

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

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2014**

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





# Dave Yost • Auditor of State

Board of Directors  
Western Reserve Port Authority  
1453 Youngstown-Kingsville Road NE  
Vienna, Ohio 44473

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, 2014 through December 31, 2014. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 4, 2015

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TRUMBULL COUNTY, OHIO  
AUDIT REPORT  
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# **JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

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

*Garfield Hts., Ohio 44125*

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## **INDEPENDENT AUDITOR’S REPORT**

Board of Directors  
Western Reserve Port Authority

The Honorable Dave Yost  
Auditor of State  
State of Ohio

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Western Reserve Port Authority, Trumbull County, Ohio (the Port Authority), as of and for the year ended December 31, 2014, 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, 2014, and the changes in the respective 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 and Other 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. Management's Discussion and Analysis includes tables of Statement of Net Position – Cash Basis, and Statement of Activities – Cash Basis. 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. These tables and the Schedule of Passenger Facility Charges Collected and Expended provide additional analysis and are not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on them.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2015, 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, President**

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James  
G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2015.08.31 16:42:02 -04'00'

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

August 21, 2015



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**WESTERN RESERVE PORT AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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The Management's Discussion and Analysis of the Western Reserve Port Authority (Port Authority) financial performance provides an overall narrative review and analysis of the Port Authority's financial activities for the year ended December 31, 2014, 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 Statement No. 34, as applicable to the Port Authority's cash-basis of accounting.

**Report Components**

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Port Authority as a way to segregate money whose use is restricted to a particular specified purpose. The *Statement of 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.

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**Financial Highlights**

Key financial highlights for 2014 are as follows:

Net position of business-type activities at December 31, 2014 increased \$301,837, or 16 percent, a moderate increase from December 31, 2013. Net position for the Port Authority Fund decreased by \$121,701 or 15 percent due primarily to an increase in 2014 of interfund transfers into the Aviation Fund. The Aviation Fund realized an increase in net position in 2014 of \$544,005 or 91 percent due primarily to an increase in the amount of debt proceeds received in 2014. The Economic Development Fund realizing in 2014 a decrease in net position of \$120,467, or 23 percent, due primarily to an increase of \$212,105 in 2014 over 2013 of contractual services.

The Port Authority had total receipts of \$5,247,535 (excluding Interfund Transfers-In). Program specific receipts accounted for \$1,988,087, or 38 percent, of total receipts. General receipts accounted for \$3,259,448, or 62 percent, of total receipts. Program specific receipts for business-type 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 81 percent and 19 percent of total program specific receipts. General receipts for business-type activities are primarily 1) intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations, 2) proceeds from debt, and 3) miscellaneous receipts. These receipts represent respectively 49 percent, 37 percent, and 14 percent of total general receipts.

The Port Authority had total disbursements of \$4,945,698 (excluding Interfund Transfers-Out). Capital outlay (capital improvement/replacement/acquisition projects) represents 33 percent of total disbursements of which 55 percent is funded by proceeds of Airport Development Revenue Bonds, 18 percent is funded by Airport Improvement Program Federal Assistance Grants and related required matching funding, and 27 percent is funded primarily from Airport receipts. Personal services, which is comprised of payroll and benefit related costs, represent 22 of total disbursements. Contractual services represent 22 percent of total disbursements. Of the 22 percent, 70 percent is comprised of costs of services, such as insurance, security, marketing, legal, and consulting, that were provided by contracted third parties and 30 percent is for engineering costs, funded primarily by Airport Improvement Program Federal Assistance Grants, by a Brownfields Assessment and Cleanup Federal Assistance Grant, and by proceeds of Airport Development Revenue Bonds. Debt service represents 8 percent of total disbursements.

**Reporting the Port Authority as a Whole**

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

The *Statement of Net Position* and the *Statement of Activities* reflect how the Port Authority did financially during 2014, within the limitations of cash-basis of accounting.

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The *Statement of Net Position* presents cash balances and investments of the Port Authority at year-end.

The *Statement of Activities* compares cash disbursements with program specific receipts for each business-type activity. Program specific receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program specific receipts. The comparison of cash disbursements with program receipts identifies how each business-type activity draws from the Port Authority's general receipts.

These statements report the Port Authority's cash position and the changes in cash position. Keeping in mind the limitations of the cash-basis of accounting, you may think of these changes as one way to measure the Port Authority's financial health.

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

**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 manage better its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Port Authority's fund structure comprises 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.

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**Port Authority as a Whole**

Table 1 provides a comparison of net position at December 31, 2014 and December 31, 2013 on a cash-basis of accounting.

