prepaid Items

On the cash-basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2011 are reported as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

F. Inventory

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

G. Capital Assets

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

H. Long-Term Obligations

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

I. Accumulated Leave Time

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

J. Fund Balances

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

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

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

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
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Committed A committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action of the Board of Directors.

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

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

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

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

K. 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 \$3,560,334 of restricted net assets for governmental activities, \$121,480 that is restricted by agreements with grantors and \$3,438,854 which is restricted by the covenants of the Port Authority's Development Revenue Bonds, Series 2011, (\$3,236,156 for construction and/or improvement of Port Authority Airport facilities and \$202,698 for debt service requirements). The net assets for business-type activities are not restricted.

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

L. Interfund Activity

Non-exchange flows of cash from one fund to another are reported in the financial statements as interfund transfers. The Port Authority maintains certain federal programs that require the Port Authority to contribute local resources (matching funds) to support these programs. The Port Authority complied with the matching requirements of these programs by transferring \$59,918 from the General Fund into the Airport Improvement Program Fund. Interfund transfers are reflected as other financing sources/(uses) in the accompanying financial statements.

Flows of cash from one fund to another that are expected to be repaid within a twelve-month period are reported in the financial statements as interfund advances. The Port Authority's Small Community Air Service Development Federal Assistance Grant is funded by the Department of Transportation (DOT) on a reimbursement-type basis. The Small Community Air Service Development Fund reimbursed the General Fund \$6,250 for an advance it received from the General Fund in 2010. Interfund advances are reflected as other financing sources/(uses) in the accompanying financial statements.

M. Budgetary Process

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

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

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2011, the Port Authority has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in its funds.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools.

The implementation of GASB Statement No. 54 did not affect the fund balance amounts of the Port Authority's major and non-major funds, only the classifications of such fund balances in the financial statements, and did not have an effect on the fund balances/net assets of the Port Authority as previously reported at December 31, 2010. The implementation of GASB Statement No. 59 did not affect the presentation of the financial statements and did not have an effect on the fund balances/net assets of the Port Authority as previously reported at December 31, 2010.

NOTE 4 – CHANGE IN ACCOUNTING OF CONDUIT DEBT ACTIVITY

As discussed in Notes 9, 10, and 11, the Port Authority issued debt in prior years to provide financial resources for the Timken Latrobe Steel Distribution Project, the EXAL Corporation Project, and the Central Waste, Inc. Project, that allowed these companies to retain and expand their local operations. Debt service payments required to satisfy all obligations are made directly from these companies to respective trustees and such payments do not pass-through the Port Authority. In previous years, Management reflected the receipt and disbursement of these payments within a conduit debt fund in its financial statements. However, since these payments do not flow-through the Port Authority and since these payments do not have an effect on the fund balances/net assets of the Port Authority, it is Management's decision to discontinue reflecting such debt service activity in its financial statements.

NOTE 5 – DEPOSITS AND INVESTMENTS

State statutes require the classification of funds held by the Port Authority into three categories. Active deposits are public deposits determined to be necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Port Authority treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institution. Payment for investments may be made only upon delivery of the securities representing the investments to the Port Authority's Accounting and Business Manager or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At December 31, 2011, the Port Authority had \$1,000 of undeposited cash on hand.

B. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of the Port Authority's deposits was \$4,348,607 and the bank balance was \$4,430,927. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$910,308 of the Port Authority's bank balance was covered by Federal Deposit Insurance while \$3,438,299 of the Port Authority's bank balance was exposed to custodial credit risk as discussed below.

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

C. Investments

The Port Authority did not maintain any investments in 2011.

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

<u>Cash and Investments per Footnote</u>	
Undeposited Cash on Hand	\$1,000
Carrying amount of deposits with financial Institutions	<u>4,348,607</u>
Total	<u>\$4,349,607</u>

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

<u>Equity in Pooled Cash and Cash Equivalents Per Statement of Net Assets</u>	
Governmental Activities	\$4,004,450
Business-Type Activities	<u>345,157</u>
Total	<u>\$4,349,607</u>

NOTE 6 – BUDGETARY BASIS OF ACCOUNTING

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

General Fund encumbrances outstanding at December 31, 2011 (budgetary basis) amounted to \$38,219.

