

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

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Western Reserve Port Authority, Trumbull County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2017 through December 31, 2017. 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.

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Dave Yost
Auditor of State

August 27, 2018

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**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

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 cash basis financial statements of the business-type activities and each major fund of the Western Reserve Port Authority, Trumbull County, Ohio (Port Authority), as of and for the year ended December 31, 2017, 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, 2017, and the respective changes in the cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 2.

Accounting Basis

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

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Reserve Port Authority, Ohio's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Schedule of Passenger Facility Charges Collected and Expended is required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. The Schedule of Receipts and Expenditures of Federal Awards and the Schedule of Passenger Facility Charges Collected and Expended provide additional analysis and are not a required part of the basic financial statements.

The Schedule of Receipts and Expenditures of Federal Awards 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, the Schedule of Receipts and Expenditures of Federal Awards 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 Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2018, 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.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style.

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

August 21, 2018

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TRUMBULL COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The Management's Discussion and Analysis of the Western Reserve Port Authority's (Port Authority) financial performance provides an overall narrative review and analysis of the Port Authority's financial activities for the year ended December 31, 2017, within the limitations of the Port Authority's cash basis of accounting. The intent of this Discussion and Analysis is to look at the Port Authority's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Port Authority's financial performance.

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

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

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Financial Highlights

Key financial highlights for 2017 are as follows:

Net position of business-type activities at December 31, 2017 increased \$3,282, a slight increase from December 31, 2016. This was primarily the result of:

- 1) the Port Authority Fund realizing in 2017 an increase in net position of \$118,903, or 43 percent, from 2016 due primarily to an increase of \$118,862 in lodging tax receipts from Mahoning and Trumbull Counties in 2017 over 2016, and a decrease of \$339,455 in contractual service disbursements (due primarily to \$361,715 for a 2016 airline revenue guarantee program) in 2017 under 2016, and a decrease of \$125,000 in interfund transfers-out to other funds in 2017 under 2016, all of which was offset by a decrease of \$162,651 in federal assistance program receipts (reimbursement for the airline revenue guarantee program) in 2017 under 2016. Note that the Port Authority Fund realized a decrease in net position of \$287,132 in 2016 under 2015;
- 2) the Aviation Fund realizing in 2017 a decrease in net position of \$114,368, or 17 percent, due primarily to a decrease of \$154,715 in charges for service receipts (parking and other activity concessions) in 2017 under 2016, a decrease of \$82,437 in passenger facility charges in 2017 under 2016, a decrease of \$125,000 interfund transfers-in from other funds in 2017 under 2016, an increase of \$515,470 in capital outlay disbursements (capital improvements funded by Airport Improvement Program Federal Assistance Grants) in 2017 over 2016, and an increase of \$92,178 in other disbursements (reimbursement of administrative costs funded by Airport Improvement Program Federal Assistance Grants) in 2017 over 2016, all of which was offset by an increase of \$34,113 in rental and lease receipts in 2017 over 2016, an increase of \$529,180 in federal assistance program receipts (capital improvements) in 2017 over 2016, an increase of \$47,283 in other receipts (reimbursement of administrative costs) in 2017 over 2016, a decrease of \$82,322 in personal service disbursements in 2017 under 2016, a decrease of \$219,486 in contractual service disbursements (engineering funded by Airport Improvement Program Federal Assistance Grants) in 2017 under 2016, and a decrease of \$160,657 in repairs and maintenance disbursements in 2017 under 2016. Note that the Aviation Fund realized a decrease in net position of \$199,330 in 2016 under 2015;
- 3) the Economic Development Fund realizing in 2017, a decrease in net position of \$1,253 from 2016 due primarily to a decrease of \$88,273 in charges for services receipts (administrative fees) in 2017 over 2016, a decrease of \$107,930 in federal assistance program receipts and local assistance program receipts in 2017 under 2016. Note that the Economic Development Fund realized an increase in net position of \$216,022 in 2016 over 2015. Disbursements, collectively, remained constant in 2017, compared to 2016.

The Port Authority had total receipts of \$4,300,412, excluding Interfund Transfers In. Program specific receipts accounted for \$2,374,198, or 55 percent, of total receipts. General receipts accounted for \$1,926,214, or 45 percent, of total receipts. Program specific receipts for governmental activities are primarily 1) charges for services (fees and charges for services, and rental and lease income), and 2) intergovernmental receipts consisting of grants from other governmental units that must be used to provide a specific service. These receipts represent respectively 43 percent and 57 percent of total program specific receipts. General receipts for governmental activities are primarily 1) intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations, 2) passenger facility charges, and 3) miscellaneous receipts. These receipts represent, respectively, 83 percent, 9 percent, and 8 percent of total general receipts.

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The Port Authority had total disbursements of \$4,297,130, excluding Interfund Transfers Out. Personal services represent 31 percent of total disbursements and is comprised of payroll and benefit related costs. Capital outlay (capital improvement/replacement/acquisition projects) represents 23 percent of total disbursements of which 93 percent is funded by Airport Improvement Program Federal Assistance Grants and related required matching funding and 6 percent is funded primarily from Airport receipts. Contractual services represent 17 percent of total disbursements of which 62 percent is comprised of costs of services, such as insurance, security, marketing, legal, and consulting, that are provided by contracted third parties, 38 percent is comprised of engineering costs, funded primarily by Airport Improvement Program Federal Assistance Grants, a Brownfields Assessment and Cleanup Federal Assistance Grant, and a JobsOhio Revitalization Phase II Assistance Grant. Debt service represents 11 percent of total disbursements. Utilities of facilities represents 6 percent of total disbursements.