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

	Port Authority Fund		Aviation Fund		Economic Development Fund		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b><u>Assets</u></b>								
Cash and Cash Equivalents	\$ 676,098	\$ 797,799	\$ 592,760	\$ 599,411	\$ 409,848	\$ 530,315	\$ 1,678,706	\$ 1,927,525
Restricted Cash in								
Segregated Accounts	0	0	362,972	0	0	0	362,972	0
Restricted Cash with								
Fiscal Agent	0	0	187,684	0	0	0	187,684	0
<b>Total Assets</b>	<b>\$ 676,098</b>	<b>\$ 797,799</b>	<b>\$ 1,143,416</b>	<b>\$ 599,411</b>	<b>\$ 409,848</b>	<b>\$ 530,315</b>	<b>\$ 2,229,362</b>	<b>\$ 1,927,525</b>
<b><u>Net Position</u></b>								
Restricted for:								
Capital Outlay	\$ 0	\$ 0	\$ 866,991	\$ 372,427	\$ 0	\$ 0	\$ 866,991	\$ 372,427
Debt Service	0	0	182,720	182,906	0	0	182,720	182,906
Other Purposes	0	0	11,067	2,250	0	0	11,067	2,250
Unrestricted	676,098	797,799	82,638	41,828	409,848	530,315	1,168,584	1,369,942
<b>Total Net Position</b>	<b>\$ 676,098</b>	<b>\$ 797,799</b>	<b>\$ 1,143,416</b>	<b>\$ 599,411</b>	<b>\$ 409,848</b>	<b>\$ 530,315</b>	<b>\$ 2,229,362</b>	<b>\$ 1,927,525</b>

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 \$1,168,584 at December 31, 2014 as compared to \$1,369,942 at December 31, 2013, a decrease of \$201,358, or 15 percent. This was primarily the result of 1) the Port Authority Fund realizing in 2014 a decrease in net position of \$121,701, or 15 percent, from 2013 due primarily to an increase of \$894,149 in 2014 over 2013 of interfund transfers into the Aviation Fund for Airport capital improvements and 2) the Economic Development Fund expending in 2014 \$112,690 for engineering costs that will be reimbursed in 2015 through a USEPA Brownfields Assessment and Cleanup Federal Assistance Grant. However, the Port Authority's total net position was \$2,229,362 at December 31, 2014 as compared to \$1,927,525 at December 31, 2013, an increase of \$301,837, or 16 percent. This increase portrays a stronger cash position for the Port Authority at December 31, 2014 than at December 31, 2013.

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Table 2 on the following page provides a comparison of changes in net position for 2014 and 2013 on a cash-basis of accounting.

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

	Port Authority Fund		Aviation Fund		Economic Development Fund		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Receipts</b>								
<u>Program Specific Receipts</u>								
Charges for Services	\$ 1,959	\$ 2,911	\$ 1,182,659	\$ 1,038,316	\$ 418,500	\$ 448,500	\$ 1,603,118	\$ 1,489,727
Operating Grants and Contributions	0	0	14,600	62,134	0	0	14,600	62,134
Capital Grants and Contributions	0	0	370,369	621,763	0	0	370,369	621,763
<b>Total Program Specific Receipts</b>	<b>1,959</b>	<b>2,911</b>	<b>1,567,628</b>	<b>1,722,213</b>	<b>418,500</b>	<b>448,500</b>	<b>1,988,087</b>	<b>2,173,624</b>
<u>General Receipts</u>								
Grants and Entitlements not Restricted to Specific Programs	1,611,991	1,544,710	0	0	0	100,000	1,611,991	1,644,710
Investment Earnings	0	0	3,031	2,330	1,373	996	4,404	3,326
Proceeds from Debt	0	0	1,220,000	300,000	0	0	1,220,000	300,000
Other Receipts	0	101	393,723	106,158	29,330	125,000	423,053	231,259
Transfers In	0	0	1,610,000	715,851	0	0	1,610,000	715,851
<b>Total General Receipts</b>	<b>1,611,991</b>	<b>1,544,811</b>	<b>3,226,754</b>	<b>1,124,339</b>	<b>30,703</b>	<b>225,996</b>	<b>4,869,448</b>	<b>2,895,146</b>
<b>Total Receipts</b>	<b>1,613,950</b>	<b>1,547,722</b>	<b>4,794,382</b>	<b>2,846,552</b>	<b>449,203</b>	<b>674,496</b>	<b>6,857,535</b>	<b>5,068,770</b>
<u>Disbursements</u>								
Personal Services	0	0	866,416	639,670	215,043	260,431	1,081,459	900,101
Materials and Supplies	0	0	223,149	197,037	8,522	7,943	231,671	204,980
Contractual Services	74,451	1,908	757,070	787,402	275,474	63,369	1,106,995	852,679
Conferences and Travel	0	0	27,660	26,173	5,139	13,360	32,799	39,533
Utilities	0	0	256,800	194,210	5,995	1,147	262,795	195,357
Repair and Maintenance	0	0	86,605	75,070	0	0	86,605	75,070
Capital Outlay	26,200	32,164	1,589,756	1,754,653	6,800	0	1,622,756	1,786,817
Facility Leases	0	0	0	0	542	1,490	542	1,490
Debt Service	0	0	398,564	438,849	0	0	398,564	438,849
Other Disbursements	25,000	0	44,357	34,102	52,155	138,015	121,512	172,117
Transfers Out	1,610,000	715,851	0	0	0	0	1,610,000	715,851
<b>Total Disbursements</b>	<b>1,735,651</b>	<b>749,923</b>	<b>4,250,377</b>	<b>4,147,166</b>	<b>569,670</b>	<b>485,755</b>	<b>6,555,698</b>	<b>5,382,844</b>
Increase/(Decrease) in Net Position	(121,701)	797,799	544,005	(1,300,614)	(120,467)	188,741	301,837	(314,074)
Net Position - January 1, 2014	797,799	0	599,411	1,900,025	530,315	341,574	1,927,525	2,241,599
<b>Net Position - December 31, 2014</b>	<b>\$ 676,098</b>	<b>\$ 797,799</b>	<b>\$ 1,143,416</b>	<b>\$ 599,411</b>	<b>\$ 409,848</b>	<b>\$ 530,315</b>	<b>\$ 2,229,362</b>	<b>\$ 1,927,525</b>

