WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

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

OHIO AUDITOR OF STATE
KEITH FABER

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

We have reviewed the *Independent Auditor's Report* of the Western Reserve Port Authority, Trumbull County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Western Reserve Port Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

September 25, 2019

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WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Western Reserve Port Authority

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the business-type activities and each major fund of the Western Reserve Port Authority, Trumbull County, Ohio (Port Authority), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities and each major fund of the Western Reserve Port Authority, Ohio, as of December 31, 2018, and the respective changes in the cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 2.

Accounting Basis

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

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Reserve Port Authority, Ohio's basic financial statements. The Schedule of Passenger Facility Charges Collected and Expended is required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. The Schedule of Passenger Facility Charges Collected and Expended provides additional analysis and is not a required part of the basic financial statements.

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

Other Information

We applied no procedures to the Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with G*overnment Auditing Standards*, we have also issued our report dated July 26, 2019, on our consideration of the Western Reserve Port Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Western Reserve Port Authority, Ohio's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.

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

July 26, 2019

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The Management's Discussion and Analysis of the Western Reserve Port Authority's (Port Authority) financial performance provides an overall narrative review and analysis of the Port Authority's financial activities for the year ended December 31, 2018, within the limitations of the Port Authority's cash basis of accounting. The intent of this Discussion and Analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

The Port Authority has two major divisions: 1) an Economic Development Division (ED Division) created to stimulate and support activities that enhance and promote transportation, economic development, and governmental operations within Mahoning and Trumbull Counties and 2) an Aviation Division created to operate and maintain the Youngstown-Warren Regional Airport (Airport).

Using the Basic Financial Statements

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

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Port Authority as a way to segregate money whose use is restricted to a particular specified purpose. The *Statement of Fund Net Position - Cash Basis* and the *Statement of Receipts, Disbursements, and Changes in Fund Net Position – Cash Basis* present financial information by fund.

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

Basis of Accounting

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

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

Financial Highlights

Key financial highlights for 2018 are as follows:

Net position of business-type activities at December 31, 2018 decreased $280,974, or 20 percent, a moderate decrease from December 31, 2017. This was primarily the result of:

1) the Port Authority Fund realizing in 2018 an increase in net position of $170,095, or 43 percent, from 2017 due primarily to (A) an increase of $123,053 in lodging tax receipts from Mahoning and Trumbull counties in 2018 over 2017, (B) an increase of $31,631 in federal assistance program receipts in 2018 over 2017 (reimbursement to the Port Authority's airline revenue guarantee program), (C) a decrease of $45,000 in interfund transfers-out to other funds in 2018 under 2017, all of which was offset by (D) an increase of $136,505 in contractual service disbursements in 2018 over 2017 (due primarily from payments of the Port Authority's airline revenue guarantee program). Note that the Port Authority Fund realized an increase in net position of $118,804 in 2017 over 2016;

2) the Aviation Fund realizing in 2018 a decrease in net position of $199,614, or 35 percent, from 2017 due primarily to (A) a decrease of $307,527 in charges for service receipts in 2018 under 2017 (primarily parking, landing fees, and other activity concessions resultant of Allegiant Air ceasing operations at the Airport in January 2018), (B) a decrease of $139,738 in passenger facility charges in 2018 under 2017 (also resultant of Allegiant Air ceasing operations at the Airport in January 2018), (C) a decrease of $45,000 in interfund transfers-in from other funds in 2018 under 2017, (D) a decrease of $790,593 in intergovernmental receipts in 2018 under 2017 (due to timing of commencing capital improvements funded by FAA Airport Improvement Program Federal Assistance Grants), (E) a decrease in other cash receipts of $97,352 in 2018 under 2017 (primarily resultant of receiving from the FAA in 2017 a reimbursement of accumulated administrative costs), and (F) an increase of $73,794 in contractual service disbursements in 2018 over 2017 (primarily engineering funded by Airport Improvement Program Federal Assistance Grants), all of which was offset by (G) a decrease of $164,246 in personal service disbursements in 2018 under 2017 (due to reduction of workforce), (H) a decrease of $35,192 in materials and supplies disbursements in 2018 under 2017 (due to less purchased runway deicing materials resultant of mild winter), (I) a decrease of $19,038 in utilities disbursements in 2018 under 2017 (primarily due to reduction in natural gas pricing), (J) a decrease of $70,326 in repairs and maintenance disbursements in 2018 under 2017 (due to less unexpected facility and equipment repairs), (K) a decrease of $977,214 in capital outlay disbursements in 2018 under 2017 (due to timing of commencing capital improvements funded by FAA Airport Improvement Program Federal Assistance Grants), and (L) a decrease of $91,818 in other disbursements in 2018 under 2017 (primarily resultant of incurring less administrative costs to be reimbursed by Airport Improvement Program Federal Assistance Grants). Note that the Aviation Fund realized a decrease in net position of $114,369 in 2017 under 2016.

3) the Economic Development Fund realizing in 2018, a decrease in net position of $251,455, or 60 percent, from 2017 due primarily to (A) an increase of $630,980 in capital outlay disbursements in 2018 over 2017 (due to the acquisition of a building and the acquisition and rehabilitation of a second building), (B) an increase in debt service of $128,554 in 2018 over 2017 (resultant of the debt issued for the acquisition and rehabilitation of the buildings), and (C) a decrease of $239,366 in intergovernmental receipts in 2018 under 2017 (due to the receipt in 2017 of a federal assistance grant and a state assistance grant that provided reimbursement for environmental studies of facilities performed in 2017 and prior), all of which was offset by (D) a decrease of $125,402 in contractual service disbursements in 2018 under 2017 (primarily due to the environmental studies of facilities performed in 2017), (E) an increase of $125,000 in sale of assets in 2018 over 2017 (due to the sale of a facility in 2018), (F) an increase of $430,989 in proceeds from debt in 2018 over 2017 (issued for the acquisition of a building and the acquisition and rehabilitation of a second building) and (G) an increase in other cash receipts of $70,595 in 2018 over 2017 (primarily resultant of drawing on escrow accounts provided for the payment of real estate taxes and rehabilitation costs on the acquired buildings). Note that the Economic Development Fund realized a decrease in net position of $1,253 in 2017 under 2016.

