



Mary Taylor, CPA  
Auditor of State



**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of Western Reserve Port Authority, Trumbull County, (the Port) as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Port Authority, Trumbull County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, the Airport Improvement Program and the Small Community Air Service Development Funds thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2008, on our consideration of the Port's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Mary Taylor, CPA**  
Auditor of State

October 21, 2008

**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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The management's discussion and analysis of the Western Reserve Port Authority (Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2006, within the limitations of the Port Authority's cash-basis 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.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

Net assets of governmental activities increased \$182,835, or 146%, a significant increase from 2005. This was almost entirely due to the Airport Improvement Program Fund realizing an increase in cash and cash equivalents of \$177,385 from 2005 that was the result of the Port Authority receiving certain Federal Program Grant proceeds at the end of December 2006 but did not disburse them until January 2007. The cash and cash equivalents of the General Fund increased \$5,450 from 2005. Net assets of business-type activities remained constant from 2005.

The Port Authority had total governmental activities receipts of \$2,211,007. Program specific receipts accounted for \$1,517,112 or 69% of total governmental activities receipts. General receipts accounted for \$693,895 or 31% of total governmental activities receipts. The Port Authority's 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 19% and 50% of the total cash received for governmental activities for 2006. The Port Authority's general receipts for governmental activities are primarily (1) intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations, and (2) miscellaneous receipts. These receipts represent respectively 28% and 3% of the total cash received for governmental activities for 2006. Conduit debt activity receipts, consisting of proceeds from bond and loan issuances and conduit debt payment receipts, represent 100 percent of total receipts for business-type activities.

The Port Authority had total governmental activities disbursements of \$2,028,172. Program specific receipts offset \$1,517,112 of these disbursements. General receipts of \$693,895 offset the remaining disbursements. Contractual services represent 38% of total disbursements for governmental activities. Of this amount, 70% was comprised of the disbursement of the Port Authority's Airport Improvement Program Federal Assistance Grants, the Port Authority's Small Community Air Service Development Federal Assistance Grant, and related required matching funding. Personal services represent 25% of total disbursements for governmental activities consist of payroll and benefit related costs for Port Authority employees. Capital Outlay represents 23% of total disbursements for governmental activities. Of this amount, 97% was comprised of the disbursement of the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding. Conduit debt activity disbursements, consisting of proceeds from bond and loan issuances disbursed and conduit debt payments, represent 100 percent of total disbursements for business-type activities.

The financial activities of the General Fund remained moderately constant from 2005 with the exception of (1) rental/lease income receipts that decreased from \$376,732 in 2005 to \$319,521 in 2006, a 15% decrease, (2) intergovernmental receipts that decreased from \$812,341 in 2005 to \$628,509 in 2006, a 23% decrease, and (3) utilities disbursements that decreased from \$254,052 in 2005 to \$168,733 in 2006, a 34% decrease. The decrease in rental/lease income receipts was primarily the result of Hangar 2 tenant, Ready Air, LLC, poor rental and fee payment practices, its subsequent bankruptcy, and its vacating of Hangar 2, that significantly reduced the rental/lease income normally generated by Hangar 2 by nearly \$50,000 in 2006. The decrease in intergovernmental receipts was primarily the result of that in 2005, the Trumbull County Board of County Commissioners granted the Port Authority for general operations all of the County's 2005 Lodging Excise Tax receipts that resulted in an unexpected increase of approximately \$152,000.

**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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The decrease in utilities disbursements was primarily the result of a) leases between the Port Authority and Hangars 1 and 3 tenants, effective January 1, 2006, required these tenants to pay their respective utility usage expenses that were formerly paid by the Port Authority, which resulted in the Port Authority's utilities disbursements to decrease an estimated \$34,000, and b) in 2003 and 2004, the Port Authority, the Trumbull County Water and Sewer Department, and the Trumbull County Sanitary Engineer, were in a temporary dispute concerning the metering of water and sewer usage by the Port Authority that was resolved and resulted in the Port Authority paying in 2005 approximately \$51,000 for its water and sewer usage of 2003 and 2004.

The financial activities of the Proprietary Fund, that accounts for the Port Authority's business-type activities, includes \$10,000,000 in proceeds from bond and loan issuances and a loan issuance of the same amount. The Port Authority participated with the State of Ohio, through the Director of the Ohio Department of Development (Director), and the Summit County Port Authority (SC Port Authority), in the EXAL Corporation (EXAL) Project (Project) that consisted of assisting EXAL expand its operations in the Mahoning Valley by providing financial resources to EXAL for the construction manufacturing facility and equipping and furnishing the same. The Director obtained \$5,000,000 in State Economic Development Revenue Bonds through the Ohio Enterprise Bond Fund Program, and obtained a \$2,000,000 Loan from ODOD's 166 Direct Loan Program. The SC Port Authority obtained \$3,000,000 in Economic Development Revenue Bonds through the Summit County Bond Fund Program. The Port Authority's involvement in the Project consisted of receiving the proceeds of the Bonds and the Loan, \$10,000,000 in total, and passing through those proceeds to EXAL.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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



**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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**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 other organizations whose activities are required to be presented in the Port Authority's financial statements.

The *Statement of Net Assets* and the *Statement of Activities* reflect how the Port Authority did financially during 2006, within the limitations of cash-basis accounting. The *Statement of Net Assets* presents cash balances and investments of the governmental and business-type activities of the Port Authority at year-end. The *Statement of Activities* compares cash disbursements with program specific receipts for each governmental program and business-type activity. Program specific receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program specific receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Port Authority's general receipts.

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

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

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

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

**Reporting the Port Authority Most Significant Funds**

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

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

**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2006

Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Port Authority's programs. The Port Authority maintains three governmental funds, the General Fund, the Airport Improvement Program Fund, and the Small Community Air Service Development Fund, which the governmental funds statements present in separate columns. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

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

**Port Authority as a Whole**

Table 1 provides a summary of the Port Authority's net assets for 2006 compared to 2005 on a cash basis.

(Table 1)  
**Net Assets**

|                           | <u>Governmental Activities</u> |           | <u>Business-Type Activities</u> |          | <u>Total</u> |           |
|---------------------------|--------------------------------|-----------|---------------------------------|----------|--------------|-----------|
|                           | 2006                           | 2005      | 2006                            | 2005     | 2006         | 2005      |
| <b>Assets</b>             |                                |           |                                 |          |              |           |
| Cash and Cash Equivalents | \$307,931                      | \$125,095 | \$13,941                        | \$13,941 | \$321,872    | \$139,036 |
| <b>Net Assets</b>         |                                |           |                                 |          |              |           |
| Restricted for:           |                                |           |                                 |          |              |           |
| Capital Outlay            | \$93,799                       | \$0       | \$0                             | \$0      | \$93,799     | \$0       |
| Other Purposes            | 126,668                        | 43,082    | 13,941                          | 13,941   | 140,609      | 57,023    |
| Unrestricted              | 87,464                         | 82,013    | 0                               | 0        | 87,464       | 82,013    |
| Total Net Assets          | \$307,931                      | \$125,095 | \$13,941                        | \$13,941 | \$321,872    | \$139,036 |

Over time, net assets can serve as a useful indicator of a government's financial position. As mentioned previously, net assets of governmental activities increased \$182,835, or 146%, a significant increase from 2005. This was almost entirely due to the Airport Improvement Program Fund realizing an increase in cash and cash equivalents of \$177,385 from 2005 that was the result of the Port Authority receiving certain Federal Program Grant proceeds at the end of December 2006 but did not disburse them until January 2007. The cash and cash equivalents of the General Fund increased \$5,450 from 2005. The cash and cash equivalents of the Airport Improvement Program Fund remained constant from 2005. The Small Community Air Service Development Fund is funded by the Department of Transportation on a reimbursement-type basis. Therefore, cash and cash equivalents for this Fund will always be \$0. The Net assets of business-type activities remained constant from 2005.

**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2006

Table 2 presents a comparative analysis of changes in net assets for fiscal years 2006 and 2005.