Program specific receipts represent 38 percent of total receipts (excluding Transfers In) of which 81 percent is comprised of charges for services (fees and charges for services, and rental and lease income) and 19 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 62 percent of total receipts (excluding Transfers In) of which 49 percent is comprised of intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations and 37 percent is comprised of proceeds from debt issued for capital projects with the remaining 14 percent being comprised of earnings on investments and other revenues.

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The *Net Cost of Services* of \$2,957,611 represents total disbursements (excluding Transfers Out) of \$4,945,698 less program specific receipts of \$1,988,087. The *Net Cost of Services* represents the costs of the services, which ends up being paid from general receipts (subsidies provided by Mahoning and Trumbull Counties, investment earnings, debt issuances, and miscellaneous receipts) and from fund balances available at January 1. Therefore, dependence upon general receipts is apparent as 60 percent of total disbursements were supported through general receipts. However, an indicator of whether the Port Authority's financial health is improving or deteriorating is its reliance on general receipts and from fund balances available at January 1.

**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 2016. However, the Port Authority does maintain an *Airport Capital Improvement Plan* and a *10-Year Master Plan* that collectively are the primary planning tools for systematically identifying, prioritizing, and estimating costs for critical development and associated capital needs of the Airport. In addition, the *Airport Capital Improvement Plan* presents the Airport's warranted and eligible capital assets and infrastructure needs as identified by the Airport's Sponsors, State of Ohio Aviation Officials, and the Federal Aviation Administration (FAA) and is contained in the FAA's National Plan of Integrated Airport Systems. The *10-Year Master Plan* is available for viewing on the Port Authority's Website at [www.yngairport.com](http://www.yngairport.com).

**Capital Lease Obligations**

The Port Authority financed the acquisition of a copier in 2013 and financed the acquisition of a copier in 2014 through leasing arrangements. These leasing arrangements meet the criteria of a capital lease as defined by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1987 FASB and AICPA Pronouncements*, which defines a capital lease as one that transfers benefits and risks of ownership to the lessee. Future payments collectively to satisfy these capital lease obligations are \$19,325 due in 2015 through 2019.

**Debt Administration**

The Port Authority's outstanding debt at December 31, 2014 for capital projects is \$8,212,638, \$6,199,414 principal and \$2,013,224 interest, consisting of 1) \$3,280,000 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. 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) \$426,128 of principal remaining for a 10-year Development Revenue Bond, 2.84 percent, issued in 2012 to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the T-Hangar; 3) \$995,008 of principal remaining for a 10-year Development Revenue Bond, 2.60 percent, issued in 2012 to provide financial resources for the acquisition of an air cargo building.

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Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the air cargo building; 4) \$286,968 of principal remaining for a 10-year Development Revenue Bond, 2.93 percent, issued in 2013 to provide financial resources for the construction of a wheeled-vehicle maintenance building. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the wheeled-vehicle maintenance building; 5) \$561,310 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) \$650,000 of principal remaining for a 10-year Development Revenue Bond, 2.89 percent, issued in 2014 to provide financial resources for the replacement of the Airport Terminal's electrical substation and stand-by generator. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from revenues (fees, charges, and rents) generated from the Terminal.

The Port Authority's outstanding debt (principal and interest) at December 31, 2014 for conduit debt arrangements is \$54,499,131, \$4,677,428 in capital lease payments due to the Director of the Ohio Department of Development as related to the Timken Latrobe Steel Distribution Project, \$1,313,774 in loan payments due to the Director of the Ohio Department of Development as related to the EXAL Corporation Project, \$618,925 in loan payments due to the Summit County Port Authority as related to the EXAL Corporation Project, and \$47,889,004 in loan payments due as related to the Central Waste, Inc. Project. However, debt service obligations for the Timken, EXAL, and Central Waste, Inc. Projects are made directly from these companies to the trustees of such debt obligations and do not pass-through the Port Authority.

In addition, in 2013 the Port Authority authorized the issuance of a maximum aggregate of \$60,000,000 in taxable revenue bonds to assist Penn National Gaming, Inc. relocate its Beulah Park racetrack operations to the Mahoning Valley. As of December 31, 2014, the Port Authority has issued \$33,841,027 in Bonds. However, pursuant to covenants of the Bonds, debt service requirements and facility lease payments needed to service such debt will not be determined until 2015.