The Port Authority had total receipts of $3,526,585 (excluding Interfund Transfers In). Program specific receipts accounted for $1,080,822, or 31 percent, of total receipts. General receipts accounted for $2,445,763, or 69 percent, of total receipts. Program specific receipts for governmental activities are primarily 1) charges for services (fees and charges for services, and rental and lease income), and 2) intergovernmental receipts consisting of grants from other governmental units that must be used to provide a specific service.

These receipts represent, respectively, 66 percent and 34 percent of total program specific receipts. General receipts for governmental activities are primarily 1) intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations, 2) proceeds from debt issued for acquisition of and improvements to capital assets, 3) sale of capital assets, and 4) miscellaneous receipts. These receipts represent, respectively, 71 percent, 18 percent, 5 percent, and 6 percent of total general receipts.

The Port Authority had total disbursements of $3,807,559 (excluding Interfund Transfers-Out). Personal services represent 31 percent of total disbursements and is comprised of payroll and benefit related costs. Contractual services represent 22 percent of total disbursements of which 1) 47 percent is comprised of costs of services, such as insurance, security, marketing, legal, and consulting, that are provided by contracted third-parties, 2) 35 percent is comprised of engineering costs funded by Airport Improvement Program Federal Assistance Grants, and 3) 18 percent is comprised of payments to commercial airlines from the Port Authority's Airline Revenue Guarantee Program). Capital outlay (capital improvement/replacement/acquisition projects) represents 17 percent of total disbursements of which 65 percent is funded by debt issuance. Debt service represents 16 percent of total disbursements. Utilities of facilities represents 7 percent of total disbursements. Materials and Supplies represents 4 percent of total disbursements.

Reporting the Port Authority as a Whole

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

The *Statement of Net Position-Cash Basis* and the *Statement of Activities-Cash Basis* reflect how the Port Authority did financially during 2018, within the limitations of the cash basis of accounting.

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

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

Reporting the Port Authority Funds

Fund financial statements provide detailed information about the Port Authority's funds – not the Port Authority as a whole. The Port Authority establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Port Authority's fund structure is comprised of three business-type proprietary funds (enterprise funds): the Port Authority Fund, the Aviation Fund, and the Economic Development Fund.

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

Port Authority as a Whole

Table 1 provides a comparison of net position at December 31, 2018 and December 31, 2017 on a cash basis of accounting.

Table 1 - Statement of Net Position - Cash Basis

	Port Authority Fund		Aviation Fund		Economic Development Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets								
Cash and Cash Equivalents	$ 568,736	$ 398,641	$ 178,787	$ 382,173	$ 170,475	$ 421,930	$ 917,998	$ 1,202,744
Restricted Cash with Fiscal Agent	0	0	187,504	183,732	0	0	187,504	183,732
Total Assets	$ 568,736	$ 398,641	$ 366,291	$ 565,905	$ 170,475	$ 421,930	$ 1,105,502	$ 1,386,476
Net Position								
Restricted for:								
Capital Outlay	$ 0	$ 0	$ 171,304	$ 375,523	$ 0	$ 0	$ 171,304	$ 375,523
Debt Service	0	0	187,504	183,731	0	0	187,504	183,731
Other Purposes	0	0	5,275	3,675	0	0	5,275	3,675
Assigned:								
Airport Operations	0	0	2,208	2,976			2,208	2,976
Economic Development Operations	0	0	0	0	170,475	421,930	170,475	421,930
Unrestricted	568,736	398,641	0	0	0	0	568,736	398,641
Total Net Position	$ 568,736	$ 398,641	$ 366,291	$ 565,905	$ 170,475	$ 421,930	$ 1,105,502	$ 1,386,476

Over time, net position can serve as a useful indicator of a government's financial position. The Port Authority's total unrestricted net position was $741,419 at December 31, 2018 as compared to $823,547 at December 31, 2017, a decrease of $82,128, or 10 percent. This decrease portrays a weaker cash position for the Port Authority at December 31, 2018 than at December 31, 2017, although the decrease was primarily due to 1) a continuing investment in Airport capital improvement projects that will facilitate attracting additional airlines, tenants, and user of the Airport, and 2) facility acquisition that will increase rental/lease income in the future.

The Port Authority's total net position was $1,105,502 at December 31, 2018 compared to $1,386,476 at December 31, 2017, a decrease of $280,974

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Table 2 provides a comparison of changes in net position for 2018 and 2017 on a cash basis of accounting.

Table 2 - Statement of Activities - Cash Basis

	Port Authority Fund		Aviation Fund		Economic Development Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Receipts								
Program Specific Receipts								
Charges for Services	$ 0	$ 0	$ 620,128	$ 927,655	$ 96,306	$ 83,827	$ 716,434	$ 1,011,482
Operating Grants and Contributions	104,094	72,464	2,985	37,870	0	239,366	107,079	349,700
Capital Grants and Contributions	0	0	257,309	1,013,017	0	0	257,309	1,013,017
Total Program Specific Receipts	104,094	72,464	880,422	1,978,542	96,306	323,193	1,080,822	2,374,199
General Receipts								
Grants and Entitlements not Restricted to Specific Programs	1,726,966	1,603,912	0	0	0	0	1,726,966	1,603,912
Investment Income	0	0	10,479	2,642	3,877	1,552	14,356	4,194
Proceeds from Debt	0	0	0	0	430,989	0	430,989	0
Gain on Sale of Capital Assets	0	0	300	4,818	125,000	0	125,300	4,818
All Other Receipts	1,413	55	71,006	308,096	75,733	5,138	148,152	313,289
Transfers In	0	0	975,000	1,020,000	300,000	300,000	1,275,000	1,320,000
Total General Receipts	1,728,379	1,603,967	1,056,785	1,335,556	935,599	306,690	3,720,763	3,246,213
Total Receipts	1,832,473	1,676,431	1,937,207	3,314,098	1,031,905	629,883	4,801,585	5,620,412
Disbursements								
Personal Services	140,629	135,449	730,834	895,080	323,084	308,227	1,194,547	1,338,756
Materials and Supplies	5,977	5,298	120,942	156,134	10,066	10,000	136,985	171,432
Contractual Services	200,513	64,008	518,190	444,396	108,918	234,320	827,621	742,724
Conferences and Travel	15,046	7,707	4,448	17,584	12,477	18,250	31,971	43,541
Utilities	0	0	235,183	254,221	14,470	9,184	249,653	263,405
Repair and Maintenance	0	0	22,311	92,637	0	0	22,311	92,637
Capital Outlay	0	0	17,166	994,380	641,277	10,297	658,443	1,004,677
Facility Leases	0	0	0	0	19,200	11,200	19,200	11,200
Debt Service	0	0	485,220	479,590	128,554	0	613,774	479,590
Other Disbursements	25,213	25,066	2,527	94,444	25,314	29,658	53,054	149,168
Transfers Out	1,275,000	1,320,000	0	0	0	0	1,275,000	1,320,000
Total Disbursements	1,662,378	1,557,528	2,136,821	3,428,466	1,283,360	631,136	5,082,559	5,617,130
Increase/(Decrease) in Net Position	170,095	118,903	(199,614)	(114,368)	(251,455)	(1,253)	(280,974)	3,282
Net Position - January 1, 2018	398,641	279,738	565,905	680,273	421,930	423,183	1,386,476	1,383,194
Net Position - December 31, 2018	$ 568,736	$ 398,641	$ 366,291	$ 565,905	$ 170,475	$ 421,930	$ 1,105,502	$ 1,386,476