Reporting the Port Authority as a Whole

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

The *Statement of Net Position-Cash Basis* and the *Statement of Activities-Cash Basis* reflect how the Port Authority did financially during 2017, within the limitations of the cash basis of accounting.

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

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

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Reporting the Port Authority Funds

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

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

Port Authority as a Whole

Table 1 provides a comparison of net position at December 31, 2017 and December 31, 2016 on a cash basis of accounting.

Table 1 - Statement of Net Position - Cash Basis

	Port Authority Fund		Aviation Fund		Economic Development Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<u>Assets</u>								
Cash and Cash Equivalents	\$ 398,641	\$ 279,738	\$ 382,173	\$ 497,921	\$ 421,930	\$ 423,183	\$ 1,202,744	\$ 1,200,842
Restricted Cash with Fiscal Agent	0	0	183,732	182,352	0	0	183,732	182,352
Total Assets	\$ 398,641	\$ 279,738	\$ 565,905	\$ 680,273	\$ 421,930	\$ 423,183	\$ 1,386,476	\$ 1,383,194
<u>Net Position</u>								
Restricted for:								
Capital Outlay	\$ 0	\$ 0	\$ 375,523	\$ 308,887	\$ 0	\$ 0	\$ 375,523	\$ 308,887
Debt Service	0	0	183,731	182,352	0	0	183,731	182,352
Other Purposes	0	0	3,675	3,575	0	0	3,675	3,575
Assigned:								
Airport Operations	0	0	2,976	185,459			2,976	185,459
Economic Development Operations	0	0	0	0	421,930	423,183	421,930	423,183
Unrestricted	398,641	279,738	0	0	0	0	398,641	279,738
Total Net Position	\$ 398,641	\$ 279,738	\$ 565,905	\$ 680,273	\$ 421,930	\$ 423,183	\$ 1,386,476	\$ 1,383,194

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 \$823,547 at December 31, 2017 as compared to \$888,380 at December 31, 2016, a decrease of \$64,833, or 7 percent. This decrease portrays a weaker cash position for the Port Authority at December 31, 2017 than at December 31, 2016 although the decrease was primarily due to a continuing investment in Airport capital improvement/replacement/acquisition projects that will facilitate Airport Management in attracting additional tenants and users of the Airport.

The Port Authority's total net position was \$1,386,476 at December 31, 2017 compared to \$1,383,194 at

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December 31, 2016, an increase of \$3,282.

Table 2 provides a comparison of changes in net position for 2017 and 2016 on a cash basis of accounting.

Table 2 - Statement of Activities - Cash Basis

	Port Authority Fund		Aviation Fund		Economic Development Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Receipts								
<u>Program Specific Receipts</u>								
Charges for Services	\$ 0	\$ 208	\$ 927,654	\$ 1,048,256	\$ 83,827	\$ 177,100	\$ 1,011,481	\$ 1,225,564
Operating Grants and Contributions	72,464	235,115	37,870	14,660	239,366	347,296	349,700	597,071
Capital Grants and Contributions	0	0	1,013,017	507,047	0	0	1,013,017	507,047
Total Program Specific Receipts	72,464	235,323	1,978,541	1,569,963	323,193	524,396	2,374,198	2,329,682
<u>General Receipts</u>								
Grants and Entitlements not								
Restricted to Specific Programs	1,603,912	1,485,050	0	0	0	0	1,603,912	1,485,050
Investment Income	0	0	2,642	2,841	1,552	894	4,194	3,735
Sale of Capital Assets	0	0	4,818	22,500	0	0	4,818	22,500
All Other Receipts	55	0	308,097	343,251	5,138	15,000	313,290	358,251
Transfers In	0	0	1,020,000	1,145,000	300,000	300,000	1,320,000	1,445,000
Total General Receipts	1,603,967	1,485,050	1,335,557	1,513,592	306,690	315,894	3,246,214	3,314,536
Total Receipts	1,676,431	1,720,373	3,314,098	3,083,555	629,883	840,290	5,620,412	5,644,218
<u>Disbursements</u>								
Personal Services	135,449	131,917	895,080	977,402	308,227	289,007	1,338,756	1,398,326
Materials and Supplies	5,298	1,600	156,134	152,628	10,000	17,078	171,432	171,306
Contractual Services	64,008	403,463	444,396	663,882	234,319	241,190	742,723	1,308,535
Conferences and Travel	7,707	525	17,584	14,631	18,250	13,751	43,541	28,907
Utilities	0	0	254,221	256,125	9,184	8,699	263,405	264,824
Repair and Maintenance	0	0	92,637	253,294	0	0	92,637	253,294
Capital Outlay	0	0	994,379	478,909	10,297	5,440	1,004,676	484,349
Facility Leases	0	0	0	0	11,200	0	11,200	0
Debt Service	0	0	479,590	483,747	0	0	479,590	483,747
Other Disbursements	25,066	25,000	94,445	2,267	29,659	49,103	149,170	76,370
Transfers Out	1,320,000	1,445,000	0	0	0	0	1,320,000	1,445,000
Total Disbursements	1,557,528	2,007,505	3,428,466	3,282,885	631,136	624,268	5,617,130	5,914,658
Increase/(Decrease) in Net Position	118,903	(287,132)	(114,368)	(199,330)	(1,253)	216,022	3,282	(270,440)
Net Position - January 1, 2017	279,738	566,870	680,273	879,603	423,183	207,161	1,383,194	1,653,634
Net Position - December 31, 2017	\$ 398,641	\$ 279,738	\$ 565,905	\$ 680,273	\$ 421,930	\$ 423,183	\$ 1,386,476	\$ 1,383,194