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The Port Authority financed the acquisition of a truck in 2007 through a leasing arrangement (cost/principal \$22,018, 60-month term, 6.75%); financed the acquisition of four HVAC units in 2007 through a leasing arrangement (cost/principal \$27,350, 60-month term, 6.08%); and financed the acquisition of two mower units in 2008 through leasing arrangements (cost/principal \$6,699, 36-month term, 5.95% and \$10,525, 60-month term, 5.93%, respectively). All of these leasing arrangements meet the criteria of capital leases as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

Payments totaling \$14,579 were made in 2011 to satisfy the current requirements of the Leases.

Future payments collectively for these capital lease obligations follow:

Year	Amount
2012	\$4,893
2013	<u>1,016</u>
Total	<u>\$5,909</u>

The Port Authority satisfied its 2011 capital lease obligation requirements.

NOTE 8 – TRUMBULL COUNTY – GENERAL OBLIGATION LOAN

The Port Authority received on February 12, 2004, a \$150,000, zero-percent interest, general obligation loan from Trumbull County that was utilized to assist the Port Authority in providing a operational security deposit to Vacation Express Airlines necessary for the Airlines to begin its operations of providing direct commercial flights to Myrtle Beach, South Carolina and to Orlando-Sanford Airport, Florida.

Although payment was not required in 2011, the Port Authority has repaid \$75,000 as of December 31, 2011. The remaining payment of \$75,000 is required January 2013.

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

In 2000, the Port Authority participated with the State of Ohio, through the Director of the Ohio Department of Development (Director), in the Timken Latrobe Steel Distribution (Timken) Project (Project) that consisted of assisting Timken retain and expand its operations in the Mahoning Valley by providing financial resources to Timken to acquire a site, construct a building, and equip and furnish the same.

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

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

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

Payments totaling \$854,467 were made by Timken in 2011 to satisfy the current requirements of the Lease.

Future lease payments paid by Timken to the Director follow:

Year	Amount
2012	\$854,468
2013	858,502
2014	858,129
2015	858,386
2016	860,402
2017 – 2020	<u>2,958,641</u>
Total	<u>\$7,248,528</u>

NOTE 10 – EXAL CORPORATION PROJECT – CONDUIT DEBT OBLIGATION

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

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

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

Payments totaling \$1,285,503 were made by EXAL in 2011 to satisfy the current principal and interest requirements of the Bonds and Loan.

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

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Year	Amount
2012	\$889,355
2013	890,818
2014	890,671
2015	888,917
2016	<u>424,857</u>
Total	<u>\$3,984,618</u>

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

Year	Amount
2012	\$401,969
2013	403,569
2014	404,019
2015	413,175
2016	<u>205,750</u>
Total	<u>\$1,828,482</u>

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

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

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

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

Payments totaling \$4,301,728 were made by Central Waste in 2011 to satisfy the current principal and interest requirements of the Bonds.

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

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Year	Amount
2012	\$4,297,225
2013	4,297,118
2014	4,295,795
2015	4,297,895
2016	4,297,808
2017 – 2021	21,376,405
2022 – 2026	21,344,758
2027	<u>4,268,985</u>
Total	<u>\$68,475,989</u>

NOTE 12 – DEVELOPMENT REVENUE BONDS, SERIES 2011 – SPECIAL OBLIGATION

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

Of the amounts needed to service the debt on the Bonds, including interest and fiscal charges, approximately 60% will be derived from Passenger Facility Charges (PFC) that are assessed to each enplaning commercial airline passenger as approved by the Federal Aviation Administration and approximately 40% will be derived from revenues (fees, charges, and rents) generated from facilities of which the construction and/or improvement thereof were financed by the proceeds of the Bonds. In the event of default by the Port Authority, Mahoning County and Trumbull County have agreed, severally not jointly, to satisfy current debt service requirements on the Bonds.