**Fund Budgeting**

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

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

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



**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Current Issues

Aviation Division

Recognizing that the Airport is underutilized, yet its non-terminal facilities are at occupancy capacity, the Port Authority formulated and began implementing aggressively the following three initiatives:

Commercial Air Service Development Initiative of which the goals and objectives are to attract additional leisure air service and daily regional business service to and from connecting hub airports. For the leisure and vacation traveling community, ViaAir is beginning charter “junket” service in September 2015 to such destinations as Atlantic City, NJ, Tunica, MS, and Gulfport, MS. In addition, the Airport is receiving consideration from Allegiant Air for future flights to such destinations as Fort Lauderdale, FL, New York, NY, and to Las Vegas, NV, potentially as early as the second quarter of 2016. For the business traveling community, the Airport has an agreement with SeaPort Airlines to operate regularly scheduled daily commercial air service to Chicago O’Hare Airport. SeaPort is awaiting Department of Transportation approval to operate the route, potentially beginning service in November 2015. Port Authority officials have also met with several other airlines interested in servicing the Airport to and from such connecting hub airports as Washington-Dulles, Detroit-Metro, and Newark International. The Department of Transportation awarded the Port Authority a \$780,000 Small Community Air Service Development Program Grant to reestablish regularly scheduled commercial air service at the Airport to a hub of a major U.S. airline in the East, Midwest, or Southeast U.S. This grant, in combination with an additional \$420,000 in local cash contributions and \$480,000 of in-kind services, will be used to develop an airline revenue guarantee program to support the first 12 months of such commercial air service by mitigating the initial business risk that a carrier will face in entering a new market.

Corporate, General Aviation, and Other Aeronautical Development Initiative of which the goals and objectives are to satisfy present and anticipated demand for aeronautical facilities. Airport Management formulated a Plan for Development that, resultant of a multi-phase process, identifies such demand and depicts proposed layouts of buildings, access, utilities, other necessary improvements, and a general use of land to accomplish the demand for the same. The first Project of the Plan for Development is the multi-phase East Side Development Project, a designed / planned aircraft hangar and service facility development, in which \$3.6 mil for Phases I through III of the Project have been completed including the construction of two 14-unit T-Hangars and a wheeled-vehicle maintenance building. The Port Authority was awarded a \$110,000 Appalachian Regional Commission Grant to replace the Airport Terminal sanitary sewer line and to provide the same service to the East Site Development Project. In October 2014, the Port Authority issued a \$650,000 Development Revenue Bond for the replacement of the Airport Terminal’s electrical substation and stand-by generator. Design and engineering for the South Side Development Project, a planned aircraft hangar and service facility development, is scheduled for 2016 as well.

Air Cargo Development Initiative of which the goals and objectives are to establish domestic, national, and international air cargo and freight forwarding services at the Airport by implementing a cooperative strategy, that includes the Airport as a regional air cargo facility, with regional freight forwarders, shippers, consignees, and air cargo airlines that currently ship significant cargo to / from the area via other airports, that will result in shipping cargo more efficiently and at a lower cost. As mentioned previously, the Port Authority issued a \$1,075,000 Development Revenue Bond for the acquisition of an existing air cargo building located on the Airport’s Air Cargo Apron that will provide space to potential cargo facilitators.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**Economic Development Division**

In only its fifth full-year of operations, the Economic Development Division has developed a proven formula for success by combining leading-edge financing tools, consulting services, and partnership opportunities into a unique suite of development solutions for business, government, and non-profits institutions. The undertaking of projects such as 1) assisting V&M Star with its \$650 million pipe mill construction project by purchasing the former Indalex property in Girard and leasing it to V&M for storage of construction materials during construction, 2) working with Mahoning and Trumbull Counties to become the lead agency in a countywide redevelopment plan to identify brownfield sites, and seeking state and federal funding for cleanup initiatives, and 3) spearheading a feasibility study to quantify how many business that could benefit from an intermodal facility located in the community, provide testimony to the ED Division's abilities and value to the community. Currently, the Port Authority has been awarded a \$600,000 U.S. Environmental Protection Agency Grant to assist with its brownfield sites initiative.

Through 2014, the Port Authority obtained conduit debt financing in excess of \$152,000,000 for economic development projects within Mahoning and Trumbull Counties. Currently, by issuing a maximum aggregate of \$60,000,000 in taxable revenue bonds, the Port Authority is assisting Penn National Gaming, Inc. relocate its Beulah Park racetrack operations to the Mahoning Valley. The Project consists of the construction, equipping, and furnishing of thoroughbred racetrack and video lottery terminal facilities (known as Hollywood Gaming at Mahoning Valley Race Course).

In 2015, the Port Authority issued \$2,413,000 in Property Assessed Clean Energy Taxable Revenue Bonds to assist a local mall operator engage in energy efficiency improvements at the Mall, including roof improvements, lighting system upgrades, and other related improvements. Also in 2015, the Port Authority authorized the issuance of a maximum aggregate of \$13,000,000 in Taxable Development Lease Revenue Bonds to assist a local developer construct an 89-bed assisted living facility.