(Table 2)  
**Changes in Net Assets**

|  | Governmental<br>Activities<br>2006 | Governmental<br>Activities<br>2005 | Business-Type<br>Activities<br>2006 | Business-Type<br>Activities<br>2005 | Total<br>2006     | Total<br>2005     |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|-------------------|-------------------|
| <b>Receipts:</b>   |                                    |                                    |                                     |                                     |                   |                   |
| <i>Program Receipts:</i>                                       |                                    |                                    |                                     |                                     |                   |                   |
| Charges for Services   | \$415,442                          | \$458,753                          | \$11,502,062                        | \$29,094,911                        | \$11,917,504      | \$29,553,664      |
| Operating Grants and Contributions                             | 568,638                            | 383,750                            | 0                                   | 0                                   | 568,638           | 383,750           |
| Capital Grants and Contributions                               | 533,032                            | 304,279                            | 0                                   | 0                                   | 533,032           | 304,279           |
| <b>Total Program Receipts</b>                                  | <b>1,517,112</b>                   | <b>1,146,782</b>                   | <b>11,502,062</b>                   | <b>29,094,911</b>                   | <b>13,019,174</b> | <b>30,241,693</b> |
| <i>General Receipts:</i>                                       |                                    |                                    |                                     |                                     |                   |                   |
| Grants and Entitlements not<br>Restricted to Specific Programs | 628,509                            | 812,342                            | 0                                   | 0                                   | 628,509           | 812,342           |
| Investment Earnings  | 137                                | 164                                | 0                                   | 0                                   | 137               | 164               |
| Miscellaneous Receipts   | 65,249                             | 32,441                             | 0                                   | 0                                   | 65,249            | 32,441            |
| <b>Total General Receipts</b>                                  | <b>693,895</b>                     | <b>844,947</b>                     | <b>0</b>                            | <b>0</b>                            | <b>693,895</b>    | <b>844,947</b>    |
| <b>Total Receipts</b>  | <b>2,211,007</b>                   | <b>1,991,729</b>                   | <b>11,502,062</b>                   | <b>29,094,911</b>                   | <b>13,713,069</b> | <b>31,086,640</b> |
| <b>Disbursements:</b>  |                                    |                                    |                                     |                                     |                   |                   |
| Personal Services  | 500,091                            | 465,547                            | 0                                   | 0                                   | 500,091           | 465,547           |
| Materials and Supplies   | 48,658                             | 73,335                             | 0                                   | 0                                   | 48,658            | 73,335            |
| Contractual Services   | 768,170                            | 698,592                            | 0                                   | 0                                   | 768,170           | 698,592           |
| Travel   | 8,119                              | 2,376                              | 0                                   | 0                                   | 8,119             | 2,379             |
| Utilities  | 168,733                            | 254,052                            | 0                                   | 0                                   | 168,733           | 254,052           |
| Repair and Maintenance   | 50,789                             | 76,191                             | 0                                   | 0                                   | 50,789            | 76,191            |
| Capital Outlay   | 474,209                            | 344,321                            | 0                                   | 0                                   | 474,209           | 344,321           |
| Other Disbursements  | 9,403                              | 53,326                             | 0                                   | 0                                   | 9,403             | 53,326            |
| Conduit Debt Activity  | 0                                  | 0                                  | 11,502,062                          | 29,094,911                          | 11,502,062        | 29,094,911        |
| <b>Total Disbursements</b>                                     | <b>2,028,172</b>                   | <b>1,967,741</b>                   | <b>11,502,062</b>                   | <b>29,094,911</b>                   | <b>13,530,234</b> | <b>31,062,652</b> |
| Increase/(Decrease) in Net Assets                              | 182,835                            | 23,988                             | 0                                   | 0                                   | 182,835           | 23,988            |
| Net Assets – January 1,  | 125,096                            | 101,107                            | 13,941                              | 13,941                              | 139,037           | 115,048           |
| <b>Net Assets - December 31,</b>                               | <b>\$307,931</b>                   | <b>\$125,095</b>                   | <b>\$13,941</b>                     | <b>\$13,941</b>                     | <b>\$321,872</b>  | <b>\$139,036</b>  |

Program specific receipts represent 69% of total receipts for governmental activities and are comprised of charges for services (fees and charges for services, and rental and lease income) and intergovernmental receipts consisting of restricted grants from other governmental units that must be used to provide a specific service. Program specific receipts represent 100 percent of total receipts for business-type activities and are comprised of charges for services, which are the sublease and loan payments, received to finance the Port Authority's conduit debt activity.

General receipts represent 31% of total receipts for governmental activities, and of this amount, 91% are intergovernmental receipts consisting of subsidies from other governmental units that are used for general operations.

**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2006

Contractual services represent 38% of total disbursements for governmental activities. Of this amount, 37% was comprised of the disbursement of the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding. Also, of this amount, 33% was comprised of the disbursement of the Port Authority's Small Community Air Service Development Federal Assistance Grant that was utilized to formally engage the assistance of a local marketing firm with the purposes of developing marketing materials and to assist in promulgating a strategic marketing campaign.

Personal services represent 25% of total disbursements for governmental activities and are comprised of payroll and benefit related costs for Port Authority employees.

Repairs and maintenance and capital outlay together represent 26% of total disbursements for governmental activities, and of this amount, 88% was comprised of the expenditure of the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding.

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

**Governmental and Business-Type Activities**

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

**Governmental Activities**

A comparison between the total costs of services and the net cost for governmental activities for fiscal years 2006 and 2005 is presented in Table 3.

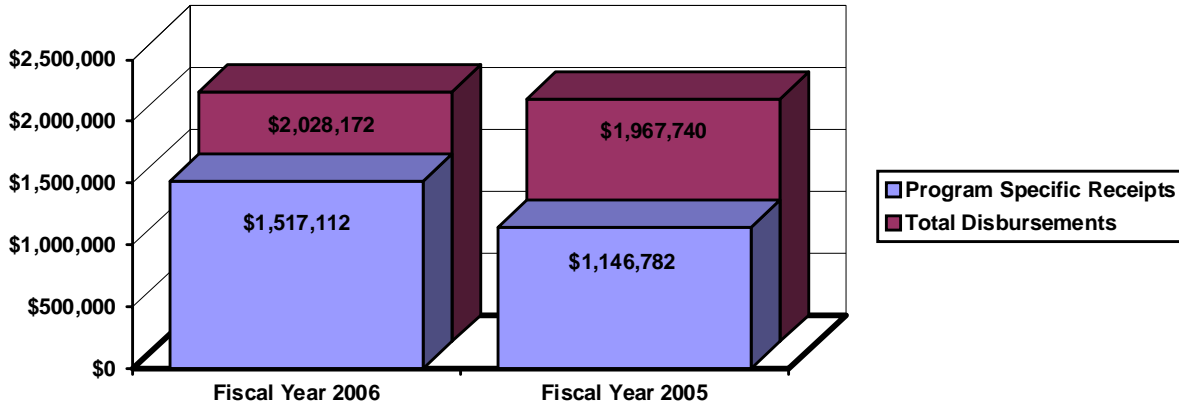
(Table 3)  
**Cost of Services vs. Net Cost of Services**

|                        | Governmental Activities           |                                 |                                   |                                 |
|------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                        | Total Cost<br>of Services<br>2006 | Net Cost<br>of Services<br>2006 | Total Cost<br>Of Services<br>2005 | Net Cost<br>of Services<br>2005 |
| Personal Services      | \$500,091                         | (\$397,654)                     | \$465,547                         | (\$293,858)                     |
| Materials and Supplies | 48,658                            | (35,105)                        | 73,335                            | (46,290)                        |
| Contractual Services   | 768,170                           | (42,183)                        | 698,592                           | (214,007)                       |
| Travel                 | 8,119                             | (6,456)                         | 2,376                             | (1,500)                         |
| Utilities              | 168,733                           | (137,757)                       | 254,052                           | (160,360)                       |
| Repair and Maintenance | 50,789                            | (40,386)                        | 76,191                            | (48,093)                        |
| Capital Outlay         | 474,209                           | 155,958                         | 344,321                           | (31,109)                        |
| Other Disbursements    | 9,403                             | (7,477)                         | 53,326                            | (25,741)                        |
| <b>Total</b>           | <b>\$2,028,172</b>                | <b>(\$511,059)</b>              | <b>\$1,967,740</b>                | <b>(\$820,958)</b>              |

**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

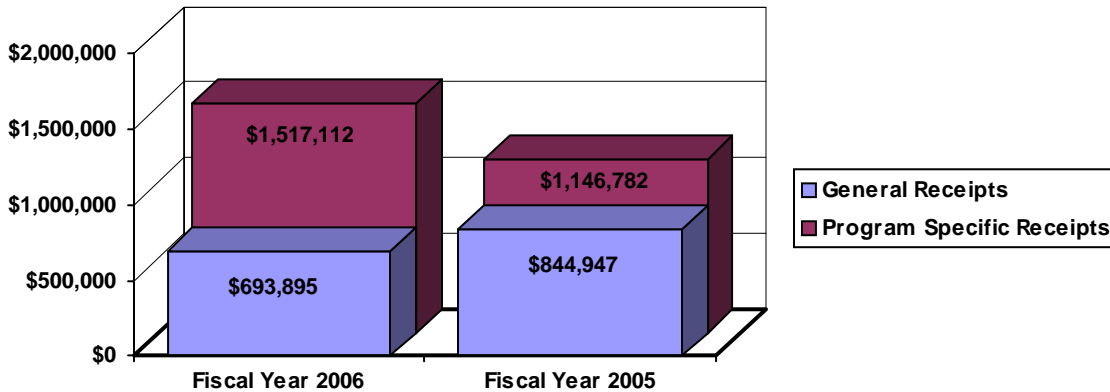
The chart below illustrates the Port Authority's dependence upon general receipts for fiscal years 2006 and 2005, as program specific receipts have not been sufficient to cover total disbursements for governmental activities.