Program specific receipts represent 31 percent of total receipts (excluding Interfund Transfers In, of which 66 percent is comprised of charges for services (fees and charges for services, and rental and lease income) and 34 percent is comprised of intergovernmental receipts consisting of restricted grants from other governmental units that must be used to provide a specific service.

General receipts represent 69 percent of total receipts (excluding Interfund Transfers In) of which 71 percent is comprised of intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations, 18 percent is comprised of proceeds from debt issued for acquisition of and improvements to capital assets, 10 percent is comprised of other receipts, the majority consisting of sale of assets, passenger facility charges collections, reimbursement of administrative costs received from capital grants, and reimbursement of utility costs received from tenants of Airport facilities

The *Net Cost of Services* of $2,726,737 represents total disbursements (excluding Interfund Transfers Out) of $3,807,559 less program specific receipts of $1,080,822. The *Net Cost of Services* represents the costs of the services, which ends up being paid primarily from general receipts (subsidies provided by Mahoning and Trumbull counties, investment earnings, proceeds from debt, sale of assets, passenger facility charges, and miscellaneous receipts). Therefore, dependence upon general receipts is apparent, as 64 percent of total disbursements (excluding Interfund Transfers Out) were supported through general receipts. In addition, 7 percent of total disbursements, excluding Interfund Transfers Out, were supported through fund balances available January 1.

An indicator of whether the Port Authority's financial health is improving or deteriorating is its reliance on fund balances available at January 1. In 2018, the Port Authority's total net position decreased $280,974 as compared to an increase of $3,282 in 2017. This increase in 2018 from 2017 in reliance on fund balances available at January1 may suggest a slight decrease in the Port Authority's financial condition. However, when evaluating financial health, one must also consider investment in capital assets. In 2018, the Port Authority invested $658,443, or 17 percent, of total disbursements for the acquisition and improvement of capital assets. This investment will increase rental and lease income in the future, the result of which will improve the Port Authority's financial condition.

Capital Assets and Debt Administration

Capital Assets

The Port Authority does not currently maintain tracking of its capital assets and infrastructure although Management anticipates acquiring software to begin this performance in 2019. However, the Port Authority does maintain an *Airport Capital Improvement Plan* and a *10-Year Master Plan* that collectively are the primary planning tools for systematically identifying, prioritizing, and estimating costs for critical development and associated capital needs of the Airport. In addition, the *Airport Capital Improvement Plan* presents the Airport's warranted and eligible capital assets and infrastructure needs as identified by the Airport's sponsors, State of Ohio Aviation officials, and the Federal Aviation Administration (FAA), and is contained in the FAA's National Plan of Integrated Airport Systems. The *10-Year Master Plan* is available for viewing on the Port Authority's website at www.yngairport.com.

Capital Lease Obligations

The Port Authority financed the acquisition of a copier in 2013 and financed the acquisition of a copier in 2014 through leasing arrangements. These leasing arrangements meet the criteria of a capital lease as defined by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1987 FASB and AICPA Pronouncements*, which defines a capital lease as one that transfers benefits and risks of ownership to the lessee. The requirements of the 2013 lease were satisfied fully in 2018. Payments totaling $1,334 will be made in 2019 to satisfy fully all requirements of the 2014 lease.

Debt Administration

The Port Authority's outstanding debt at December 31, 2018 for capital projects is $7,347,227, $5,858,889 principal and $1,488,338 interest, consisting of 1) $2,700,000 of principal remaining for 20-year Airport Development Revenue Bonds with various interest rates from 2.125 percent to 4.625 percent issued in December 2011 to provide financial resources for the construction and/or improvement of Port Authority Airport facilities. Of the amounts needed to service this debt, including interest and fiscal charges, approximately 55 percent will be derived from Passenger Facility Charges that are assessed to each enplaning commercial airline passenger as approved by the Federal Aviation Administration, and approximately 45 percent will be derived from revenues (fees, charges, and rents) generated from facilities, of which the construction and/or improvement thereof were financed by the proceeds of the Bonds; 2) $348,126 of principal remaining for a 10-year Development Revenue Bond, 3.271 percent, issued in 2012 to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the T-Hangar; 3) $816,832 of principal remaining for a 10-year Development Revenue Bond, 3.4884 percent, issued in 2012 to provide financial resources for the acquisition of an air cargo building. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the air cargo building; 4) $239,293 of principal remaining for a 10-year Development Revenue Bond, 4.867 percent, issued in 2013 to provide financial resources for the construction of a wheeled-vehicle maintenance building. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the wheeled-vehicle maintenance building; 5) $472,989 of principal remaining for a 10-year Development Revenue Bond, 3.08 percent, issued in 2014 to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the T-Hangar; and 6) $498,884 of principal remaining for a 10-year Development Revenue Bond, 2.89 percent, issued in 2014 to provide financial resources for the replacement of the Airport Terminal's electrical substation and stand-by generator. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from revenues (fees, charges, and rents) generated from the Terminal; and 7) $782,765 of principal remaining for a 10-year Acquisition and Improvement Bond, 3.5 percent, issued in 2018 to provide financial resources for the acquisition and improvement of a commercial building. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the building.