**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, 1453 Youngstown-Kingsville Road, NE, Vienna, Ohio, 44473.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
STATEMENT OF NET POSITION – CASH BASIS  
DECEMBER 31, 2014**

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	Business-type Activities
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,678,706
Restricted Cash in Segregated Accounts	362,972
Restricted Cash with Fiscal Agent	187,684
<b>Total Assets</b>	<b>\$ 2,229,362</b>
<b><u>Net Position</u></b>	
Restricted for:	
Capital Outlay	\$ 866,991
Debt Service	182,720
Other Purposes	11,067
Unrestricted	1,168,584
<b>Total Net Position</b>	<b>\$ 2,229,362</b>

See accompanying notes to the basic financial statements.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
STATEMENT OF ACTIVITIES – CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u><b>Business-Type Activities</b></u>	Cash <u>Disbursements</u>	Program Cash Receipts			<u>Net Receipts (Disbursements) and Changes in Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Port Authority	\$ 125,651	\$ 1,959	\$ 0	\$ 0	\$ (123,692)
Aviation	4,250,377	1,182,659	14,600	370,369	(2,682,749)
Economic Development	569,670	418,500	0	0	(151,170)
<b>Total Business-Type Activities</b>	<u>\$ 4,945,698</u>	<u>\$ 1,603,118</u>	<u>\$ 14,600</u>	<u>\$ 370,369</u>	<u>(2,957,611)</u>
<b><u>General Receipts</u></b>					
Grants and Entitlements Not					
Restricted to Specific Programs					1,611,991
Investment Earnings					4,404
Proceeds from Debt					1,220,000
Miscellaneous Receipts					423,053
<b>Total General Receipts</b>					<u>3,259,448</u>
Changes in Net Position					301,837
Net Position - January 1, 2014					<u>1,927,525</u>
<b>Net Position-December 31, 2014</b>					<u>\$ 2,229,362</u>

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, 2014**

	Port Authority Fund	Aviation Fund	Economic Development Fund	Total Enterprise Funds
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 676,098	\$ 592,760	\$ 409,848	\$ 1,678,706
Restricted Cash in Segregated Accounts	0	362,972	0	362,972
Restricted Cash with Fiscal Agent	0	187,684	0	187,684
<b>Total Assets</b>	<b>\$ 676,098</b>	<b>\$ 1,143,416</b>	<b>\$ 409,848</b>	<b>\$ 2,229,362</b>
<b><u>Net Position</u></b>				
Restricted for:				
Capital Outlay	\$ 0	\$ 866,991	\$ 0	\$ 866,991
Debt Service	0	182,720	0	182,720
Other Purpose	0	11,067	0	11,067
Unrestricted	676,098	82,638	409,848	1,168,584
<b>Total Net Position</b>	<b>\$ 676,098</b>	<b>\$ 1,143,416</b>	<b>\$ 409,848</b>	<b>\$ 2,229,362</b>

See accompanying notes to the basic financial statements.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND NET POSITION – CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Port Authority Fund	Aviation Fund	Economic Development Fund	Total Enterprise Funds
<b><u>Operating Cash Receipts</u></b>				
Fees and Charges for Services	\$ 1,959	\$ 696,110	\$ 413,500	\$ 1,111,569
Rental/Lease Income	0	486,549	5,000	491,549
<b>Total Operating Cash Receipts</b>	<b>1,959</b>	<b>1,182,659</b>	<b>418,500</b>	<b>1,603,118</b>
<b><u>Operating Cash Disbursements</u></b>				
Personal Services	0	866,416	215,043	1,081,459
Materials and Supplies	0	223,149	8,522	231,671
Contractual Services	74,451	757,070	275,474	1,106,995
Conferences and Travel	0	27,660	5,139	32,799
Utilities	0	256,800	5,995	262,795
Repairs and Maintenance	0	86,605	0	86,605
Capital Outlay	26,200	1,589,756	6,800	1,622,756
Facility Leases	0	0	542	542
Debt Services	0	398,564	0	398,564
Other Cash Disbursements	25,000	44,357	52,155	121,512
<b>Total Operating Cash Disbursements</b>	<b>125,651</b>	<b>4,250,377</b>	<b>569,670</b>	<b>4,945,698</b>
Operating Income (Loss)	(123,692)	(3,067,718)	(151,170)	(3,342,580)
<b><u>Non-Operating Cash Receipts</u></b>				
Proceeds from Debt	0	1,220,000	0	1,220,000
Intergovernmental Receipts	1,611,991	384,969	0	1,996,960
Earnings on Investments	0	3,031	1,373	4,404
Other Cash Receipts	0	393,723	29,330	423,053
<b>Total Non-Operating Cash Receipts</b>	<b>1,611,991</b>	<b>2,001,723</b>	<b>30,703</b>	<b>3,644,417</b>
Transfers In	0	1,610,000	0	1,610,000
Transfers Out	(1,610,000)	0	0	(1,610,000)
Change in Net Position	(121,701)	544,005	(120,467)	301,837
Net Position - January 1, 2014	797,799	599,411	530,315	1,927,525
<b>Net Position - December 31, 2014</b>	<b>\$ 676,098</b>	<b>\$ 1,143,416</b>	<b>\$ 409,848</b>	<b>\$ 2,229,362</b>

See accompanying notes to the basic financial statements.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

**Reporting Entity**

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

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

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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

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

**A. Basis of Presentation**

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

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

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

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

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



**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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

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

Proprietary fund financial statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements generally include costs of sales and services and administrative costs. The proprietary fund financial statements report all other receipts and all other disbursements as non-operating.