**Governmental Activities - Program Specific Receipts vs. Total Disbursements**



The *Net Cost of Services* amount of (\$511,060) for governmental activities for 2006 represents the costs of the services which ends up being paid from subsidies provided by Mahoning and Trumbull Counties, from investment earnings and miscellaneous receipts, and from a reduction in net assets (cash and cash equivalents). Therefore, the dependence upon general receipts for governmental activities is apparent as 25% of disbursements were supported through general receipts. The chart below illustrates the Port Authority's program specific receipts versus general receipts for fiscal years 2006 and 2005 for governmental activities.

**Governmental Activities - General Receipts vs. Program Specific Receipts**



**Business-Type Activities**

A comparison between the total costs of services and the net cost for business-type activities for fiscal years 2006 and 2005 is presented in Table 4.

**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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(Table 4)

**Cost of Services vs. Net Cost of Services**

|                       | Business-Type Activities  |                         |                           |                         |
|-----------------------|---------------------------|-------------------------|---------------------------|-------------------------|
|                       | Total Cost<br>of Services | Net Cost<br>of Services | Total Cost<br>of Services | Net Cost<br>of Services |
|                       | 2006                      | 2006                    | 2005                      | 2005                    |
| Conduit Debt Activity | \$11,502,062              | \$0                     | \$29,094,911              | \$0                     |
| <b>Total</b>          | <b>\$11,502,062</b>       | <b>\$0</b>              | <b>\$29,094,911</b>       | <b>\$0</b>              |

**Port Authority Funds Analysis**

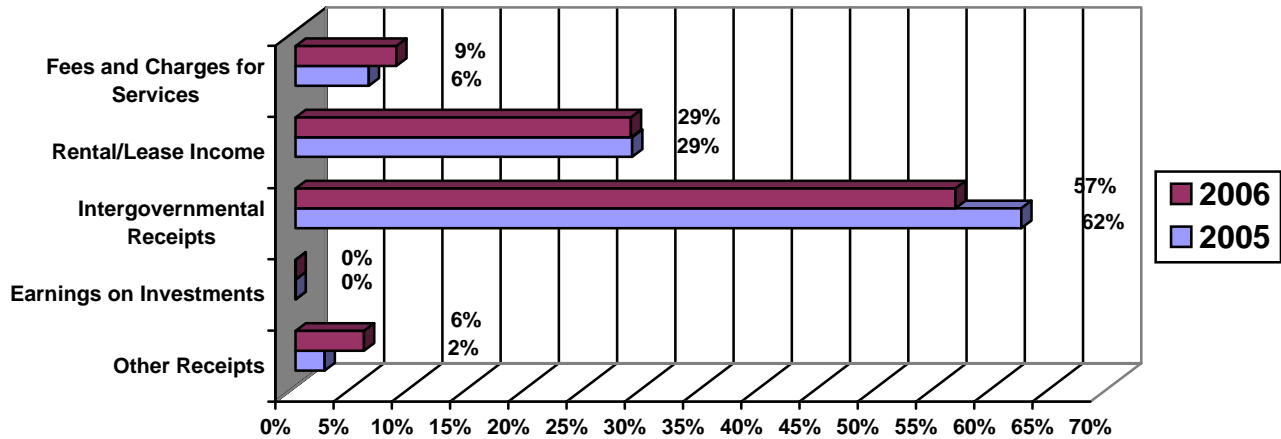
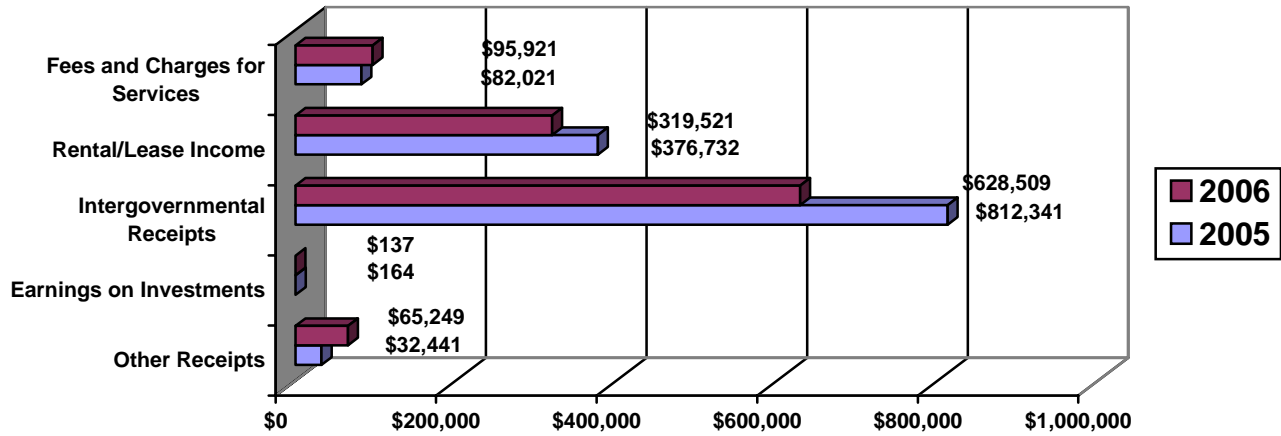
The Port Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus on the funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Port Authority's financing requirements. In particular, unreserved fund balances serve as a useful measure of the Port Authority's net resources available for spending at year-end. At December 31, 2006 the Port Authority's General Fund unreserved fund balance was \$12,600 as compared to \$32,120 at December 31, 2005. This moderate decrease portrays a slightly weaker cash position for the General Fund at December 31, 2006 than at December 31, 2005.

The Port Authority had total cash receipts of \$13,713,069 and total cash disbursements of \$13,530,234 for all funds in 2006, although approximately 84% of both amounts are related with the conduit debt activity of the Proprietary Fund. Total governmental funds had cash receipts of \$2,211,007 and cash disbursements of \$2,028,172 in 2006. The greatest changes in cash receipts and cash disbursements within governmental funds from 2005 to 2006 occurred due to 1) the General Fund's cash receipts decreased from \$1,303,700 in 2005 to \$1,109,338 in 2006 and cash disbursements decreased from \$1,150,314 in 2005 to \$1,025,874 in 2006 primarily due to a decrease in intergovernmental receipts that was the result of that in 2005, the Trumbull County Board of County Commissioners granted the Port Authority for general operations all of the County's 2005 Lodging Excise Tax receipts that resulted in an unexpected increase of approximately \$152,000; 2) the Airport Improvement Program Fund's cash receipts increased from \$688,029 in 2005 to \$890,825 in 2006 and cash disbursements increased from \$723,798 in 2005 to \$750,475 in 2006 due to a increase in federal funding in 2006 for airport improvement projects and capital outlay; and 3) the Small Community Air Service Development Federal Assistance Grant Fund's cash receipts increased from \$0 in 2005 to \$210,845 in 2006 and cash disbursements increased from \$93,929 in 2005 to \$251,823 in 2006 due to a increase in federal funding in 2006 for engaging the assistance of a local marketing firm with the purposes of developing marketing materials and to assist in promulgating a strategic marketing campaign.