Program specific receipts represent 55 percent of total receipts, excluding Interfund Transfers In, of which 43 percent is comprised of charges for services (fees and charges for services, and rental and lease income) and 57 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 45 percent of total receipts (excluding Interfund Transfers In) of which 83 percent is comprised of intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations, 9 percent is comprised of passenger facility charges collections, and 8 percent is comprised of other receipts, the majority consisting of sale of assets, reimbursement of administrative costs received from capital grants, and reimbursement of utility costs received from tenants of Airport facilities

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The *Net Cost of Services* of \$1,922,932 represents total disbursements (excluding Interfund Transfers Out) of \$4,297,130 less program specific receipts of \$2,374,198. 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, sale of assets, passenger facility charges, and miscellaneous receipts). Therefore, dependence upon general receipts is apparent as 45 percent of total disbursements (excluding Interfund Transfers Out) were supported through general receipts. However, an indicator of whether the Port Authority's financial health is improving or deteriorating is its reliance on fund balances available at January 1. In 2017, and Port Authority's total net position increased \$3,282; therefore 0 percent of total disbursements, excluding Interfund Transfers Out, were supported from fund balances available January 1 as compared to 6 percent in 2016. This decrease in 2017 from 2016 in reliance on fund balances available at January 1 suggests a slight improvement in the Port Authority's financial condition.

Capital Assets and Debt Administration

Capital Assets

The Port Authority does not currently maintain tracking of its capital assets and infrastructure although Management anticipates acquiring software to begin this performance in 2018. However, the Port Authority does maintain an *Airport Capital Improvement Plan* and a *10-Year Master Plan* that collectively are the primary planning tools for systematically identifying, prioritizing, and estimating costs for critical development and associated capital needs of the Airport. In addition, the *Airport Capital Improvement Plan* presents the Airport's warranted and eligible capital assets and infrastructure needs as identified by the Airport's Sponsors, State of Ohio Aviation Officials, and the Federal Aviation Administration (FAA) and is contained in the FAA's National Plan of Integrated Airport Systems. The *10-Year Master Plan* is available for viewing on the Port Authority's Website at www.yngairport.com.

Capital Lease Obligations

The Port Authority financed the acquisition of a copier in 2013 and financed the acquisition of a copier in 2014 through leasing arrangements. These leasing arrangements meet the criteria of a capital lease as defined by GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1987 FASB and AICPA Pronouncements*, which defines a capital lease as one that transfers benefits and risks of ownership to the lessee. Future payments collectively to satisfy these capital lease obligations are \$4,241 due in 2018 through 2019.

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Debt Administration

The Port Authority's outstanding debt at December 31, 2017 for capital projects is \$6,812,281, \$5,363,938 principal and \$1,448,343 interest, consisting of \$2,850,000 of principal remaining for 20-year Airport Development Revenue Bonds with various interest rates from 2.125 percent to 4.625 percent issued in December 2011 to provide financial resources for the construction and/or improvement of Port Authority Airport facilities. Of the amounts needed to service this debt, including interest and fiscal charges, approximately 55 percent will be derived from Passenger Facility Charges that are assessed to each enplaning commercial airline passenger as approved by the Federal Aviation Administration, and approximately 45 percent will be derived from revenues (fees, charges, and rents) generated from facilities of which the construction and/or improvement thereof were financed by the proceeds of the Bonds; 2) \$367,943 of principal remaining for a 10-year Development Revenue Bond, 3.271 percent, issued in 2012 to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the T-Hangar; 3) \$861,035 of principal remaining for a 10-year Development Revenue Bond, 3.4884 percent, issued in 2012 to provide financial resources for the acquisition of an air cargo building. Amounts needed to service this debt, including interest and fiscal charges, will be derived from rent generated from the air cargo building; 4) \$251,661 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) \$496,184 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) \$537,115 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, 2017 for conduit debt arrangements is \$141,933,634, of which \$2,094,675 as related to the Timken Latrobe Steel Distribution Project, \$54,153,864 as related to the Central Waste, Inc. Project, \$39,798,143 as related to the Beulah Park Gaming Project, \$2,872,201 as related to the Southern Park Mall Project, \$10,600,000 as related to the Poland Way Project, \$19,980,000 as related to the Hallmark Project, and \$1,853,275 as related to the Pittsburg Institute of Aeronautics Project, \$2,723,140 as related to the Youngstown Campus Associate project, and \$7,858,336 as related to the Pittsburgh Institute of Aeronautics Project.