B. **Fund Accounting**

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

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

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

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

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

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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

**C. Basis of Accounting**

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

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

**D. Cash and Cash Equivalents**

To improve cash management, 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".

The Port Authority maintained the cash balances of its funds in interest and non-interest bearing checking accounts. Interest earned from these accounts during 2014 amounted to \$4,404 of which \$3,031 was credited to the Aviation Fund and \$1,373 to the Economic Development Fund. A non-interest bearing checking account is maintained due to regulations prohibiting the Port Authority from earning interest on available cash balances received from several of its federal financial assistance grants.

An analysis of the Port Authority's equity in pooled cash at December 31, 2014 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, 2014 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.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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

**G. Capital Assets**

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

**H. Long-Term Obligations**

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

**I. Accumulated Leave Time**

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

**J. Net Position Restrictions**

Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions, enabling legislation (adopted by the Port Authority), or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net position reports \$1,060,778 of net position restricted for business-type activities, of which \$101,291 is restricted by enabling legislation, as defined by GASB Statement No, 46, *Net Assets Restricted by Enabling Legislation*, \$18,943 is restricted by requirements of Federal Aviation Administration Airport Improvement Grants, \$345,801 is restricted by agreements with the Federal Aviation Administration permitting the collection and expending of Passenger Facility Charges, \$187,684 is restricted by covenants of the Port Authority's Development Revenue Bonds, Series 2011, (\$4,964 for construction and/or improvement of Port Authority Airport facilities and \$182,720 for debt service requirements), \$395,992 is restricted for capital financing for various ongoing capital projects, and \$11,067 is restricted by deposit agreements with current and prospective t-hanger tenants.

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

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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

**K. Interfund Activity**

Non-exchange flows of cash from one fund to another are reported in the financial statements as interfund transfers. The Port Authority may make interfund transfers from its Port Authority Fund to its other Funds to contribute financial resources to support the operations accounted for by those Funds. In 2014, the Port Authority transferred \$1,610,000 from the Port Authority Fund into the Aviation Fund. Interfund transfers are reflected as non-operating receipts/disbursements in the accompanying financial statements.

**L. Budgetary Process**

The Ohio Revised Code requires the Board of Directors to annually prepare a budget for the Port Authority. The Port Authority's annual budget, which is prepared on the budgetary basis of accounting, presents the Port Authority's estimated resources and appropriations for its funds for the current year, and includes outstanding encumbrances appropriated from prior years.

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

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

**M. Accounting of Conduit Debt Activity**

As discussed in Notes 13 through 16, the Port Authority issued debt to provide financial resources for the Timken Latrobe Steel Distribution Project, the EXAL Corporation Project, the Central Waste, Inc. Project, and the Beulah Park Gaming Ventures, Inc. Project, that allowed these companies to establish and/or retain and expand their local operations. Debt service payments required to satisfy all obligations are made directly from these companies to respective trustees. Since these payments do not flow-through the Port Authority and since these payments do not have an effect on the net position of the Port Authority, such debt service activity is not reflected in the financial statements.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES**

**Change in Accounting Principles**

For 2014, the Port Authority has implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 67 improves the financial reporting for state and local government pension plans.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

GASB Statement No. 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions.

The implementation of GASB Statement No. 67, GASB Statement No. 69, and GASB Statement No. 70 did not affect the presentation of the financial statements and did not have an effect on the net position of the Port Authority as previously reported at December 31, 2013.

**NOTE 4: DEPOSITS AND INVESTMENTS**

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

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

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

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

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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

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

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

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

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

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

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

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

**A. Cash on Hand**

At December 31, 2014, the Port Authority had \$1,200 of undeposited cash on hand.

**B. Deposits with Financial Institutions**

At December 31, 2014, the carrying amount of the Port Authority's deposits was \$2,228,162 and the bank balance was \$2,509,463. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2014, \$756,369 of the Port Authority's bank balance was covered by Federal Deposit Insurance while \$1,753,094 of the Port Authority's bank balance was exposed to custodial credit risk as discussed below.

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

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

C. **Investments**

The Port Authority did not maintain any investments in 2014.

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

Cash and Investments per Footnote

Undeposited Cash on Hand	\$ 1,200
Carrying Amount of Deposits with Financial Institutions	2,228,162
<b>Total Cash and Investments per Footnote</b>	<b><u>\$ 2,229,362</u></b>

Equity in Pool Cash and Cash Equivalents per Statement of Net Position

Business-Type Activities	\$ 2,229,362
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NOTE 5: **CAPITAL LEASE OBLIGATION**

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

In 2014, payments totaling \$4,209 were made to satisfy current requirements of the Leases.