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

**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

**Analysis of General Fund Receipts for Fiscal Years 2006 and 2005**



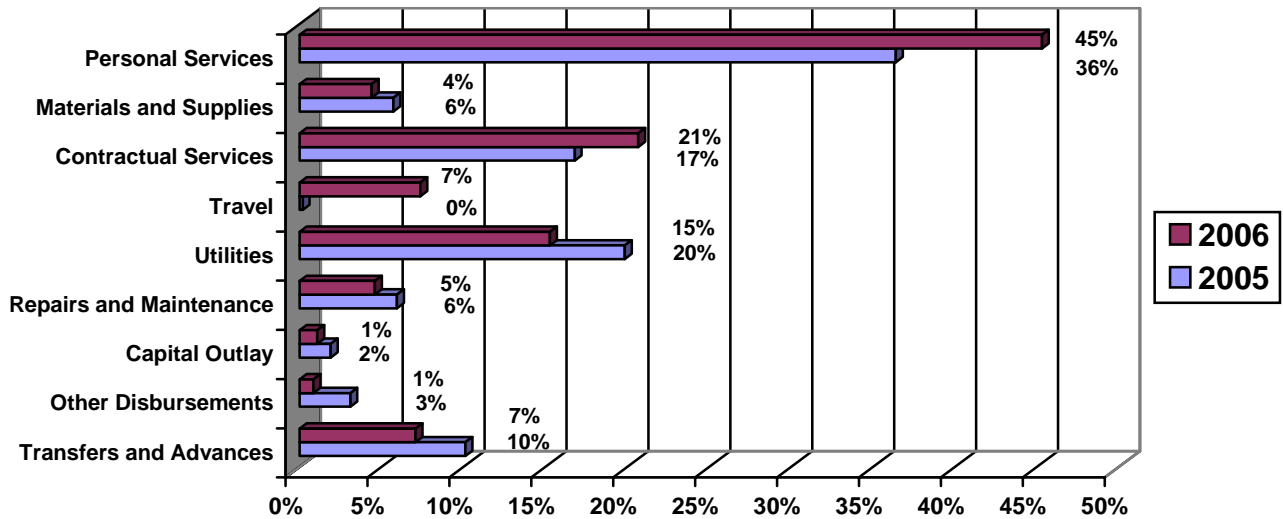
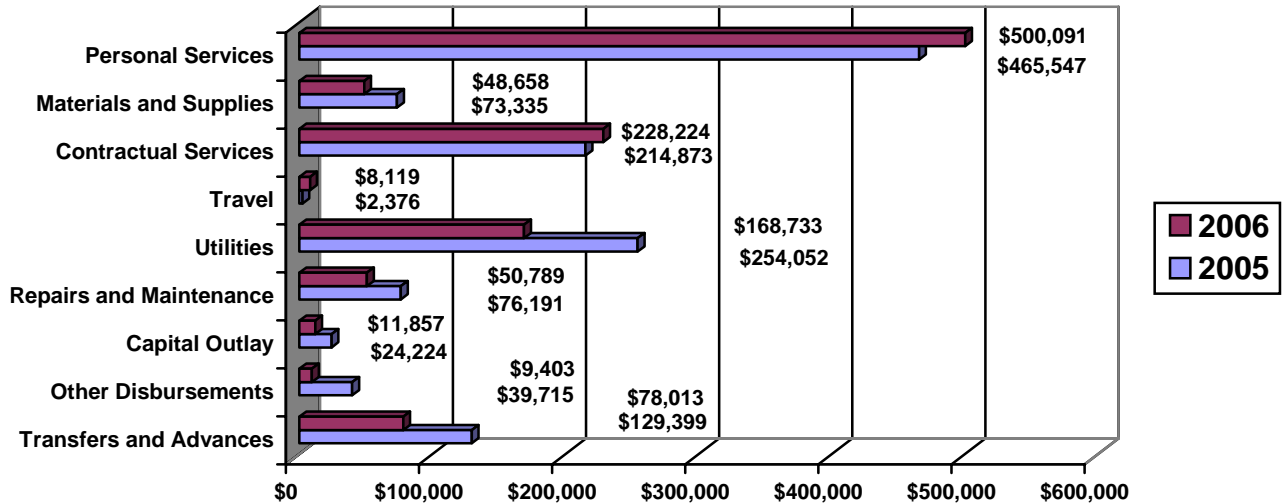
Intergovernmental receipts comprising of subsidies provided by Mahoning and Trumbull Counties is currently the primary source of funding for the Port Authority's general operations and remained moderately constant from \$812,341 in 2005 to \$628,509 in 2006, notwithstanding the previously mentioned \$152,000 in unexpected additional Lodging Excise Tax receipts Trumbull County granted the Port Authority in 2005.

Rental/lease income decreased from \$376,732 in 2005 to \$319,521 in 2006. As previously mentioned, this was primarily the result of Hangar 2 tenant, Ready Air, LLC, poor rental and fee payment practices, its subsequent bankruptcy, and its vacating of Hangar 2, that significantly reduced the rental/lease income normally generated by Hangar 2 by nearly \$50,000 in 2006.

All other receipts remained moderately constant from 2005 to 2006.

**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
 For the Year Ended December 31, 2006

**Analysis of General Fund Disbursements for Fiscal Years 2006 and 2005**



As mentioned previously, the decrease in utilities disbursements from \$254,052 in 2005 to \$168,733 in 2006 was primarily the result of a) leases between the Port Authority and Hangars 1 and 3 tenants, effective January 1, 2006, required these tenants to pay their respective utility usage expenses that were formerly paid by the Port Authority, which resulted in the Port Authority's utilities disbursements to decrease an estimated \$34,000, and b) in 2003 and 2004, the Port Authority, the Trumbull County Water and Sewer Department, and the Trumbull County Sanitary Engineer, were in a temporary dispute concerning the metering of water and sewer usage by the Port Authority that was resolved and resulted in the Port Authority paying in 2005 approximately \$51,000 for its water and sewer usage of 2003 and 2004.

The increase in personal services from \$465,547 in 2005 to \$500,091 in 2006 was primarily the result of that extended periods of inclement weather in 2006 required a higher than expected employee overtime costs due to increased snow removal operations.



**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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Transfers and advances representing primarily local matching requirements for federal assistance programs decreased from \$129,399 in 2005 to \$78,013 in 2006.

All other disbursements remained moderately constant from 2005 to 2006.

**Capital Assets and Debt Administration**

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

*Debt Administration* - The Port Authority's outstanding debt as of December 31, 2006 for governmental activities is \$150,000 for a zero-percent interest, general obligation loan from Trumbull County received on February 12, 2004, that was utilized to assist the Port Authority in providing an operational security deposit to Vacation Express Airlines necessary for the Airlines to begin its operations of providing direct commercial flights to Myrtle Beach, South Carolina and to Orlando-Sanford Airport, Florida. The repayment schedule for the loan includes annual payments of \$25,000, \$50,000, \$50,000, and \$25,000 due on October 1 of 2007, 2008, 2009, and 2010, respectively. The Port Authority has satisfied its October 1, 2007 obligation requirement.

The Port Authority's outstanding debt as of December 31, 2006 for business-type activities is for \$23,841,118, \$11,506,659 in capital lease payments due to the Director of the Ohio Department of Development as related to the Timken Latrobe Steel Distribution Project, \$8,510,926 in loan payments due to the Director of the Ohio Department of Development as related to the EXAL Corporation Project, and \$3,823,533 in loan payments due to the Summit County Port Authority as related to the EXAL Corporation Project. However, as previously mentioned, the Port Authority's debt service obligations for the Timken and EXAL Projects are financed entirely by sublease payments made by Timken and loan payments made by EXAL to the Port Authority.

**General Fund Budgeting Highlights**

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

The Board of Directors does not prepare an annual budget for the Airport Improvement Program Fund because this fund was established to account for the financial resources of the Port Authority's Airport Improvement Program Federal Assistance Grants. However, the associated grant agreements include individual budgets set by the Federal Aviation Administration (FAA). The FAA reviews and approves the expenditure of grant proceeds prior to transmitting such proceeds and any deviation from the grants' budgets is not permitted. The Board of Directors approves, by resolution, the acceptance of each individual awarded grant and adopts the appropriate accompanying grant budget.

In addition, the Board of Directors does not prepare an annual budget for the Small Community Air Service Development Fund because this fund was established to account for the financial resources of the Port Authority's Small Community Air Service Development Federal Assistance Grant. However, the associated grant agreement included an individual budget set by the Department of Transportation (DOT). The DOT reviews and approves the expenditure of grant proceeds prior to transmitting such proceeds and any deviation from the grant's budget is not permitted. The Board of Directors approved, by resolution, the acceptance of this grant and adopted the accompanying grant budget.