Future debt service of principal and interest follow:

Year	General Fund	PFC Fund	Total
2012	\$80,966	\$121,449	\$202,415
2013	107,118	160,676	267,794
2014	107,558	161,336	268,894
2015	107,938	161,906	269,844
2016	108,748	163,121	271,869
2017 – 2021	537,093	805,639	1,342,732
2022 – 2026	538,598	807,896	1,346,494
2027 – 2031	<u>594,625</u>	<u>891,938</u>	<u>1,486,563</u>
Total	<u>\$2,182,644</u>	<u>\$3,273,961</u>	<u>\$5,456,605</u>

NOTE 13 – ECONOMIC DEVELOPMENT FUND - BOND ANTICIPATION NOTE OBLIGATION

In May 2011, the Economic Development Fund issued an \$115,000, zero-percent interest, bond anticipation note to the General Fund that was utilized for the installation of a parking access control system at the Airport. Payment by the General Fund is to be made from the proceeds of the Development Revenue Bonds discussed in Note 12.

In January 2012, the debt service obligation of the Note was satisfied.

NOTE 14 – DEFINED BENEFIT PENSION PLANS

The following information was provided by the Ohio Public Employees Retirement System (OPERS) to assist the Port Authority in complying with GASB Statement No.27, "Accounting for Pensions by State and Local Government Employers".

Plan Description All employees of the Port Authority participate in one of the three pension plans administered by OPERS: the *Traditional Pension Plan*, the *Member-Directed Plan*, and the *Combined Plan*. The *Traditional Pension Plan* is a cost-sharing, multiple-employer defined benefit pension plan. The *Member-Directed Plan* is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the *Member-Directed Plan*, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings thereon. The *Combined Plan* is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the *Combined Plan*, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the *Traditional Pension Plan* benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the *Member-Directed Plan*.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the *Traditional Pension* and *Combined Plans*. Members of the *Member-Directed Plan* do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2011, employee and employer contribution rates were consistent across all three *Plans*. The 2011 employee contribution rate was 10%. The 2011 employer contribution rate for local government employer units was 14%, of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined.

A portion of the Port Authority's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For 2011, 10.0% of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and the Port Authority are established and may be amended by the OPERS Board. The Port Authority's required contributions for pension obligations to OPERS for the years ending December 31, 2011, 2010, and 2009 were \$75,194, \$85,657, and \$57,669, respectively, which were equal to the required contributions for each year.

NOTE 15 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description OPERS administers three separate pension plans: the *Traditional Pension Plan* - a cost-sharing, multiple-employer defined benefit pension plan; the *Member-Directed Plan* - a defined contribution plan; and the *Combined Plan* - a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the *Traditional Pension* and *Combined Plans* must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The health care coverage provided by OPERS is considered an Other Post-Employment Benefit (OPEB) as described in *GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Other Than Pensions"*.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB (benefits) to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements, required supplementary information for OPERS, and disclosures for the healthcare plan. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 % of covered payroll for local government employers. Active members do not contribute to the OPEB Plan.

The OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2011, the employer contribution allocated to the Health Care Plan was 4.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Port Authority's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009, were \$15,039, \$23,017, and \$18,653, respectively, which were equal to the required contributions for each year.

Other Information The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the Health Care Plan.

NOTE 16 – CONTINGENT LIABILITIES

A. Pending Litigation

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

B. Grant Compliance

The Port Authority receives assistance from federal agencies in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims, including amounts already received, resulting from such audits could become a liability of the General Fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Port Authority at December 31, 2011.

NOTE 17 – RISK MANAGEMENT

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

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

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

NOTE 18 – SUBSEQUENT EVENTS

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

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

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

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Western Reserve Port Authority, Ohio
Schedule of Federal Award Expenditures
For the Year Ended December 31, 2011

Federal Grantor/ Pass Through Grantor Program Title	Entity/Grant Identifier Number	CFDA Number	Receipts	Expenditures
U.S. Department of Transportation				
Small Community Air Service Development Program	OST-2007-27370-112	20.930	\$35,326	\$35,326
U.S. Department of Transportation/ Federal Aviation Administration:				
Airport Improvement Program	3-39-0096-3810	20.106	419,952	419,952
	3-39-0096-3910	20.106	440,293	440,293
	3-39-0096-4011	20.106	<u>136,291</u>	<u>128,823</u>
Total Airport Improvement Program			996,536	989,068
U.S. Department of Homeland Security				
Law Enforcement Officer Reimbursement Agreement Program	HSTS0208HSLR357	97.090	19,581	19,581
U.S. Department of Commerce Small Business Administration:				
Western Reserve Economic Development Initiative	SBAHQ-11-I-0029	59.XXX	<u>64,583</u>	<u>64,583</u>
Total Federal Financial Assistance			<u>\$1,116,026</u>	<u>\$1,108,558</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures.