Future payments for the capital lease obligation of the copier follow:

Year	Amount
2015	\$ 5,028
2016	5,028
2017	5,028
2018	3,422
2019	819
<b>Total</b>	<b><u>\$ 19,325</u></b>



**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 6: LONG TERM OBLIGATIONS**

Changes in the Port Authority's long-term obligations for the year ended December 31, 2014 follows:

	Balance January 1, 2014	Increase	Decrease	Balance December 31, 2014	Due within one year
Development Revenue Bonds (Series 2011)	\$3,415,000	\$ 0	\$ 135,000	\$ 3,280,000	\$ 140,000
Development Revenue Bonds (Series 2012(A))	444,516	0	18,388	426,128	18,925
Development Revenue Bonds (Series 2012(B))	1,037,386	0	42,378	995,008	43,510
Development Revenue Bonds (Series 2013)	298,294	0	11,326	286,968	11,424
Development Revenue Bonds (Series 2014(A))	0	570,000	8,690	561,310	20,896
Development Revenue Bonds (Series 2014(B))	0	650,000	0	650,000	40,374
	<u>\$5,195,196</u>	<u>\$1,220,000</u>	<u>\$215,782</u>	<u>\$ 6,199,414</u>	<u>\$275,129</u>

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

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

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

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

Payments totaling \$268,894 were made in 2014 to satisfy current principal and interest requirements of the Bonds.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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

Future debt service of principal and interest follow:

Year	Airport Revenues	PFCs	Total
2015	\$ 121,430	\$ 148,414	\$ 269,844
2016	122,341	149,528	271,869
2017	120,383	147,135	267,518
2018	120,676	147,493	268,169
2019	121,070	147,974	269,044
2020-2024	605,531	740,094	1,345,625
2025-2029	606,715	741,541	1,348,256
2030-2031	304,729	372,446	677,175
Total	<u>\$ 2,122,875</u>	<u>\$ 2,594,625</u>	<u>\$ 4,717,500</u>

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

In 2012, the Port Authority issued a \$470,000 Development Revenue Bond (Series 2012(A)) (2.84 percent, 20 year amortization, 10 years repayment, plus balloon payment) to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the T-Hangar.

Payments totaling \$30,947 were made in 2014 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2015	\$ 30,947
2016	30,947
2017	30,947
2018	30,947
2019	30,947
2020-2022	349,243
Total	<u>\$ 503,978</u>

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

In 2012, the Port Authority issued a \$1,075,000 Development Revenue Bond (Series 2012(B)) (2.60 percent, 20 years amortization, 10 years repayment plus balloon payment) to provide financial resources for the acquisition of an air cargo building. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the air cargo building.

Payments totaling \$69,216 were made in 2014 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

<u>Year</u>	<u>Amount</u>
2015	\$ 69,216
2016	69,216
2017	69,216
2018	69,216
2019	69,216
2020-2022	821,517
Total	<u>\$ 1,167,597</u>

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

In 2013, the Port Authority issued a \$300,000 Development Revenue Bond (Series 2013(A)) (2.93 percent, 20-year amortization, 10-year repayment plus balloon payment) to provide financial resources for the construction of a wheeled-vehicle maintenance building. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the wheeled-vehicle maintenance building.

Payments totaling \$19,920 were made in 2014 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

<u>Year</u>	<u>Amount</u>
2015	\$ 19,920
2016	19,920
2017	19,920
2018	19,920
2019	19,920
2020-2023	249,952
Total	<u>\$ 349,552</u>

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

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

Payments totaling \$9,587 were made in 2014 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2015	\$ 38,349
2016	38,349
2017	38,349
2018	38,349
2019	38,349
2020-2024	506,869
Total	\$ 698,614

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

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

Payments to satisfy principal and interest requirements of the Bond begin in 2015.

Future debt service of principal and interest follow:

Year	Amount
2015	\$ 53,446
2016	53,446
2017	53,446
2018	53,446
2019	53,446
2020-2024	508,167
Total	\$ 775,397

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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**NOTE 13: CONDUIT DEBT OBLIGATION – TIMKEN LABROTE 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 Port Authority’s involvement in the Project consisted of obtaining a \$150,000 Development Grant from the Ohio Department of Development (ODOD). The Director obtained \$6,185,000 in State Economic Development Revenue Bonds (8.64 percent - 20 years) through the Ohio Enterprise Bond Fund Program, and obtained a \$3,000,000 Loan (2 percent - 20 Years) from ODOD’s 166 Direct Loan Program.

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

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

In 2014, payments totaling \$858,129 were made by Timken to satisfy current principal and interest requirements of the Lease.

Future lease payments paid by Timken to the Director follow:

Year	Amount
2015	\$ 858,386
2016	860,402
2017	863,965
2018	865,134
2019	868,838
2020	360,703
Total	\$ 4,677,428

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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**NOTE 14: CONDUIT DEBT OBLIGATION – EXAL CORPORATION PROJECT**

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

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

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

In 2014, payments totaling \$1,294,690 were made by EXAL to satisfy current principal and interest requirements of the Bonds and Loan.

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

Year	Amount
2015	\$ 888,917
2016	424,857
Total	\$ 1,313,774

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

Year	Amount
2015	\$ 413,175
2016	205,750
Total	\$ 618,925

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

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

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

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

As of December 31, 2014, \$29,979,166 of principal and \$11,279,595 of accrued interest remain outstanding of the Solid Waste Facility Revenue Bonds (Series 2007(A)) and \$5,000,000 of principal and \$1,630,243 of accrued interest remain outstanding of the Subordinate Solid Waste Facility Revenue Bonds (Series 2007(B)).