The Port Authority's General Fund had final budgeted receipts of \$1,130,177 while actual receipts were \$1,109,337. The negative difference of (\$20,839) was primarily due to higher rental/lease income (\$51,781) for Hangar 2 was anticipated. Hangar 2 tenant, Ready Air, LLC, poor rental and fee payment practices, its subsequent bankruptcy, and its vacating of Hangar 2, that significantly reduced the rental/lease income normally generated by Hangar 2 by nearly \$50,000.

**Western Reserve Port Authority, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*

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The Port Authority's General Fund had final budgeted disbursements of \$1,098,914 while actual disbursements were \$1,025,874. The positive difference of \$73,040 was primarily due to lower than expected repairs and maintenance costs by \$61,311 as a result of certain maintenance programs performed in 2006 required unusually lower than expected material costs for repairs and maintenance.

**Current Issues**

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

In the Spring of 2007, the airport applied for a USDOT Small Community Air Service Development (SCASD) grant. The goals and objectives of this submitted application were to fund a revenue guarantee program designed to reinstate scheduled commercial air service at the Youngstown-Warren Regional Airport. In October 2007 the airport was awarded a \$575,000 SCASD federal grant. This grant will allow the Port Authority to establish a revenue guarantee program and to target connecting regional jet service on a major U.S. airline operating a large hub in the Midwest or Southern U.S.. This revenue guarantee program will augment the ongoing air service development efforts made on behalf of the Youngstown-Warren Regional Airport during the past few years in an attempt to initiate daily scheduled commercial air service by a major airline for the first time since 2002.

In 2007, the Port Authority participated with the State of Ohio, through the Director of the Ohio Department of Development, in the Central Waste, Inc. (Central Waste) Project (Project) that consisted of assisting Central Waste expand its operations in the Mahoning Valley by providing financial resources to Central Waste to establish a solid waste landfill including costs for site acquisition, construction and installation of solid waste disposal facilities, and related equipment purchases. The Port Authority's involvement in the Project consisted of obtaining a combined \$45,000,000 in Waste Facility Revenue Bonds and Solid Waste Facility Revenue Bonds through the Ohio Enterprise Bond Fund. With this Project, the Port Authority has obtained in the past eight years, financing in excess of \$92,000,000 for economic development projects within Mahoning and Trumbull Counties.

In the Summer of 2008, in an effort to fully utilize its abilities as a port authority to advance economic development within Mahoning and Trumbull Counties, the Port Authority established an Economic Development Division. The area's leading federal, state, county, and local public officials, as well as the area's leading active business organizations, recognize this Project as one of the area's most critical endeavors to job creation and successful economic development. With the support of these officials and organizations, coupled with significant monetary support already pledged from several area governmental units, the Port Authority can dedicate additional personnel and resources toward accelerating its duty to be the cornerstone of economic development and growth for the community in the 21<sup>st</sup> century. The Economic Development Division is expected to begin operations in early 2009.

**Contacting the Port Authority's Management**

This financial report is designed to provide our users, citizens, taxpayers, creditors, and all other interested parties with a general overview of the Port Authority's finances and to reflect the Port Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Steve Bowser, Director of Aviation, Western Reserve Port Authority, Youngstown-Warren Regional Airport, 1453 Youngstown-Kingsville Road, NE, Vienna, Ohio, 44473.

**Western Reserve Port Authority, Ohio**  
Statement of Net Assets - Cash Basis  
December 31, 2006

|                           | Governmental<br>Activities | Business-Type<br>Activities | Total            |
|---------------------------|----------------------------|-----------------------------|------------------|
| <b>Assets</b>             |                            |                             |                  |
| Cash and Cash Equivalents | \$307,931                  | \$13,941                    | \$321,872        |
| <b>Net Assets</b>         |                            |                             |                  |
| Restricted for:           |                            |                             |                  |
| Capital Outlay            | \$93,799                   | \$0                         | \$93,799         |
| Other Purposes            | 126,668                    | 13,941                      | 140,609          |
| Unrestricted              | 87,464                     | 0                           | 87,464           |
| <b>Total Net Assets</b>   | <b>\$307,931</b>           | <b>\$13,941</b>             | <b>\$321,872</b> |

See accompanying Notes to the Basic Financial Statements.

**Western Reserve Port Authority, Ohio**  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2006

|  | Program Cash Receipts |                         |  |  | Net Receipts (Disbursements)<br>and Changes in Net Assets |                             |                  |
|--|-----------------------|-------------------------|--|--|---|-----------------------------|------------------|
|  | Cash<br>Disbursements | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                | Business-Type<br>Activities | Total            |
| <b>Governmental Activities</b>                                 |                       |                         |  |  |   |                             |                  |
| Personal Services  | \$500,091             | \$102,437               | \$0                                      | \$0                                    | (\$397,654)   | \$0                         | (\$397,654)      |
| Materials and Supplies   | 48,658                | 13,553                  | 0  | 0                                      | (35,105)  | 0                           | (35,105)         |
| Contractual Services   | 768,170               | 157,349                 | 568,638                                  | 0                                      | (42,183)  | 0                           | (42,183)         |
| Travel   | 8,119                 | 1,663                   | 0  | 0                                      | (6,456)   | 0                           | (6,456)          |
| Utilities  | 168,733               | 30,976                  | 0  | 0                                      | (137,757)   | 0                           | (137,757)        |
| Repair and Maintenance   | 50,789                | 10,403                  | 0  | 0                                      | (40,386)  | 0                           | (40,386)         |
| Capital Outlay   | 474,209               | 97,135                  | 0  | 533,032                                | 155,958   | 0                           | 155,958          |
| Other Cash Disbursements                                       | 9,403                 | 1,926                   | 0  | 0                                      | (7,477)   | 0                           | (7,477)          |
| <b>Total Governmental Activities</b>                           | <b>2,028,172</b>      | <b>415,442</b>          | <b>568,638</b>                           | <b>533,032</b>                         | <b>(511,060)</b>  | <b>0</b>                    | <b>(511,060)</b> |
| <b>Business-Type Activities</b>                                |                       |                         |  |  |   |                             |                  |
| Conduit Debt Activity  | 11,502,062            | 11,502,062              | 0  | 0                                      | 0   | 0                           | 0                |
| <b>Total Business-Type Activities</b>                          | <b>11,502,062</b>     | <b>11,502,062</b>       | <b>0</b>                                 | <b>0</b>                               | <b>0</b>  | <b>0</b>                    | <b>0</b>         |
| <b>Total</b>   | <b>\$13,530,234</b>   | <b>\$11,917,504</b>     | <b>\$568,638</b>                         | <b>\$533,032</b>                       | <b>(511,060)</b>  | <b>0</b>                    | <b>(511,060)</b> |
| <b>General Receipts</b>  |                       |                         |  |  |   |                             |                  |
| Grants and Entitlements not<br>Restricted to Specific Programs |                       |                         |  |  | 628,509   | 0                           | 628,509          |
| Investment Earnings  |                       |                         |  |  | 137   | 0                           | 137              |
| Miscellaneous Receipts   |                       |                         |  |  | 65,249  | 0                           | 65,249           |
| <b>Total General Receipts</b>                                  |                       |                         |  |  | <b>693,895</b>  | <b>0</b>                    | <b>693,895</b>   |
| Changes in Net Assets  |                       |                         |  |  | 182,835   | 0                           | 182,835          |
| Net Assets - January 1, 2006                                   |                       |                         |  |  | 125,096   | 13,941                      | 139,037          |
| <b>Net Assets - December 31, 2006</b>                          |                       |                         |  |  | <b>\$307,931</b>  | <b>\$13,941</b>             | <b>\$321,872</b> |

See accompanying Notes to the Basic Financial Statements.

**Western Reserve Port Authority, Ohio**  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006

|  | General  | Airport<br>Improvement<br>Program | Total     |
|--|----------|-----------------------------------|-----------|
| <b>Assets</b>                              |          |                                   |           |
| Equity in Pooled Cash and Cash Equivalents | \$87,464 | \$220,467                         | \$307,931 |
| <b>Fund Balances</b>                       |          |                                   |           |
| Reserved for Encumbrances                  | \$74,864 | \$0                               | \$74,864  |
| Unreserved and/or Undesignated             | 12,600   | 220,467                           | 233,067   |
| Total Fund Balances                        | \$87,464 | \$220,467                         | \$307,931 |

See accompanying Notes to the Basic Financial Statements.