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

Fund Budgeting

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

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

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

Contacting the Port Authority's Management

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2017**

	Business-Type Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,202,744
Restricted Cash With Fiscal Agent	183,732
Total Assets	1,386,476
 Net Position	
Restricted for:	
Capital Outlay	375,523
Debt Service	183,731
Other Purposes	3,675
Unrestricted	823,547
Total Net Position	\$ 1,386,476

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, 2017**

	Cash Disbursements	Program Cash Receipts		Capital Grants and Contributions	Net Receipts (Disbursements) and Changes in Net Position Total
		Charges for Services	Operating Grants and Contributions		
<u>Business-Type Activities</u>					
Port Authority	\$ 237,528	\$ 0	\$ 72,464	\$ 0	\$ (165,064)
Aviation	3,428,466	927,654	37,870	1,013,017	(1,449,925)
Economic Development	631,136	83,827	239,366	0	(307,943)
Total Business-Type Activities	\$ 4,297,130	\$ 1,011,481	\$ 349,700	\$ 1,013,017	(1,922,932)
<u>General Receipts</u>					
Grants and Entitlements Not Restricted to Specific Programs					1,603,912
Investment Earnings					4,194
Sale of Assets					4,818
Passenger Facility Charges					164,502
Miscellaneous Receipts					148,788
Total General Receipts					1,926,214
Changes in Net Position					3,282
Net Position - January 1, 2017					1,383,194
Net Position-December 31, 2017					\$ 1,386,476

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, 2017**

	Port Authority Fund	Aviation Fund	Economic Development Fund	Total Enterprise Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 398,641	\$ 382,173	\$ 421,930	\$ 1,202,744
Restricted Cash With Fiscal Agent	0	183,732	0	183,732
Total Assets	398,641	565,905	421,930	1,386,476
<u>Net Position</u>				
Restricted for:				
Capital Outlay	0	375,523	0	375,523
Debt Service	0	183,731	0	183,731
Deposits	0	3,675	0	3,675
Committed for:				
Encumbrances	0	2,226	0	2,226
Assigned for:				
Airport Operations	0	750	0	750
Economic Development Operations	0	0	421,930	421,930
Unassigned	398,641	0	0	398,641
Total Net Position	\$ 398,641	\$ 565,905	\$ 421,930	\$ 1,386,476

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, 2017**

	Port Authority Fund	Aviation Fund	Economic Development Fund	Total Enterprise Funds
<u>Operating Cash Receipts</u>				
Fees and Charges for Services	\$ 0	\$ 476,560	\$ 83,827	\$ 560,387
Rental/Lease Income	0	451,094	0	451,094
Total Operating Cash Receipts	0	927,654	83,827	1,011,481
<u>Operating Cash Disbursements</u>				
Personal Services	135,449	895,080	308,227	1,338,756
Materials and Supplies	5,298	156,134	10,000	171,432
Contractual Services	64,008	444,396	234,319	742,723
Conferences and Travel	7,707	17,584	18,250	43,541
Utilities	0	254,221	9,184	263,405
Repairs and Maintenance	0	92,637	0	92,637
Facility Lease	0	0	11,200	11,200
Capital Outlay	0	994,379	10,297	1,004,676
Debt Service	0	479,590	0	479,590
Other Cash Disbursements	25,066	94,445	29,659	149,170
Total Operating Cash Disbursements	237,528	3,428,466	631,136	4,297,130
Operating Income/(Loss)	<u>(237,528)</u>	<u>(2,500,812)</u>	<u>(547,309)</u>	<u>(3,285,649)</u>
<u>Non-Operating Cash Receipts</u>				
Intergovernmental Receipts	1,676,376	1,050,887	239,366	2,966,629
Earnings on Investments	0	2,642	1,552	4,194
Sale of Assets	0	4,818	0	4,818
Passenger Facility Charges	0	164,502	0	164,502
Other Cash Receipts	55	143,595	5,138	148,788
Total Non-Operating Cash Receipts	1,676,431	1,366,444	246,056	3,288,931
Transfers In	0	1,020,000	300,000	1,320,000
Transfers Out	<u>(1,320,000)</u>	<u>0</u>	<u>0</u>	<u>(1,320,000)</u>
Change in Net Position	118,903	(114,368)	(1,253)	3,282
Net Position - January 1, 2017	<u>279,738</u>	<u>680,273</u>	<u>423,183</u>	<u>1,383,194</u>
Net Position - December 31, 2017	<u>\$ 398,641</u>	<u>\$ 565,905</u>	<u>\$ 421,930</u>	<u>\$ 1,386,476</u>

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, 2017**

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

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

Reporting Entity

The Port Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, 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, 2017
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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. All of the Port Authority disbursements are reported as operating.

B. **Fund Accounting**

The Port Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Port Authority maintains 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 administrating and/or financing economic development projects, contributions received from other governmental units and community organizations for advancing economic development, and from financial assistance grants for furthering the Port Authority's economic development initiatives.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

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

All of the Port Authority's cash and cash equivalents are maintained in interest and non-interest bearing checking accounts. Interest earned from these accounts during 2017 amounted to \$4,194, of which \$2,642 was credited to the Aviation Fund and \$1,552 credited to the Economic Development Fund. A non-interest bearing checking account is maintained due to regulations prohibiting the Port Authority from earning interest on available cash balances received from several of its federal financial assistance grants.

An analysis of the Port Authority's equity in pooled cash at December 31, 2017 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, 2017 are reported as disbursements when paid. 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, 2017
(CONTINUED)**

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

F. Inventory

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

G. Capital Assets

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

H. Long-Term Obligations

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

I. Accumulated Leave Time

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

J. 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 \$562,929 of net position restricted for business-type activities, of which \$126,702 is restricted by enabling legislation, as defined by GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, \$52,475 is restricted by requirements of Federal Aviation Administration Airport Improvement Grants, \$196,346 is restricted by agreements with the Federal Aviation Administration permitting the collection and expending of Passenger Facility Charges, \$183,731 is restricted by covenants of the Port Authority's Development Revenue Bonds, Series 2011, (for debt service requirements), and \$3,675 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, 2017
(CONTINUED)**

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 2017, the Port Authority transferred \$1,020,000 from the Port Authority Fund into the Aviation Fund and transferred \$300,000 from the Port Authority Fund into the Economic Development Fund. Interfund transfers are reflected as other financing sources/(uses) in the accompanying financial statements.