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

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

The Port Authority's involvement in the Project consists of 1) entering into a ground lease with Penn National to secure property necessary for the Project, 2) issuing a maximum aggregate of \$60,000,000 in Taxable Revenue Bonds (various amounts and rates, all July 1, 2023 maturity) for the Project, and 3) letting of a facility lease to Penn National for its operation of such facilities.

Future facility lease payments by Penn National will meet the amounts needed to service the debt, including interest and fiscal charges, on the Bonds. In the event of default by Penn National, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bonds. The Bonds are secured by the facilities/assets constructed/acquired from the proceeds of the Bonds.

As of December 31, 2014, the Port Authority has issued \$33,841,027 in Bonds. However, pursuant to covenants of the Bonds, debt service requirements and facility lease payments needed to service such debt will not be determined until 2015.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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NOTE 17: **PENSION PLANS**

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the *Member-Directed Plan* do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy** The Ohio Revised Code provides statutory authority for employee and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll and the employee contribution to a rate not to exceed 10 percent of covered payroll. For 2014, employee and employer contribution rates were consistent across all three Plans. Employer contribution rates are actuarially determined.

For 2014, the employee contribution rate was 10 percent of covered payroll and the Port Authority's contribution rate was 14 percent of covered payroll. A portion of the Port Authority's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For 2014, 12 percent of covered payroll was used to fund pension obligations and 2 percent of covered payroll was used to fund health care benefits. The Port Authority's contributions allocated to fund pension obligations for the years ending December 31, 2014, 2013, and 2012 were \$86,372, \$62,276, and \$112,657, respectively. In January and February 2015, the Port Authority made \$7,175 in contributions to satisfy fully its 2014 pension obligations.



**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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**NOTE 17: POST-RETIREMENT BENEFIT PLANS**

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. 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.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

***Funding Policy*** The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, the Port Authority contributed 14 percent of covered payroll. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2014, the Port Authority's contribution allocated to the post-employment healthcare plan was 2.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ending December 31, 2014, 2013, and 2012, were \$14,395, \$24,910, and \$22,531, respectively. In January and February 2015, the Port Authority made \$1,196 in contributions to satisfy fully its 2014 post-employment health care benefits obligations.

***Other Information*** Changes to the healthcare plan were adopted by the OPERS Retirement Board on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under Senate Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate the 4 percent rate of the employer contributions toward the health care fund after the end of the transition period.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

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NOTE 19: **CONTINGENT LIABILITIES**

**Pending Litigation**

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

**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, 2014.

NOTE 20: **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 21: **SUBSEQUENT EVENTS**

In 2015, the Port Authority participated in the Southern Park Mall Project (Project) by assisting a local mall operator engage in energy efficiency improvements at the Mall, including roof improvements, lighting system upgrades, and other related improvements. The Port Authority's involvement in the Project consisted of 1) creating an Ohio Energy Special Improvement District in the Township of the Project, and 2) issuing \$2,413,000 in Property Assessed Clean Energy Taxable Revenue Bonds (Series 2015).

In 2015, the Port Authority approved to participate in the Inn at Poland Way Project (Project) by assisting a local developer construct an 89-bed assisted living facility.

The Port Authority's involvement in the Project consists of 1) entering into a ground lease with the developer to secure property necessary for the Project, 2) issuing a maximum aggregate of \$13,000,000 in Taxable Development Lease Revenue Bonds (Series 2015), and 3) letting of a facility lease to the developer for its operation of such facilities.

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Passenger Facility Charges Collected	\$280,500
Interest Earnings	<u>802</u>
<b>Total</b>	<u>281,302</u>
Passenger Facility Charges Expended	<u>(149,962)</u>
Decrease in Unexpected Passenger Facility Charges	<u>131,340</u>
Unexpended Passenger Facility Charges - January 1, 2014	<u>214,462</u>
<b>Unexpended Passenger Facility Charges - December 31, 2014</b>	<u><u>\$345,802</u></u>

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, 2014**

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

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

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

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

*Certified Public Accountants*

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*Garfield Hts., Ohio 44125*

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

Board of Directors  
Western Reserve Port Authority

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States, the 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, 2014, 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 August 21, 2015, 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, President**

James G. Zupka, CPA, Inc.

Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James G.  
Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2015.08.31 16:42:32 -04'00'

August 21, 2015

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

*Certified Public Accountants*

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

Board of Directors  
Western Reserve Port Authority

The Honorable Dave Yost  
Auditor of State  
State of Ohio

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

We have audited the Western Reserve Port Authority, Trumbull County, Ohio's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its Passenger Facility Charge Program for the year ended December 31, 2014.

***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, 2014.

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

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DN: cn=James G. Zupka, CPA, President, o=James G. Zupka,  
CPA, Inc., ou=Accounting, email=jgzcpa@sbcglobal.net, c=US  
Date: 2015.08.31 16:42:51 -04'00'

August 21, 2015



**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2013-001	Annual Financial Reporting	No	Partially corrected; repeated as a management letter recommendation in 2014.

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.