**Western Reserve Port Authority, Ohio**  
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006

|  | General         | Airport<br>Improvement<br>Program | SCASD Grant | Total            |
|--|-----------------|-----------------------------------|-------------|------------------|
| <b>Cash Receipts</b>                                       |                 |                                   |             |                  |
| <b>Operating Cash Receipts:</b>                            |                 |                                   |             |                  |
| Fees and Charges for Services                              | \$95,921        | \$0                               | \$0         | \$95,921         |
| Rental/Lease Income  | 319,521         | 0                                 | 0           | 319,521          |
| Total Operating Cash Receipts                              | 415,442         | 0                                 | 0           | 415,442          |
| <b>Non-Operating Cash Receipts:</b>                        |                 |                                   |             |                  |
| Intergovernmental Receipts                                 | 628,509         | 890,825                           | 210,845     | 1,730,179        |
| Earnings on Investments                                    | 137             | 0                                 | 0           | 137              |
| Other Cash Receipts  | 65,249          | 0                                 | 0           | 65,249           |
| Total Non-Operating Cash Receipts                          | 693,895         | 890,825                           | 210,845     | 1,795,565        |
| Total Cash Receipts  | 1,109,337       | 890,825                           | 210,845     | 2,211,007        |
| <b>Cash Disbursements</b>                                  |                 |                                   |             |                  |
| Personal Services  | 500,091         | 0                                 | 0           | 500,091          |
| Materials and Supplies                                     | 48,658          | 0                                 | 0           | 48,658           |
| Contractual Services                                       | 228,224         | 288,123                           | 251,823     | 768,170          |
| Travel   | 8,119           | 0                                 | 0           | 8,119            |
| Utilities  | 168,733         | 0                                 | 0           | 168,733          |
| Repair and Maintenance                                     | 50,789          | 0                                 | 0           | 50,789           |
| Capital Outlay   | 11,857          | 462,352                           | 0           | 474,209          |
| Other Cash Disbursements                                   | 9,403           | 0                                 | 0           | 9,403            |
| Total Cash Disbursements                                   | 1,025,874       | 750,475                           | 251,823     | 2,028,172        |
| Excess of Cash Receipts<br>Over/(Under) Cash Disbursements | 83,463          | 140,350                           | (40,978)    | 182,835          |
| <b>Other Financing Receipts and (Disbursements)</b>        |                 |                                   |             |                  |
| Advances-In  | 0               | 0                                 | 15,526      | 15,526           |
| Advances-Out   | (15,526)        | 0                                 | 0           | (15,526)         |
| Transfers-In   | 0               | 37,035                            | 25,452      | 62,487           |
| Transfers-Out  | (62,487)        | 0                                 | 0           | (62,487)         |
| Total Other Financing Receipts and (Disbursements)         | (78,013)        | 37,035                            | 40,978      | 0                |
| Net Changes in Fund Cash Balances                          | 5,450           | 177,385                           | 0           | 182,835          |
| Fund Cash Balances - January 1, 2006                       | 82,014          | 43,082                            | 0           | 125,096          |
| <b>Fund Cash Balances - December 31, 2006</b>              | <b>\$87,464</b> | <b>\$220,467</b>                  | <b>\$0</b>  | <b>\$307,931</b> |

See accompanying Notes to the Basic Financial Statements.

**Western Reserve Port Authority, Ohio**  
Statement of Receipts, Disbursements, and Changes in Fund Balances -  
Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2006

|   | Budgeted Amounts |                 | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|-----------------|-----------------|---|
|   | Original         | Final           |                 |   |
| <b>Receipts</b>                                     |                  |                 |                 |   |
| <b>Operating Receipts:</b>                          |                  |                 |                 |   |
| Fees and Charges for Services                       | \$95,000         | \$95,000        | \$95,921        | \$921   |
| Rental/Lease Income                                 | 371,302          | 371,302         | 319,521         | (51,781)  |
| Total Operating Receipts                            | 466,302          | 466,302         | 415,442         | (50,860)  |
| <b>Non-Operating Receipts:</b>                      |                  |                 |                 |   |
| Intergovernmental Receipts                          | 647,025          | 647,025         | 628,509         | (18,516)  |
| Earnings on Investments                             | 350              | 350             | 137             | (213)   |
| Other Receipts                                      | 16,500           | 16,500          | 65,249          | 48,749  |
| Total Non-Operating Receipts                        | 663,875          | 663,875         | 693,895         | 30,020  |
| Total Receipts                                      | 1,130,177        | 1,130,177       | 1,109,337       | (20,840)  |
| <b>Disbursements</b>                                |                  |                 |                 |   |
| Personal Services                                   | 532,624          | 532,624         | 500,091         | 32,533  |
| Materials and Supplies                              | 28,600           | 28,600          | 66,166          | (37,566)  |
| Contractual Services                                | 244,280          | 244,280         | 228,224         | 16,056  |
| Travel  | 8,500            | 8,500           | 8,119           | 381   |
| Utilities   | 144,300          | 144,300         | 151,225         | (6,925)   |
| Repair and Maintenance                              | 112,100          | 112,100         | 50,789          | 61,311  |
| Capital Outlay                                      | 27,510           | 27,510          | 11,857          | 15,653  |
| Other Disbursements                                 | 1,000            | 1,000           | 9,403           | (8,403)   |
| Total Disbursements                                 | 1,098,914        | 1,098,914       | 1,025,874       | 73,040  |
| Excess of Receipts<br>Over/(Under) Disbursements    | 31,263           | 31,263          | 83,463          | 52,200  |
| <b>Other Financing Receipts and (Disbursements)</b> |                  |                 |                 |   |
| Advances-Out  | 0                | 0               | (15,526)        | (15,526)  |
| Transfers-Out                                       | (30,000)         | (30,000)        | (62,487)        | (32,487)  |
| Total Other Financing Receipts and (Disbursements)  | (30,000)         | (30,000)        | (78,013)        | (48,013)  |
| Net Changes in Fund Balances                        | 1,263            | 1,263           | 5,450           | 4,187   |
| Fund Balances - January 1, 2006                     | 32,120           | 32,120          | 32,120          |   |
| Prior Year Encumbrances Appropriated                | 49,894           | 49,894          | 49,894          |   |
| <b>Fund Balances - December 31, 2006</b>            | <b>\$83,277</b>  | <b>\$83,277</b> | <b>\$87,464</b> | <b>\$4,187</b>  |

See accompanying Notes to the Basic Financial Statements.

**Western Reserve Port Authority, Ohio**  
Statement of Receipts, Disbursements, and Changes in Fund Balances -  
Budget and Actual (Budget Basis)  
Airport Improvement Program Fund  
For the Year Ended December 31, 2006

|  | Budgeted Amounts |            | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------|------------------|---|
|  | Original         | Final      |                  |   |
| <b>Receipts</b>                                  |                  |            |                  |   |
| <b>Non-Operating Receipts:</b>                   |                  |            |                  |   |
| Intergovernmental Receipts                       | \$890,825        | \$890,825  | \$890,825        | \$0   |
| Total Receipts                                   | 890,825          | 890,825    | 890,825          | 0   |
| <b>Disbursements</b>                             |                  |            |                  |   |
| Contractual Services                             | 381,921          | 381,921    | 288,123          | 93,798  |
| Capital Outlay                                   | 589,021          | 589,021    | 462,352          | 126,669   |
| Total Disbursements                              | 970,942          | 970,942    | 750,475          | 220,467   |
| Excess of Receipts<br>Over/(Under) Disbursements | (80,117)         | (80,117)   | 140,350          | 220,467   |
| <b>Other Financing Receipts</b>                  |                  |            |                  |   |
| Transfers-In                                     | 37,035           | 37,035     | 37,035           | 0   |
| Total Other Financing Receipts                   | 37,035           | 37,035     | 37,035           | 0   |
| Net Changes in Fund Balances                     | (43,082)         | (43,082)   | 177,385          | 220,467   |
| Fund Balances - January 1, 2006                  | 0                | 0          | 0                |   |
| Prior Year Encumbrances Appropriated             | 43,082           | 43,082     | 43,082           |   |
| <b>Fund Balances - December 31, 2006</b>         | <b>\$0</b>       | <b>\$0</b> | <b>\$220,467</b> | <b>\$220,467</b>  |

See accompanying Notes to the Basic Financial Statements.