The Port Authority's outstanding debt (principal and interest) at December 31, 2018 for conduit debt arrangements is $143,393,479, $1,229,541 as related to the Timken Latrobe Steel Distribution Project, $56,834,489 as related to the Central Waste, Inc. Project, $38,646,957 as related to the Beulah Park Gaming Project, $2,651,415 as related to the Southern Park Mall Project, $20,278,426 as related to the Poland Way Project, $1,754,425 as related to the Pittsburgh Institute of Aeronautics Project, $11,718,308 as related to the Youngstown Campus Associate Project, and $10,279,918 as related to the Youngstown Stambaugh Holdings Project.

However, debt service obligations for all of these obligations are made directly from the owners of these Projects to the trustees of such debt obligations and do not pass through the Port Authority.

Fund Budgeting

The Port Authority's annual budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances (budgetary basis of accounting). The budget presents the Port Authority's estimated resources and appropriations for its funds for the current year, and includes outstanding encumbrances appropriated from prior years.

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

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

Contacting the Port Authority's Management

This financial report is designed to provide our users, citizens, taxpayers, creditors, and all other interested parties with a general overview of the Port Authority's finances and to reflect the Port Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to John Moliterno, Executive Director, Western Reserve Port Authority, Youngstown-Warren Regional Airport, 240 North Champion Street, Youngstown, Ohio 44503.

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WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2018

		Business-Type Activities
Assets		
Equity in Pooled Cash and Cash Equivalents	$	917,998
Restricted Cash With Fiscal Agent		187,504
Total Assets		1,105,502
Net Position		
Restricted for:		
Capital Outlay		171,304
Debt Service		187,504
Other Purposes		5,275
Unrestricted		741,419
Total Net Position	$	1,105,502

See accompanying notes to the basic financial statements.

WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Cash Receipts			Net Receipts (Disbursements) and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Business-Type Activities					
Port Authority	$ 387,378	$ 0	$ 104,094	$ 0	$ (283,284)
Aviation	2,136,821	620,128	2,985	257,309	(1,256,399)
Economic Development	1,283,360	96,306	0	0	(1,187,054)
Total Business-Type Activities	$ 3,807,559	$ 716,434	$ 107,079	$ 257,309	(2,726,737)
			General Receipts		
			Grants and Entitlements Not Restricted to Specific Programs		1,726,966
			Investment Earnings		14,356
			Sale of Assets		125,300
			Proceeds from Debt		430,989
			Passenger Facility Charges		24,764
			Miscellaneous Receipts		123,388
			Total General Receipts		2,445,763
			Changes in Net Position		(280,974)
			Net Position - January 1, 2018		1,386,476
			Net Position-December 31, 2018		$ 1,105,502

See accompanying notes to the basic financial statements.

WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Port Authority Fund	Aviation Fund	Economic Development Fund	Total Enterprise Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 568,736	$ 178,787	$ 170,475	$ 917,998
Restricted Cash With Fiscal Agent	0	187,504	0	187,504
Total Assets	568,736	366,291	170,475	1,105,502
Net Position				
Restricted for:				
Capital Outlay	0	171,304	0	171,304
Debt Service	0	187,504	0	187,504
Deposits	0	5,275	0	5,275
Committed for:				
Encumbrances	0	37	158,017	158,054
Assigned for:				
Airport Operations	0	2,171	0	2,171
Economic Development Operations	0	0	12,458	12,458
Unassigned	568,736	0	0	568,736
Total Net Position	$ 568,736	$ 366,291	$ 170,475	$ 1,105,502

See accompanying notes to the basic financial statements.

WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND NET POSITION – CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Port Authority Fund	Aviation Fund	Economic Development Fund	Total Enterprise Funds
Operating Cash Receipts				
Fees and Charges for Services	$ 0	$ 183,674	$ 84,986	$ 268,660
Rental/Lease Income	0	436,454	11,320	447,774
Total Operating Cash Receipts	0	620,128	96,306	716,434
Operating Cash Disbursements				
Personal Services	140,629	730,834	323,084	1,194,547
Materials and Supplies	5,977	120,942	10,066	136,985
Contractual Services	200,513	518,190	108,918	827,621
Conferences and Travel	15,046	4,448	12,477	31,971
Utilities	0	235,183	14,470	249,653
Repairs and Maintenance	0	22,311	0	22,311
Facility Lease	0	0	19,200	19,200
Capital Outlay	0	17,166	641,277	658,443
Debt Service	0	485,220	128,554	613,774
Other Cash Disbursements	25,213	2,527	25,314	53,054
Total Operating Cash Disbursements	387,378	2,136,821	1,283,360	3,807,559
Operating Income/(Loss)	(387,378)	(1,516,693)	(1,187,054)	(3,091,125)
Non-Operating Cash Receipts				
Intergovernmental Receipts	1,831,060	260,294	0	2,091,354
Earnings on Investments	0	10,479	3,877	14,356
Sale of Assets	0	300	125,000	125,300
Proceeds from Debt	0	0	430,989	430,989
Passenger Facility Charges	0	24,764	0	24,764
Other Cash Receipts	1,413	46,242	75,733	123,388
Total Non-Operating Cash Receipts	1,832,473	342,079	635,599	2,810,151
Transfers In	0	975,000	300,000	1,275,000
Transfers Out	(1,275,000)	0	0	(1,275,000)
Change in Net Position	170,095	(199,614)	(251,455)	(280,974)
Net Position - January 1, 2018	398,641	565,905	421,930	1,386,476
Net Position - December 31, 2018	$ 568,736	$ 366,291	$ 170,475	$ 1,105,502

See accompanying notes to the basic financial statements.

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

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

Reporting Entity

The Port Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, regarding the definition of its financial reporting entity. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of all funds and departments that are not legally separate from the Port Authority.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Port Authority's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements providing a more detailed level of financial information.

Government-Wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the Port Authority as a whole. The government-wide Statement of Net Position presents the cash balances of the business-type activities of the Port Authority at year-end.

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

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

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

Proprietary fund financial statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements generally include costs of sales and services and administrative costs. All of the Port Authority disbursements are reported as operating.