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 21, the Port Authority issued debt to provide financial resources for the Timken Latrobe Steel Distribution Project, the Central Waste, Inc. Project, the Beulah Park Gaming Ventures, Inc. Project, the Southern Park Mall, LLC Project, the Poland Way Facility Realty, LLC Project, the Hallmark Student Housing Youngstown, LLC Project, the Pittsburgh Institute of Aeronautics Project, the Youngstown Campus Associated, LLC Project, and the Youngstown Stambaugh Holdings, LLC 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. Based on the criteria described in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, since these payments do not flow through the Port Authority and since these payments do not have an effect on the 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, 2017
(CONTINUED)**

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

A. **Implementation of New Accounting Pronouncements**

For 2017, the Port Authority implemented GASB Statement No. 73, *Accounting and financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68 and Amendment to Certain Provisions of GASB Statements No. 67 and No. 68*, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 6, and No. 73*.

GASB Statement No. 73 extends the approach to accounting and financial reporting established in GASB Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in GASB Statement No. 68 should not be considered pension plan assets. This Statement requires that information similar to that required by GASB Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities. This Statement improves financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and non-employer contributing entities.

GASB Statement No. 74 addresses reporting requirements for post-employment benefits other than pensions (OPEB), including defined contribution OPEB plans. This Statement improves financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information enhances the decision-usefulness of the financial reports of those OPEB plans, their values for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments by requiring the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement enhances the comparability of financial statements among governments and improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability.

GASB Statement No. 81 addresses accounting and financial reporting for revocable split-interest agreements by providing recognition and measurement guidance for situation in which a government is a beneficiary of the agreement. This Statement enhances the comparability of financial statements and enhances the decision-usefulness of general purpose external financial reports and their value for assessing accountability by more clearly identifying the resources that are available for the government to carry out its mission.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

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

GASB Statement No. 82 addresses issues regarding the presentation of payroll related measure in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement improves financial reporting by enhancing consistency in the application of financial reporting to certain pension issues.

The implementation of GASB Statements No. 73, No. 74, No. 80, No. 81, and No. 82, did not affect the presentation of the financial statement and did not have an effect on the fund balances/net position of the Port Authority as previously reported at December 31, 2016.

B. **Future Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, which addresses reporting by governments that provide post-employment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Port Authority to recognize, on the face of its financial statements, its proportionate share of the net OPEB liability related to its participation in the OPERS OPEB plan. This Statement enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). GASB Statement No. 75 is required to be adopted for the year ending December 31, 2018.

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on behalf payment for pensions or OPEB in employer financial statements

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

B. Future Accounting Pronouncements (Continued)

- Presenting payroll related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

GASB Statement No. 85 is required to be adopted for years beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB Statement No. 86 is required to be adopted for years beginning after June 15, 2017.

The Port Authority is currently evaluating the impact GASB Statements No. 75, No. 85, and No. 86, will have on its financial statements when adopted during the Port Authority's 2018 fiscal year.

NOTE 4: **DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits not required for use within the current five-year period of designation of depositories as identified by the Port Authority 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, 2017
(CONTINUED)**

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.

**WESTERN RESERVE PORT AUTHORITY
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(CONTINUED)**

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and 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, 2017, the Port Authority had \$1,850 of undeposited cash on hand and \$1,000 held by a third-party.

B. Deposits with Financial Institutions

At December 31, 2017, the carrying amount of the Port Authority's deposits was \$1,383,626 and the bank balance was \$1,426,907. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2017, all of the Port Authority's bank balance was covered by Federal Deposit Insurance.

**WESTERN RESERVE PORT AUTHORITY
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(CONTINUED)**

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

C. **Investments**

The Port Authority did not maintain any investments in 2017.

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

Cash and Investments per Footnote

Undeposited Cash on Hand	\$ 1,850
Cash Held by Others	1,000
Carrying Amount of Deposits with Financial Institutions	1,383,626
Total Cash and Investments per Footnote	<u>\$ 1,386,476</u>

Cash and Cash Equivalents per Statement of Net Position

Business-Type Activities	<u>\$ 1,386,476</u>
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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).

Payments totaling \$5,028 were made in 2017 to satisfy current requirements of the leases.

Future payments for the capital lease obligations follow:

Year	Amount
2018	\$ 3,422
2019	819
Total	<u>\$ 4,241</u>

NOTE 6: **LONG TERM OBLIGATIONS**

Changes in the Port Authority's long-term obligations for the year ended December 31, 2017 follows:

	Balance			Balance	Due Within
	January 1, 2017			Increase	
Development Revenue Bonds (Series 2011)	\$ 2,995,000	\$ 0	\$ 145,000	\$ 2,850,000	\$ 150,000
Development Revenue Bonds (Series 2012(A))	387,757	0	19,814	367,943	19,818
Development Revenue Bonds (Series 2012(B))	906,897	0	45,862	861,035	44,203
Development Revenue Bonds (Series 2013)	263,794	0	12,133	251,661	12,504
Development Revenue Bonds (Series 2014(A))	518,667	0	22,483	496,184	23,195
Development Revenue Bonds (Series 2014(B))	574,243	0	37,128	537,115	38,230
	<u>\$ 5,646,358</u>	<u>\$ 0</u>	<u>\$ 282,420</u>	<u>\$ 5,363,938</u>	<u>\$ 287,950</u>

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

**WESTERN RESERVE PORT AUTHORITY
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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 \$267,628 were made in 2017 to satisfy current principal and interest requirements of the Bonds.