**Western Reserve Port Authority, Ohio**  
Statement of Receipts, Disbursements, and Changes in Fund Balances -  
Budget and Actual (Budget Basis)  
SCASD Fund  
For the Year Ended December 31, 2006

|  | Budgeted Amounts |            | Actual     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------|------------|---|
|  | Original         | Final      |            |   |
| <b>Receipts</b>                                  |                  |            |            |   |
| <b>Non-Operating Receipts:</b>                   |                  |            |            |   |
| Intergovernmental Receipts                       | \$210,845        | \$210,845  | \$210,845  | \$0   |
| Total Receipts                                   | 210,845          | 210,845    | 210,845    | 0   |
| <b>Disbursements</b>                             |                  |            |            |   |
| Contractual Services                             | 251,823          | 251,823    | 251,823    | 0   |
| Total Disbursements                              | 251,823          | 251,823    | 251,823    | 0   |
| Excess of Receipts<br>Over/(Under) Disbursements | (40,978)         | (40,978)   | (40,978)   | 0   |
| <b>Other Financing Receipts</b>                  |                  |            |            |   |
| Advances-In                                      | 15,526           | 15,526     | 15,526     | 0   |
| Transfers-In                                     | 25,452           | 25,452     | 25,452     | 0   |
| Total Other Financing Receipts                   | 40,978           | 40,978     | 40,978     | 0   |
| Net Changes in Fund Balances                     | 0                | 0          | 0          | 0   |
| Fund Balances - January 1, 2006                  | 0                | 0          | 0          |   |
| Prior Year Encumbrances Appropriated             | 0                | 0          | 0          |   |
| <b>Fund Balances - December 31, 2006</b>         | <b>\$0</b>       | <b>\$0</b> | <b>\$0</b> | <b>\$0</b>  |

See accompanying Notes to the Basic Financial Statements.

**Western Reserve Port Authority, Ohio**  
Statement of Cash Basis Assets and Fund Balance  
Proprietary Fund  
December 31, 2006

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**Assets**

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

**Fund Balances**

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

See accompanying Notes to the Basic Financial Statements.

**Western Reserve Port Authority, Ohio**  
Statement of Cash Receipts, Cash Disbursements, and  
Changes in Cash Basis Fund Balance  
Proprietary Fund  
For the Year Ended December 31, 2006

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|  |                             |
|--|-----------------------------|
| <b>Operating Cash Receipts</b>                           |                             |
| Conduit Debt - Proceeds from Bond and Loan Issuances     | \$ 10,000,000               |
| Conduit Debt - Sublease Payments                         | 847,610                     |
| Conduit Debt - Payments for Bonds and Loans Debt Service | <u>654,452</u>              |
| Total Operating Cash Receipts                            | <u>11,502,062</u>           |
| <br><b>Operating Cash Disbursements</b>                  |                             |
| Conduit Debt - Loan Issued                               | 10,000,000                  |
| Conduit Debt - Capital Lease Payments                    | 847,610                     |
| Conduit Debt - Bonds and Loan Debt Service Payments      | <u>654,452</u>              |
| Total Operating Cash Disbursements                       | <u>11,502,062</u>           |
| Fund Cash Balance - January 1, 2006                      | <u>13,941</u>               |
| <b>Fund Cash Balance - December 31, 2006</b>             | <b><u><u>13,941</u></u></b> |

See accompanying Notes to the Basic Financial Statements.

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

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

***Reporting Entity***

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of all funds and departments that are not legally separate from the Port Authority.

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

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

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

***A. Basis of Presentation***

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

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

The government-wide statement of net assets presents the cash balances of the governmental and business-type activities of the Port Authority at year-end.

**Western Reserve Port Authority, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

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

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

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

### **B. Fund Accounting**

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

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

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

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

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

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

**Enterprise Fund** This Fund is utilized to account for the conduit debt activity of the Timken Latrobe Steel Distribution Project and the EXAL Corporation Project as described in Notes 8 and 9.

**C. Basis of Accounting**

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

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

**D. Cash and Cash Equivalents**

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

The Port Authority maintained the cash balances of its funds in interest and non-interest bearing checking accounts. Interest earned from these accounts during 2006 amounted to \$137 and was credited to the General Fund. A non-interest bearing checking account is maintained due to regulations prohibiting the Port Authority from earning interest on available cash balances received from several of its federal financial assistance grants.

An analysis of the Port Authority's equity in pooled cash at December 31, 2006 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, 2006 are reported as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**F. Inventory**

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

**G. Capital Assets**

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

**H. Long-Term Obligations**

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

***I. Accumulated Leave Time***

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

***J. Fund Balance Reserves***

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

***K. Net Assets Restrictions***

Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation (adopted by the Port Authority), or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports \$220,467 of restricted net assets for governmental activities, all of which is restricted by agreements with grantors, and \$13,941 of restricted net assets for business-type activities, all of which is restricted by contractual obligations.

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

***L. Interfund Activity***

Non-exchange flows of cash from one fund to another are reported in the financial statements as interfund transfers. The Port Authority maintains certain federal programs that require the Port Authority to contribute local resources (matching funds) to support these federal programs. The Port Authority complied with the matching requirements of these federal programs by transferring \$37,035 from the General Fund into the Airport Improvement Program Fund and by transferring \$25,452 from the General Fund into the Small Community Air Service Development Fund. Interfund transfers are reflected as other financing sources/(uses) in the accompanying financial statements.

Flows of cash from one fund to another that are expected to be repaid within a twelve-month period are reported in the financial statements as interfund advances. The Port Authority's Small Community Air Service Development Federal Assistance Grant is funded by the Department of Transportation (DOT) on a reimbursement-type basis. The Port Authority advanced \$15,526 from the General Fund into the Small Community Air Service Development Fund to satisfy current contractual obligations of the Program. Reimbursement from the DOT is expected in 2007. Interfund advances are reflected as other financing sources/(uses) in the accompanying financial statements.

***M. Budgetary Process***

The Ohio Revised Code requires the Board of Directors to annually prepare a budget for the Port Authority. The Port Authority's annual budget, which is prepared on the budgetary basis of accounting, presents the Port Authority's estimated resources and appropriations for the General Fund.

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

**Western Reserve Port Authority, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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The legal level of control has been established by the Board of Directors at the function level for the General Fund. Any budgetary modifications at this level may only be made by resolution of the Board of Directors. The Board of Directors may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources.

The Board of Directors does not prepare an annual budget for the Airport Improvement Program Fund because this fund was established to account for the financial resources of the Port Authority's Airport Improvement Program Federal Assistance Grants. The associated grant agreements include individual budgets set by the Federal Aviation Administration (FAA). The FAA reviews and approves the expenditure of grant proceeds prior to transmitting such proceeds and any deviation from the grants' budgets is not permitted. The Board of Directors approves, by resolution, the acceptance of each individual awarded grant and adopts the appropriate accompanying grant budget.

In addition, the Board of Directors does not prepare an annual budget for the Small Community Air Service Development Fund because this fund was established to account for the financial resources of the Port Authority's Small Community Air Service Development Federal Assistance Grant. The associated grant agreement included an individual budget set by the Department of Transportation (DOT). The DOT reviews and approves the expenditure of grant proceeds prior to transmitting such proceeds and any deviation from the grant's budget is not permitted. The Board of Directors approved, by resolution, the acceptance of this grant and adopted the accompanying grant budget.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For 2006, the Port Authority has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. This Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not affect the presentation of the financial statements and did not have an effect on the fund balances/net assets of the Port Authority as previously reported at December 31, 2005.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

State statutes classify monies 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 that the Port Authority Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. 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, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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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 Executive Administrative Assistant 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and.
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 Executive Administrative Assistant or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the Port Authority had no undeposited cash on hand.

**B. Deposits with Financial Institutions**

At December 31, 2006, the carrying amount of the Port Authority deposits was \$321,872. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, \$160,111 of the Port Authority's bank balance of \$348,993 was exposed to custodial credit risk as discussed below, while \$188,882 was covered by Federal Deposit Insurance Corporation.

**Western Reserve Port Authority, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**Custodial Credit Risk** Custodial credit risk is the risk that, in the event of bank failure, the Port Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Port Authority.

**C. Investments**

The Port Authority did not maintain any investments in 2006.

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

|   |                  |
|---|------------------|
| <u>Cash and Investments per Footnote</u>                                      |                  |
| Carrying amount of deposits with financial Institutions                       | <u>\$321,872</u> |
| <u>Equity in Pooled Cash and Cash Equivalents Per Statement of Net Assets</u> |                  |
| Governmental Activities   | \$307,931        |
| Business-Type Activities  | <u>13,941</u>    |
| Total   | <u>\$321,872</u> |

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, cash disbursements, and encumbrances. The Statements of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual (Budget Basis) for the Port Authority's major funds are presented on the budgetary basis to provide a meaningful comparison of actual receipts with the budget. The difference between the budgetary basis and the cash basis is that outstanding year-end encumbrances are treated as expenditures (budgetary basis) than as a reservation of fund balance (cash basis). The General Fund encumbrances outstanding at December 31, 2006 (budgetary basis) amounted to \$74,864.