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

B. **Fund Accounting**

The Port Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Port Authority maintains three funds, all of which are classified as proprietary.

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

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

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

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

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.

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

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

D. **Cash and Cash Equivalents**

To improve cash management, except proceeds from bond issuances, cash received by the Port Authority is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Port Authority records. Each fund's interest in this pool is valued at cost and is presented in the Statement of Net Position as "equity in pooled cash and cash equivalents".

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

All of the Port Authority's cash and cash equivalents are maintained in interest and non-interest bearing checking accounts with the exception of $800 of cash-on-hand. Interest earned from these accounts during 2018 amounted to $14,356, of which $10,479 was credited to the Aviation Fund and $3,877 credited to the Economic Development Fund. A non-interest bearing checking account is maintained due to regulations prohibiting the Port Authority from earning interest on available cash balances received from several of its federal financial assistance grants.

An analysis of the Port Authority's equity in cash and cash equivalents at December 31, 2018 is provided in Note 4.

E. **Prepaid Items**

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2018 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.

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

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, contributions, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

Committed A committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contracts 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 n satisfying those contractual requirements.

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

J. **Fund Balances** (Continued)

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 Port Authority Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the Port Authority Fund, assigned amounts represent intended uses established by policies of the Board of Directors.

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

K. **Net Position Restrictions**

Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions, enabling legislation (adopted by the Port Authority), or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reports $364,083 of net position restricted for business-type activities, of which $45,041 is restricted by enabling legislation, as defined by GASB Statement No, 46, *Net Assets Restricted by Enabling Legislation*, $52,088 is restricted by requirements of Federal Aviation Administration Airport Improvement Grants, $74,175 is restricted by agreements with the Federal Aviation Administration permitting the collection and expending of Passenger Facility Charges, $187,504 is restricted by covenants of the Port Authority's Development Revenue Bonds, Series 2011, (for debt service requirements), and $5,275 is restricted by deposit agreements with current and prospective t-hanger tenants.

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

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

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 may make interfund transfers from its Port Authority Fund to its other funds to contribute financial resources to support the operations accounted for by those funds. In 2018, the Port Authority transferred $975,000 from the Port Authority Fund into the Aviation Fund and transferred $300,000 from the Port Authority Fund into the Economic Development Fund. Interfund transfers are reflected as other financing sources/(uses) in the accompanying financial statements.

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.

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

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

N. **Accounting of Conduit Debt Activity**

As discussed in Notes 15 through 23, the Port Authority issued debt to provide financial resources for several projects that assisted ownership of such projects to establish and/or retain and improve/expand their local operations. Debt service payments required to satisfy all obligations are made directly from these companies to respective trustees.

Based on the criteria described in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, since these payments do not flow through the Port Authority and since these payments do not have an effect on the fund balances/net position of the Port Authority, such debt service activity is not reflected in the financial statements.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

A. **Implementation of New Accounting Pronouncements**

For 2018, the Port Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions;* Statement No. 85, *Omnibus 2017;* and Statement No. 86, *Certain Debt Extinguishment Issues.*

GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, addresses reporting by governments that provide post-employment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard requires the Port Authority to recognize, on the face of its financial statements, its proportionate share of the net OPEB liability related to its participation in the OPERS OPEB plan. This Statement enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on behalf payment for pensions or OPEB in employer financial statements
- Presenting payroll related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The implementation of GASB Statements No. 75, No. 85 and No. 86, did not affect the presentation of the financial statements and did not have an effect on the fund balances/net position of the Port Authority as previously reported at December 31, 2017.

B. **Future Accounting Pronouncements**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this Statement's guidance that establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgements, together with the occurrence of an internal event that obligates a government to perform asset retirement. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported, and also enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. GASB Statement No. 83 is required to be adopted for years beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying activities of all state and local governments with the focus of the criteria generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and post-employment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements and governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

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

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

This Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business -type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. GASB Statement No. 84 is required to be adopted for years beginning after December 15, 2018.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided and information about resources to liquidate debt and the risks associated with changes in terms associated with debt.

As a result, users will have better information to understand the effects of debt on a government's future resource flows. GASB Statement No. 88 is required to be adopted for years beginning after June 15, 2018.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, it will require reporting of information about component units if the government acquires a 100 percent equity interest by providing information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. GASB Statement No. 90 is required to be adopted for years beginning after December 15, 2018.

The Port Authority is currently evaluating the impact GASB Statements No. 83, No. 84, No. 88, and No. 90 will have on its financial statements when adopted during the Port Authority's 2019 fiscal year.

NOTE 4: **DEPOSITS AND INVESTMENTS**

State statutes require the classification of funds held by the Port Authority into three categories.

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

Inactive deposits are public deposits not required for use within the current five-year period of designation of depositories as identified by the Port Authority's 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 the Port Authority deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Port Authority's Board Secretary by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or by any other obligation guaranteed as to principal and interest by the United States:

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two-percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or other Ohio local governments;

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain 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:

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 institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Port Authority's Board Secretary or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. **Cash on Hand / Cash Held by Others**

At December 31, 2018, the Port Authority had $800 of undeposited cash on hand and $1,000 held by a third-party.

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

B. **Deposits with Financial Institutions**

At December 31, 2018, the carrying amount of the Port Authority's deposits was $1,103,702 and the bank balance was $1,271,034. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures,* as of December 31, 2018, all of the Port Authority's bank balance was covered by Federal Deposit Insurance.

C. **Investments**

The Port Authority did not maintain any investments in 2018.

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

Cash and Investments per Footnote	
Undeposited Cash on Hand	$ 800
Cash Held by Others	1,000
Carrying Amount of Deposits with Financial Institutions	1,103,702
Total Cash and Investments per Footnote	$ 1,105,502
Cash and Cash Equivalents per Statement of Net Position	
Bsuiness-Type Activities	$ 1,105,502

NOTE 5: **CAPITAL LEASE OBLIGATION**

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

Payments totaling $5,434 were made in 2018 to satisfy current requirements of the leases, including payments made to satisfy fully the requirements of the 2013 lease.

Payments totaling $1,334 to be made in 2019 will satisfy fully all requirements of the 2014 lease.