Western Reserve Port Authority, Ohio
Notes to the Schedule of Federal Award Expenditures
For the Year Ended December 31, 2011

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, Ohio
Schedule of Passenger Facility Charges Collected and Expended
For the Year Ended December 31, 2011

Passenger Facility Charges Collected	\$147,653
Interest Earnings	<u>1,002</u>
Total	148,655
Passenger Facility Charges Expended	<u>(220,048)</u>
Decrease in Unexpended Passenger Facility Charges	(71,393)
Unexpended Passenger Facility Charges – January 1, 2011	<u>185,357</u>
Unexpended Passenger Facility Charges – December 31, 2011	<u>\$113,964</u>

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

Western Reserve Port Authority, Ohio
*Note to the Schedule of Passenger Facility Charges
Collected and Expended
For the Year Ended December 31, 2011*

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

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

The accompanying *Schedule of Passenger Facility Charges Collected and Expended* (the *Schedule*) was prepared to comply with regulations issued by the FAA (14 CFR 158) to implement 49 U.S.C. 40117, as amended. Those Regulations define collection as the point when agents or other intermediaries remit PFCs to commercial airlines. However, the *Schedule* is presented on the cash-basis of accounting. Under the cash-basis of accounting, the Port Authority records PFCs as collected when received from an airline rather than when earned (assessed) and records PFCs as expended when cash is paid rather than when a liability is incurred.



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INDEPENDENT AUDITOR'S 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
Vienna, Ohio 44473

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Western Reserve Port Authority, Trumbull County, (the Port Authority) as of and for the year ended December 31, 2011, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated April 16, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Port Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Port Authority's internal control. Accordingly, we have not opined on it.

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

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

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Port Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Port Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

April 16, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Western Reserve Port Authority's (the Port Authority's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Western Reserve Port Authority's major federal program for the year ended December 31, 2011. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Port Authority's major federal program.

Management's Responsibility

The Port Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Port Authority's compliance for each of the Port Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Western Reserve Port Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2011-001. This finding did not require us to modify our compliance opinion on the major federal program.

The Port Authority's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the Port Authority's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The Port Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Port Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

April 16, 2014



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INDEPENDENT AUDITOR'S REPORT 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
Vienna, Ohio 44473

To the Board of Directors:

Report on Compliance

We have audited the compliance of Western Reserve Port Authority, (the 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, 2011.

Management's Responsibility

The Port Authority's Management is responsible for complying with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on Western Reserve Port Authority's compliance with the requirements of laws and regulations applicable to its passenger facility charge program 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. 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. .

Opinion on the Passenger Facility Charge Program

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, 2011.

Report on 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Port's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with provisions of the passenger facility charge program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a program compliance requirement will not be prevented, or timely detected and corrected.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.



Dave Yost
Auditor of State

Columbus, Ohio

April 16, 2014

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

Non-Compliance

Finding Number	2011-001
CFDA Title and Number	Airport Improvement Program /20.106
Federal Award Number / Year	3-39-0096-3810/3-39-0096-3910
Federal Agency	Federal Aviation Administration
Pass-Through Agency	None

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

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

The Port did not file its December 31, 2011 data collection form and reporting package within the nine month time frame.

The Port should submit its data collection form and reporting package within the time frame as required by OMB Circular A-133 Section 320.

Official’s Response:

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-01	The Port Authority consolidated its accounting performances into one department thereby facilitating the timely preparation and filing of its annual financial report and other financial documentation pursuant to applicable laws and regulations.	Completed	Dan Dickten

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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
JUNE 17, 2014**