Future debt service of principal and interest follow:

Year	Airport Revenues	PFCs	Total
2018	\$ 120,676	\$ 147,493	\$ 268,169
2019	121,070	147,974	269,044
2020	121,140	148,060	269,200
2021	120,960	147,840	268,800
2022	120,611	147,414	268,025
2023-2027	606,659	741,472	1,348,131
2028-2031	547,605	669,295	1,216,900
Total	<u>\$ 1,758,721</u>	<u>\$ 2,149,548</u>	<u>\$ 3,908,269</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)) (3.271 percent, 20 year amortization, 10 years' repayment, plus balloon payment) to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the T-Hangar.

Payments totaling \$31,140 were made in 2017 to satisfy current principal and interest requirements of the Bond.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
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(CONTINUED)**

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

Future debt service of principal and interest follow:

Year	Amount
2018	\$ 31,719
2019	31,719
2020	31,719
2021	31,719
2022	291,385
Total	\$ 418,261

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)) (3.488 percent, 20 years amortization, 10 years' repayment plus balloon payment) to provide financial resources for the acquisition of an air cargo building. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the air cargo building.

Payments totaling \$69,216 were made in 2017 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2018	\$ 73,385
2019	73,764
2020	73,764
2021	73,764
2022	699,662
Total	\$ 994,339

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 years' repayment plus balloon payment) to provide financial resources for the construction of a wheeled-vehicle maintenance building. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the wheeled-vehicle maintenance building.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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

Payments totaling \$19,920 were made in 2017 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

<u>Year</u>	<u>Amount</u>
2018	\$ 19,920
2019	19,920
2020	19,920
2021	19,920
2022	19,920
2023	190,192
Total	<u>\$ 289,792</u>

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

In 2014, the Port Authority issued a \$570,000 Development Revenue Bond (Series 2014(A)) (3.08 percent, 20-year amortization, 10 years' repayment plus balloon payment) to provide financial resources for the construction of a 14-unit T-Hangar. Amounts needed to service the debt on the Bond, including interest and fiscal charges, will be derived from rent generated from the T-Hangar.

Payments totaling \$38,349 were made in 2017 to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

<u>Year</u>	<u>Amount</u>
2018	\$ 38,349
2019	38,349
2020	38,349
2021	38,349
2022	38,349
2023-2024	391,822
Total	<u>\$ 583,567</u>

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

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

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

Payments totaling \$53,446 were made in 2017 to satisfy principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2018	\$ 53,446
2019	53,446
2020	53,446
2021	53,446
2022	53,446
2023-2024	350,823
Total	\$ 618,053

NOTE 13: CONDUIT DEBT OBLIGATION – TIMKEN LATROBE STEEL DISTRIBUTION PROJECT

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

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

**WESTERN RESERVE PORT AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13: CONDUIT DEBT OBLIGATION – TIMKEN LATROBE STEEL DISTRIBUTION PROJECT (Continued)

Payments totaling \$863,965 were made in 2017 by Timken to satisfy current principal and interest requirements of the Lease.

Future lease payments paid by Timken to the Director follow:

Year	Amount
2018	\$ 865,134
2019	868,838
2020	360,703
Total	\$ 2,094,675

NOTE 14: 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.

No payments were made in 2017 toward outstanding principal and interest of the Bonds.

As of December 31, 2017, \$29,233,582 of principal and \$17,201,532 of accrued interest remain outstanding of the Solid Waste Facility Revenue Bonds (Series 2007(A)) and \$5,000,000 of principal and \$2,718,750 of accrued interest remain outstanding of the Subordinate Solid Waste Facility Revenue Bonds (Series 2007(B)).

NOTE 15: CONDUIT DEBT OBLIGATION – BEULAH PARK GAMING PROJECT

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

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(CONTINUED)**

NOTE 15: CONDUIT DEBT OBLIGATION – BEULAH PARK GAMING PROJECT (Continued)

The Port Authority’s involvement in the Project consisted of 1) entering into a ground lease with Penn National to secure property necessary for the Project, 2) issuing \$32,891,027 in Taxable Revenue Bonds (Series 2013 at 3.5 percent for 10 years), and 3) letting of a facility lease to Penn National for its operation of such facilities.

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

Payments totaling \$1,151,286 were made in 2017 to satisfy current interest requirements of the Bond.

Future debt service of principal and interest follow:

Year	Amount
2018	\$ 1,151,186
2019	1,151,186
2020	1,151,186
2021	1,151,186
2022	1,151,186
2023	34,042,213
Total	\$ 39,798,143

NOTE 16: CONDUIT DEBT OBLIGATION – SOUTHERN PARK MALL PROJECT

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

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

Payments totaling \$221,394 were made in 2017 to satisfy current principal and interest requirements of the Bonds.