NOTE 6: LONG TERM OBLIGATIONS

Changes in the Port Authority's long-term obligations for the year ended December 31, 2018 follows:

	Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018	Due Within One Year
Development Revenue Bonds (Series 2011)	$ 2,850,000	$ 0	$ 150,000	$ 2,700,000	$ 155,000
Development Revenue Bonds (Series 2012(A))	367,943	0	19,817	348,126	20,485
Development Revenue Bonds (Series 2012(B))	861,035	0	44,203	816,832	45,613
Development Revenue Bonds (Series 2013)	251,662	0	12,369	239,293	11,212
Development Revenue Bonds (Series 2014(A))	496,184	0	23,195	472,989	23,930
Development Revenue Bonds (Series 2014(B))	537,114	0	38,230	498,884	39,365
Acquisition and Improvement Bond (Series 2018(A)	0	782,765	0	782,765	9,950
Acquisition Bond (Series 2018)	0	125,000	125,000	0	0
	$ 5,363,938	$ 907,765	$ 412,814	$ 5,858,889	$ 305,555

Additional information for these obligations is discussed in Notes 7 through 14.

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

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

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

In 2018, payments totaling $268,169 were made to satisfy current principal and interest requirements of the Bonds.

Future debt service of principal and interest follow:

Year	Airport Revenues	PFCs	Total
2019	$ 121,070	$ 147,974	$ 269,044
2020	121,140	148,060	269,200
2021	120,960	147,840	268,800
2022	120,611	147,414	268,025
2023	121,956	149,057	271,013
2024-2028	606,181	740,888	1,347,069
2029-2031	426,127	520,822	946,949
Total	$ 1,638,045	$ 2,002,055	$ 3,640,100

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

In 2012, the Port Authority issued a $470,000 Development Revenue Bond (Series 2012(A)) (3.271 percent, 20 year amortization, 10 years repayment, plus balloon payment) to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the T-Hangar.

In 2018, payments totaling $31,719 were made to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2019	$ 31,719
2020	31,719
2021	31,719
2022	291,385
Total	$ 386,542

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

In 2012, the Port Authority issued a $1,075,000 Development Revenue Bond (Series 2012(B)) (3.488 percent, 20 years amortization, 10 years repayment plus balloon payment) to provide financial resources for the acquisition of an air cargo building. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the air cargo building.

In 2018, payments totaling $73,385 were made to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2019	$ 73,764
2020	73,764
2021	73,764
2022	699,662
Total	$ 920,954

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

In 2013, the Port Authority issued a $300,000 Development Revenue Bond (Series 2013(A)) (4.867 percent, 20-year amortization, 10 years repayment plus balloon payment) to provide financial resources for the construction of a wheeled-vehicle maintenance building. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the wheeled-vehicle maintenance building.

In 2018, payments totaling $20,152 were made to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2019	$ 22,702
2020	22,702
2021	22,702
2022	22,702
2023	199,610
Total	$ 290,418

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

In 2014, the Port Authority issued a $570,000 Development Revenue Bond (Series 2014(A)) (3.08 percent, 20-year amortization, 10 years repayment plus balloon payment) to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the T-Hangar.

In 2018, payments totaling $38,349 were made to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2019	$ 38,349
2020	38,349
2021	38,349
2022	38,349
2023	38,349
2024	353,473
Total	$ 545,218

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

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

In 2018, payments totaling $53,446 were made to satisfy principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2019	$ 53,446
2020	53,446
2021	53,446
2022	53,446
2023	53,446
2024	297,377
Total	$ 564,607

NOTE 13: **ACQUISITION AND IMPROVEMENT BOND (SERIES 2018(A)) – HARSHMAN BUILDING ACQUISITION AND IMPROVEMENT PROJECT**

In September 2018, the Port Authority issued a $782,765 Acquisition and Improvement Bond (Series 2018(A)) (3.5 percent, 1st year monthly interest-only payments then 20 years amortization, 10 years repayment plus balloon payment) to provide financial resources for the acquisition and improvement of a commercial building. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the building.

The Bond is secured by the facility acquisition/improved from the proceeds of the Bond.

The Bond is being issued in increments, as a draw-down bond, similar to a traditional draw-down loan. $305,989 has been drawn as of December 31, 2018.

In 2018, payments totaling $2,517 were made to satisfy current interest requirements of the Bond.

Future debt service of principal and interest follow:

NOTE 13: **ACQUISITION AND IMPROVEMENT BOND (SERIES 2018(A)) – HARSHMAN BUILDING ACQUISITION AND IMPROVEMENT PROJECT** (Continued)

Year	Amount
2019	$ 34,069
2020	67,386
2021	67,386
2022	67,386
2023	67,386
2024-2028	336,928
2029	358,848
Total	$ 999,389

NOTE 14: **ACQUISITION BOND (SERIES 2018) – YOUNGSTOWN NEIGHBORHOOD DEVELOPMENT CORPORATION BUILDING ACQUISITION PROJECT**

In May 2018, pursuant to a Cooperative Agreement between the Port Authority and the Youngstown Neighborhood Development Corporation (YNDC), the Port Authority issued a $125,000 Acquisition Bond (Series 2018) (3.0 percent, 18 month, interest-only monthly payment plus balloon payment) to provide financial resources for the acquisition of a commercial building. Amounts needed to service interest and fiscal charges on the Bond will be derived from rent generated from the building and the amount needed to service the principal will be derived from the sale of the building to YNDC. The Bond is secured by the building acquired from the proceeds of the Bond.

In August, 2018, the Port Authority sold the building to YNDC and payments totaling $126,038 were made to satisfy fully all principal and interest requirements of the Bond.

NOTE 15: **CONDUIT DEBT OBLIGATION – TIMKEN LATROBE STEEL DISTRIBUTION PROJECT**

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

The Port Authority's involvement in the Project consisted of obtaining a $150,000 Development Grant from the Ohio Department of Development (ODOD) and passing through the proceeds of the Grant to the Director who administered the Project and retained ownership of the land, improvements, facilities, and equipment. The Director let a 20-year capital lease to the Port Authority for the land, improvements, facilities, and equipment. The Port Authority subleased the same to Timken, who makes monthly lease payments directly to the Director to meet amounts needed to service the debt, including interest and fiscal charges, on the Bonds and the Loan. In the event of default by Timken, the Port Authority shall not have any liability under, or in respect of, its performances of the lease agreement. At such time, the Director will terminate the lease agreement and exclude the Port Authority from possession of the Project.

NOTE 15: **CONDUIT DEBT OBLIGATION – TIMKEN LATROBE STEEL DISTRIBUTION PROJECT** (Continued)

In 2018, payments totaling $865,134 were made to satisfy current principal and interest requirements of the Lease.

Future lease payments paid by Timken to the Director follow:

Year	Amount
2019	$ 868,838
2020	360,703
Total	$ 1,229,541

NOTE 16: **CONDUIT DEBT OBLIGATION – CENTRAL WASTE, INC. PROJECT**

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

The Port Authority's involvement in the Project consisted of issuing $40,000,000 in Solid Waste Facility Revenue Bonds (Series 2007(A)) ($12,750,000 at 6.1 percent - 20 years and $27,250,000 at 6.35 percent - 20 years) and issuing $5,000,000 in Subordinate Solid Waste Facility Revenue Bonds (Series 2007(B)) (7.25 percent - 20 years). The Port Authority passed through the proceeds of the Bond issuances to Central Waste, Inc. In the event of default by Central Waste, the Port Authority shall not have any liability under, or in respect, of its debt service performances of the Bonds. The Bonds are secured by a first mortgage on the property/assets acquired by Central Waste from the proceeds of the Bonds.

In 2013, Central Waste defaulted on payments needed to service the debt, including interest and fiscal charges, on the Bonds. Central Waste has filed for Chapter 7 bankruptcy. Final disposition is expected in 2019.

In 2018, no payment was made toward outstanding principal and interest of the Bonds.

As of December 31, 2018, $29,116,133 of principal and $19,637,106 of accrued interest remain outstanding of the Solid Waste Facility Revenue Bonds (Series 2007(A)), and $5,000,000 of principal, and $3,081,250 of accrued interest remain outstanding of the Subordinate Solid Waste Facility Revenue Bonds (Series 2007(B)).

NOTE 17: **CONDUIT DEBT OBLIGATION – BEULAH PARK GAMING PROJECT**

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

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

Semi-annual facility lease payments by Penn National meet the amounts needed to service current interest and fiscal charges on the Bonds. The Bond matures at July 1, 2023, at which time a balloon payment will be made to satisfy in full, all remaining debt and charges. In the event of default by Penn National, the Port Authority shall not have any liability under, or in respect, of its debt service performances of the Bond. The Bond is secured by the facilities/assets constructed/acquired from the proceeds of the Bond.

In 2018, payments totaling $1,151,286 were made to satisfy current interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2019	$ 1,151,186
2020	1,151,186
2021	1,151,186
2022	1,151,186
2023	34,042,213
Total	$ 38,646,957

NOTE 18: **CONDUIT DEBT OBLIGATION – SOUTHERN PARK MALL PROJECT**

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

The Port Authority's involvement in the Project consisted of 1) creating an Ohio Energy Special Improvement District in the Township of the Project, and 2) issuing a $2,338,000 Property Assessed Clean Energy Taxable Revenue Bond (Series 2015) (4.835 percent - 15 Years) to finance the Project. Special assessments assessed against SPM meet amounts needed to service the debt, including interest and fiscal charges on the Bond. In the event of default by SPM, the Port Authority shall not have any liability under, or in respect of, its debt service performances of the Bond. The Bond is secured by future special assessments assessed against SPM.

In 2018, payments totaling $220,786 were made to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2019	$ 220,911
2020	220,746
2021	221,268
2022	221,474
2023	220,343
2024-2028	1,105,217
2029-2030	441,456
Total	$ 2,651,415

NOTE 19: **CONDUIT DEBT OBLIGATION – POLAND WAY PROJECT**

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

The Port Authority's involvement in the Project consists of 1) entering into a ground lease with Poland Way to secure land necessary for the Project, 2) issuing a $10,600,000 Development Revenue Bond (Series 2015) (5.96% - 25 years) to finance the Project, and 3) letting of a capital (facility) lease to Poland Way to construct the Project and operate such facility.

NOTE 19: **CONDUIT DEBT OBLIGATION – POLAND WAY PROJECT** (Continued)

The Bond and capital lease are co-terminus. Monthly payments by Poland Way meet amounts needed to service the debt, including interest and fiscal charges, on the Bond. In the event of default by Poland Way, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

In 2018, payments totaling $570,548 were made to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2019	$ 816,581
2020	816,581
2021	816,581
2022	816,580
2023	816,581
2024-2028	4,082,904
2029-2033	4,082,905
2034-2038	4,082,905
2039-2043	3,946,808
Total	$ 20,278,426

NOTE 20: **CONDUIT DEBT OBLIGATION – HALLMARK PROJECT**

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

The Port Authority's involvement in the Project consists of 1) entering into a ground lease with Hallmark to secure land necessary for the Project, 2) issuing a $19,980,000 Development Revenue Bond (Series 2016(A)) (4.40932 percent – 5 years) to finance the Project, and 3) letting of a capital (facility) lease to Hallmark to construct the Project and operate such facility. The Bond and capital lease are co-terminus. Monthly payments by Hallmark meet amounts needed to service the debt, including interest and fiscal charges, on the Bond. In the event of default by Hallmark, the Port Authority shall not have any liability under, or in respect of, its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

In 2018, payments totaling $20,002,149 were made to satisfy fully all principal and interest requirements of the Bond.

NOTE 21: **CONDUIT DEBT OBLIGATION – PITTSBURGH INSTITUTE OF AERONAUTICS PROJECT**

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

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

In 2018, payments totaling $98,851 were made to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2019	$ 98,851
2020	98,851
2021	98,851
2022	98,851
2023	98,851
2024-2028	494,257
2029-2033	494,257
2034-2036	271,656
Total	$ 1,754,425

NOTE 22: CONDUIT DEBT OBLIGATION – YOUNGSTOWN CAMPUS ASSOCIATE PROJECT

In 2016, the Port Authority participated in the Youngstown Campus Associated, LLC (YCA) Project (Project) by assisting YCA construct a retail and approximate 166-bed student housing facility located at Youngstown State University. The Project consisted of constructing, equipping, and furnishing of the facility (known as the YSU Enclave).