**WESTERN RESERVE PORT AUTHORITY
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NOTE 16: CONDUIT DEBT OBLIGATION – SOUTHERN PARK MALL PROJECT

Future debt service of principal and interest follow:

Year	Amount
2018	\$ 220,786
2019	220,911
2020	220,746
2021	221,268
2022	221,474
2023-2027	1,104,387
2028-2030	662,629
Total	\$ 2,872,201

NOTE 17: CONDUIT DEBT OBLIGATION – POLAND WAY PROJECT

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

The Port Authority’s involvement in the Project consists of 1) entering into a ground lease with Poland Way to secure land necessary for the Project, 2) issuing a maximum of \$13,000,000 Development Revenue Bonds (Series 2015) to finance the Project, and 3) letting of a capital (facility) lease to Poland Way to construct the Project and operate such facility.

The Bond is being issued in increments, as a draw-down bond, similar to a traditional draw-down loan. \$10,600,000 has been drawn as of December 31, 2017. Interest is accruing at applicable rates (determined by the purchaser of the Bond) on outstanding principal amounts. A 25-year amortization schedule will be set at the end of the construction period (approximately 15 months) and capital lease payments by Poland Way will meet amounts needed to service the debt, including interest and fiscal charges on the bond. However, the bond matures at November 15, 2022, and at this time a balloon payment will be made to satisfy in full, all debt and charges. The Bond and capital lease are co-terminus. In the event of default by Poland Way, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

NOTE 18: CONDUIT DEBT OBLIGATION – HALLMARK PROJECT

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

The Port Authority’s involvement in the Project consists of 1) entering into a ground lease with Hallmark to secure land necessary for the Project, 2) issuing a maximum \$20,000,000 Development Revenue Bond (Series 2016(A)) to finance the Project, and 3) letting of a capital (facility) lease to Hallmark to construct the Project and operate such facility.

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NOTE 18: CONDUIT DEBT OBLIGATION – HALLMARK PROJECT (Continued)

The Bond is being issued in increments, as a draw-down, similar to a traditional draw-down loan, \$19,980,000 has been drawn as of December 31, 2017. Interest is accruing at 3.74333 percent on outstanding principal amounts and is being paid monthly through capital lease payments. An amortization schedule will be set at the end of the construction period which ends September 28, 2018, and capital lease payments by Hallmark will meet amounts needed to service the debt, including interest and fiscal charges, on the Bond. However, the Bond matures at September 28, 2021, and at this time a balloon payment will be made to satisfy in full, all debt and charges. The Bond and capital lease are co-terminus. In the event of default by Hallmark, the Port Authority shall not have any liability under or in respect of its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

NOTE 19: CONDUIT DEBT OBLIGATION – PITTSBURGH INSTITUTE OF AERONAUTICS PROJECT

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

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

In 2017, payments totaling \$98,851 were made to satisfy current principal and interest requirements of the Bond.

Future debt service of principal and interest follow:

<u>Year</u>	<u>Amount</u>
2018	\$ 98,851
2019	98,851
2020	98,851
2021	98,851
2022	98,851
2023-2027	494,257
2028-2032	494,257
2033-2036	370,506
Total	<u>\$ 1,853,275</u>

**WESTERN RESERVE PORT AUTHORITY
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NOTE 20: CONDUIT DEBT OBLIGATION – YOUNGSTOWN CAMPUS ASSOCIATE PROJECT

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

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

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

The Bond is being issued in increments, as a draw-down bond, similar to a traditional draw-down loan. \$2,723,140 has been drawn as of December 31, 2017. Interest is accruing at various rates on outstanding principal amounts and is being paid monthly through capital lease payments. An amortization schedule will be set at the end of the construction period and capital lease payments by YCA will meet amounts needed to service the debt, including interest and fiscal charges, on the Bond. The Bond and capital lease are co-terminus. In the event of default by YCA, the Port Authority shall not have any liability under, or in respect of, its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

NOTE 21: CONDUIT DEBT OBLIGATION – YOUNGSTOWN STAMBAUGH HOLDINGS PROJECT

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

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

The Bond is being issued in increments, as a draw-down bond, similar to a traditional draw-down loan. \$7,858,336 has been drawn as of December 31, 2017. Interest is accruing at 5.32938 percent on outstanding principal amounts and is being paid monthly through capital lease payments. An amortization schedule will be set at the end of the construction period and capital lease payments by YSH will meet amounts needed to service the debt, including interest and fiscal charges, on the Bond. The Bond and capital lease are co-terminus. In the event of default by YSH, the Port Authority shall not have any liability under, or in respect of, its debt service performances of the Bond. The Bond is secured by the facility/assets constructed/acquired from the proceeds of the Bond.

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NOTE 22: PENSION PLANS

Plan Description

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

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

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

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

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

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(CONTINUED)**

NOTE 22: **PENSION PLANS** (Continued)

Plan Description (Continued)

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

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

Funding Policy

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

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer (Port Authority)	14.0%
Employee (Member)	10.0%
2017 Actual Contribution Rates	
Employer (Port Authority):	
Pension	13.0%
Post-Employment Health Care Benefits	1.0%
Total Employer (Port Authority) Contribution Rate	14.0%
Total Employee (Member) Contribution Rate	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Port Authority's contractually required contributions to fund pension obligations for the years ending December 31, 2017, 2016, and 2015 were \$214,985, \$207,473, and \$185,599, respectively. In January 2018, the Port Authority made \$16,391 in contributions to satisfy fully its 2017 pension obligations.