The Port Authority's involvement in the Project consisted of 1) entering into a ground lease with YCA to secure land necessary for the Project, 2) issuing a maximum $14,000,000 Development Revenue Bond (Series 2016 (C)) to finance the Project, and 3) letting of a capital (facility) lease to YCA to construct the Project and operate such facility.

The Bond is being issued in increments, as a draw-down bond, similar to a traditional draw-down loan. $11,718,308 has been drawn as of December 31, 2018. Interest is accruing at various rates on outstanding principal amounts and is being paid monthly through capital lease payments. An amortization schedule will be set at the end of the construction period and capital lease payments by YCA will meet amounts needed to service the debt, including interest and fiscal charges, on the Bond.

The Bond and capital lease are co-terminus. In the event of default by YCA, the Port Authority shall not have any liability under, or in respect of, its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

NOTE 23: CONDUIT DEBT OBLIGATION – YOUNGSTOWN STAMBAUGH HOLDINGS PROJECT

In 2016, the Port Authority participated in the Youngstown Stambaugh Holdings, LLC (YSH) Project (Project) by assisting YSH improve and convert into a hotel facility the Stambaugh Building located in downtown Youngstown. The Project consists of remodeling, equipping, and furnishing of the facility.

The Port Authority's involvement in the Project consisted of 1) entering into a ground lease and a capital (facility) lease with YSH to secure facilities necessary for the Project, 2) issuing a maximum $32,000,000 Development Revenue Bond (Series 2016 (D)) to finance the Project, and 3) letting of a capital (facility) lease to YSH to construct the Project and operate such facility.

The Bond is being issued in increments, as a draw-down bond, similar to a traditional draw-down loan. $10,279,918 has been drawn as of December 31, 2018. Interest is accruing at variable rates on outstanding principal amounts and is being paid monthly through capital lease payments. An amortization schedule will be set at the end of the construction period and capital lease payments by YSH will meet amounts needed to service the debt, including interest and fiscal charges, on the Bond.

The Bond and capital lease are co-terminus. In the event of default by YSH, the Port Authority shall not have any liability under, or in respect of, its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

NOTE 24: **PENSION PLANS**

Plan Description

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

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

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

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

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

NOTE 24: **PENSION PLANS** (Continued)

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

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

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer (Port Authority)	14.0%
Employee (Member)	10.0%
2018 Actual Contribution Rates	
Employer (Port Authority):	
Pension	14.0%
Post-Employment Health Care Benefits	0.0%
Total Employer (Port Authority) Contribution Rate	14.0%
Total Employee (Member) Contribution Rate	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's contractually required contributions to fund pension obligations for the years ending December 31, 2018, 2017, and 2016 were $197,027, $214,985, and $207,473, respectively. In January 2019, the Port Authority made $13,341 in contributions to satisfy fully its 2018 pension obligations.

NOTE 25: **POST-RETIREMENT BENEFIT PLANS**

Plan Description
OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans, including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement to qualifying members of both the Traditional Pension Plan and the Combined Plan. The trust is also used to fund health care for Member-Directed Plan participants in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan members may eligible for reimbursement of qualified medical expenses from their vested RMA balance.

NOTE 25: **POST-RETIREMENT BENEFIT PLANS** (Continued)

Plan Description (continued)
To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefits and qualifying survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 75. Please see the Plan Statement in the OPERS financial report referenced below for additional information.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (800) 222-7377.

Funding Policy
The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable payroll of active members. In 2018, the Port Authority contributed at a rate of 14 percent of earnable payroll of active members. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not fund post-employment health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and the Combined Plan was 1 percent during calendar year 2017.

As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.00 percent for both the Traditional Pension Plan and the Combined Plan. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's required contribution for 2018 as $0.00.

NOTE 26: CONTINGENT LIABILITIES

A. Pending Litigation

The Port Authority is not a party to legal proceedings.

B. Grant Compliance

The Port Authority receives assistance from federal agencies in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims, including amounts already received, resulting from such audits could become a liability of the Port Authority Fund or any other applicable Fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Port Authority at December 31, 2018.

NOTE 27: RISK MANAGEMENT

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

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

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

NOTE 28: SIGNIFICANT SUBSEQUENT EVENTS

Port Authority management is of the opinion that there are no significant subsequent events that will have a material effect, if any, on the overall financial position of the Port Authority.

WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2018

Passenger Facility Charges Collected	$ 24,764
Interest Earnings	1,542
Total	26,306
Passenger Facility Charges Expended	(148,477)
Decrease in Unexpected Passenger Facility Charges	(122,171)
Unexpended Passenger Facility Charges - January 1, 2018	196,346
Unexpended Passenger Facility Charges - December 31, 2018	$ 74,175

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

WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTE TO THE SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2018

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

The Western Reserve Port Authority (Port Authority), for its operation of the Youngstown-Warren Regional Airport (the Airport), has been granted FAA approvals for its Applications #6 and #7, which allows the Airport to assess a PFC for each passenger at a rate of $4.50 through January 1, 2033.

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

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Western Reserve Port Authority

The Honorable Keith Faber
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the cash basis financial statements of the business-type activities and each major fund of the Western Reserve Port Authority, Trumbull County, Ohio, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Western Reserve Port Authority, Ohio's basic financial statements, and have issued our report thereon dated July 26, 2019, wherein we noted that the Western Reserve Port Authority, Ohio, uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

James G. Zupka, CPA, Inc.

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

July 26, 2019

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

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5240 East 98th Street

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

Board of Directors
Western Reserve Port Authority

The Honorable Keith Faber
Auditor of State
State of Ohio

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

We have audited the Western Reserve Port Authority, Trumbull County, Ohio's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its Passenger Facility Charge Program for the year ended December 31, 2018.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Passenger Facility Charge Program

In our opinion, the Western Reserve Port Authority, Ohio complied, in all material respects, with the compliance requirements referred to above that are applicable to its Passenger Facility Charge Program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

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

James G. Zupka, CPA, Inc.

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

July 26, 2019

WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

The prior audit report, as of December 31, 2017, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit report.

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OHIO AUDITOR OF STATE
KEITH FABER

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
OCTOBER 8, 2019

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