NOTE 23: **POST-RETIREMENT BENEFIT PLANS**

Plan Description

The Ohio Public Employees Retirement System (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; and 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.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 23: **POST-RETIREMENT BENEFIT PLANS** (Continued)

Plan Description (Continued)

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 2 or more years of qualifying Ohio service credit. Health care coverage for disability benefits and qualifying survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, 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 the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, the Port Authority contributed at a rate of 14 percent of earnable salary of active members. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not fund post-employment health care.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and the Combined Plan was 1 percent during calendar year 2017.

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 23: **POST-RETIREMENT BENEFIT PLANS** (Continued)

Funding Policy (Continued)

The Port Authority's contributions allocated to fund post-employment health care benefits for the years ending December 31, 2017, 2016, and 2015, were \$9,347, \$18,861, and \$16,873, respectively. In January 2018, the Port Authority made \$713 in contributions to satisfy fully its 2017 post-employment health care obligations. 100 percent has been contributed for 2016 and 2015.

NOTE 24: **CONTINGENT LIABILITIES**

A. **Pending Litigation**

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

B. **Grant Compliance**

The Port Authority receives assistance from federal agencies in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims, including amounts already received, resulting from such audits could become a liability of the 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, 2017.

NOTE 25: **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 26: **SUBSEQUENT EVENTS**

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor/ Passed Through Grantor/ Program Title	CFDA Number	Entity/Grant Number	Receipts	Federal Expenditures
<u>U.S. Department of Transportation</u>				
<i>Direct Award:</i>				
Payments for Small Community Air Service Development Program	20.930	OST-2012-0069-0061	\$ 72,464	\$ 72,464
<i>Total Direct Award</i>			<u>72,464</u>	<u>72,464</u>
<i>Passed through Federal Aviation Administration:</i>				
Airport Improvement Program	20.106	3-39-0096-4315	401,625	401,625
Airport Improvement Program	20.106	3-39-0096-4416	611,392	611,491
Airport Improvement Program	20.106	3-39-0096-4517	0	2,936
<i>Total Passed through Federal Aviation Administration</i>			<u>1,013,017</u>	<u>1,016,052</u>
Total U.S. Department of Transportation			<u>1,085,481</u>	<u>1,088,516</u>
<u>U.S. Environmental Protection Agency</u>				
<i>Direct Award:</i>				
Brownfields Assessment and Clean-Up Cooperative Agreements	66.818	BF00E01222	39,888	39,888
Total U.S. Environmental Protection Agency			<u>39,888</u>	<u>39,888</u>
<u>U.S. Department of Homeland Security</u>				
<i>Direct Award:</i>				
Law Enforcement Officer (LEO) Reimbursement Agreement Program	97.090	HSTS0213HSLR254	37,870	37,870
Total U.S. Department of Homeland Security			<u>37,870</u>	<u>37,870</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,163,239</u>	<u>\$ 1,166,274</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards.

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Western Reserve Port Authority (Port Authority) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port Authority, it is not intended to and does not present the financial position or changes in net position of the Port Authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The Port Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: MATCHING REQUIREMENTS

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2017**

Passenger Facility Charges Collected	\$ 164,502
Interest Earnings	<u>734</u>
Total	165,236
Passenger Facility Charges Expended	<u>(163,158)</u>
Increase in Unexpected Passenger Facility Charges	2,078
Unexpended Passenger Facility Charges - January 1, 2017	<u>194,268</u>
Unexpended Passenger Facility Charges - December 31, 2017	<u><u>\$ 196,346</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, 2017**

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 approvals for its Applications #6 and #7, which allows the Airport to assess a PFC for each passenger at a rate of \$4.50 through January 1, 2033.

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

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

Board of Directors
Western Reserve Port Authority

The Honorable 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 General of the United States, the cash basis financial statements of the business-type activities and each major fund of the Western Reserve Port Authority, Trumbull County, Ohio, as of and for the year ended December 31, 2017, 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, 2018, 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.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style.

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

August 21, 2018

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

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

Board of Directors
Western Reserve Port Authority

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Western Reserve Port Authority, Trumbull County, Ohio's (Port Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Western Reserve Port Authority, Ohio's major federal program for the year ended December 31, 2017. The Western Reserve Port Authority, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Western Reserve Port Authority, Ohio's major federal program based on our audit of the types of 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 audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal 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 its major federal program. However, our audit does not provide a legal determination of the Western Reserve Port Authority, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Western Reserve Port Authority, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 type of compliance requirement of a federal 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 a type of compliance requirement of a federal 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 a type of compliance requirement of a federal 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

August 21, 2018

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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, 2017.

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, 2017.

Report on Internal Control Over Compliance

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

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

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

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

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



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

August 21, 2018

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS		
2017(i)	Type of Financial Statement Opinion	Unmodified
2017(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2017(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2017(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2017(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2017(v)	Type of Major Programs' Compliance Opinion	Unmodified
2017(vi)	Any there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii)	Major Programs (list):	
	Airport Improvement Program - CFDA #20.106	
2017(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
2017(ix)	Low Risk Auditee?	Yes
2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS		
	None.	
3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS		
	None.	

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY, OHIO
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

The prior audit report, as of December 31, 2016, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit report.



Dave Yost • Auditor of State

WESTERN RESERVE PORT AUTHORITY

TRUMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER, 6 2018**