**NOTE 6 – CAPITAL LEASE OBLIGATIONS**

The Port Authority financed the acquisition of a truck in 2004 through a leasing arrangement (cost/principal \$25,000, 66-month term, 5.95%). In addition, the Port Authority financed the acquisition of a copier on November 22, 2006 through a leasing arrangement (cost/principal \$8,000, 36-month term, 6.75%). Both of these leasing arrangements meet the criteria of capital leases as defined by FASB Statement No. 13 "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

Future payments collectively for these capital lease obligations follow:

| Year  | Amount          |
|-------|-----------------|
| 2007  | \$8,338         |
| 2008  | 8,338           |
| 2009  | <u>6,297</u>    |
| Total | <u>\$22,973</u> |

The Port Authority satisfied its 2006 capital lease obligation requirements.

**Western Reserve Port Authority, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 7 – TRUMBULL COUNTY – GENERAL OBLIGATION LOAN**

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

| Date            | Amount           |
|-----------------|------------------|
| October 1, 2007 | \$25,000         |
| October 1, 2008 | 50,000           |
| October 1, 2009 | 50,000           |
| October 1, 2010 | <u>25,000</u>    |
| Total           | <u>\$150,000</u> |

**NOTE 8 – TIMKEN LATROBE STEEL DISTRIBUTION PROJECT – CAPITAL LEASE OBLIGATION**

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

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

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

The Director let a 20-year capital lease to the Port Authority for the land, improvements, facilities, and equipment. Quarterly lease payments by the Port Authority meet the amounts needed to service the debt, including interest and fiscal charges, on the Bonds and the Loan. The Port Authority subleased the same to Timken who will make monthly lease payments meeting the amounts of the Port Authority's lease requirements. In the event of default by Timken, the Port Authority shall not have any liability under or in respect of its performances of the lease agreement. At such time, the Director will terminate the lease agreement and exclude the Port Authority from possession of the Project. The average monthly payment during 2006 was \$70,634 totaling \$847,610 for the year.

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

| Year        | Amount              |
|-------------|---------------------|
| 2007        | \$850,471           |
| 2008        | 851,627             |
| 2009        | 851,077             |
| 2010        | 850,488             |
| 2011        | 854,467             |
| 2012 – 2016 | 4,289,888           |
| 2017 – 2020 | <u>2,958,641</u>    |
| Total       | <u>\$11,506,659</u> |

**Western Reserve Port Authority, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 9 – EXAL CORPORATION PROJECT – CONDUIT DEBT OBLIGATION**

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

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

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

Payments totaling \$654,452 were made in 2006 to satisfy the current principal and interest requirements of the Bonds and Loan.

Future debt service of principal and interest to be paid by EXAL to the Port Authority, and subsequently paid by the Port Authority to the Director, follows:

| Year        | Amount             |
|-------------|--------------------|
| 2007        | \$916,783          |
| 2008        | 918,174            |
| 2009        | 917,129            |
| 2010        | 908,856            |
| 2011        | 907,556            |
| 2012 – 2016 | <u>3,942,428</u>   |
| Total       | <u>\$8,510,926</u> |

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

| Year        | Amount             |
|-------------|--------------------|
| 2007        | \$399,019          |
| 2008        | 395,363            |
| 2009        | 400,988            |
| 2010        | 400,463            |
| 2011        | 399,219            |
| 2012 – 2016 | <u>1,828,481</u>   |
| Total       | <u>\$3,823,533</u> |

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

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

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

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries to fund pension obligations. The Port Authority's contribution rate for pension benefits for 2006 was 9.2 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Port Authority's required contributions for pension obligations to the traditional and combined plans for the years ending December 31, 2006, 2005, and 2004 were \$42,056, \$36,082, and \$50,901, respectively.

**NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available.

Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-Employment Benefit (OPB) as described in *GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits Other Than Pension Benefits by State and Local Governmental Employers"*.

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5 percent and 6.3 percent based on annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4 percent plus) and an additional factor ranging from 0.5 percent and 6 percent annually for the next nine years. In subsequent years, ten years and beyond, health care costs were assumed to increase at 4 percent.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

**Western Reserve Port Authority, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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The number of active contributing participants in the traditional and combined plans was 369,214 as December 31, 2006. The Port Authority's actual employer contributions, which were used to fund post-employment benefits, for the years ending December 31, 2006, 2005, and 2004, were \$10,399, \$7,996, and \$11,280, respectively. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarial accrued liability and the unfounded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the Health Care Plan.

**NOTE 12 – CONTINGENT LIABILITIES**

***A. Pending Litigation***

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

***B. Grant Compliance***

The Port Authority receives assistance from federal and state agencies in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims, including amounts already received, resulting from such audits could become a liability of the General Fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Port Authority at December 31, 2006.

**NOTE 13 – RISK MANAGEMENT**

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

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

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

WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006

| Federal Grantor/<br>Pass Through Grantor<br>Program Title | Pass Through<br>Entity/Grant<br>Number | Federal<br>CFDA<br>Number | Receipts                | Disbursements         |
|---|--|---------------------------|-------------------------|-----------------------|
| <b><u>U.S. DEPARTMENT OF TRANSPORTATION/</u></b>          |  |                           |                         |                       |
| <i>Federal Aviation Administration:</i>                   |  |                           |                         |                       |
| Airport Improvement Program                               | 3-39-0096-2400                         | 20.106                    | -                       | 8,829                 |
|   | 3-39-0096-2904                         |                           | 199,255                 | 199,255               |
|   | 3-39-0096-3004                         |                           | 36,525                  | 35,772                |
|   | 3-39-0096-3105                         |                           | 145,026                 | 145,026               |
|   | 3-39-0096-3205                         |                           | 154,447                 | 97,740                |
|   | 3-39-0096-3306                         |                           | 355,572                 | 225,867               |
|   |  |                           | <u>890,825</u>          | <u>712,489</u>        |
| Small Community Air Service Development Grant             | OST-2004-17343-222                     | 20.930                    | 210,845                 | 153,686               |
| <b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>                 |  |                           | <b><u>1,101,670</u></b> | <b><u>866,175</u></b> |

*The accompanying notes to this schedule are an integral part of this schedule.*

**Western Reserve Port Authority, Ohio**  
*Notes to the Schedule of Federal Award Expenditures*  
*For the Year Ended December 31, 2006*

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 – MATCHING REQUIREMENTS**

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





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Port Board of Directors:

We have audited the financial statements of Western Reserve Port Authority (the Port) as of and for the year ended December 31, 2006, and have issued our report thereon dated October 21, 2008 wherein we noted the Port followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Port's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Port's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Port's internal control will not prevent or detect a material financial statement misstatement.

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

We noted other matters that we reported to the Port's management in a separate letter dated October 21, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Port's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Port's management in a separate letter dated October 21, 2008.

We intend this report solely for the information and use of the audit committee, management, and Port Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 21, 2008



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Directors:

#### **Compliance**

We have audited the compliance of Western Reserve Port Authority, Trumbull County, (the Port Authority), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Port Authority's major federal program. The Port Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Port Authority's compliance based on our audit.

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

In our opinion, Western Reserve Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

#### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Port's management in a separate letter dated October 21, 2008.

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

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

**Mary Taylor, CPA**  
Auditor of State

October 21, 2008

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

**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY  
DECEMBER 31, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>         | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>                       | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>              | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>      | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs Compliance Opinion</b>  | Unqualified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under ' .510?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs:</b>  | Airport Improvement Program/20.106<br>Small Community Air Service Development/20.930 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others   |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | Yes  |

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

|                       |  |
|-----------------------|--|
| <b>Finding Number</b> |  |
|-----------------------|--|

None

**3. FINDINGS FOR FEDERAL AWARDS**

|                       |  |
|-----------------------|--|
| <b>Finding Number</b> |  |
|-----------------------|--|

None

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**WESTERN RESERVE PORT AUTHORITY  
TRUMBULL COUNTY  
DECEMBER 31, 2006**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|--|------------------|--|
| 2005-001       | Report comment regarding significant improvement in financial reporting. | yes              | Records were maintained and reconciled. Financial Statements were prepared and available for audit.                                    |







**Mary Taylor, CPA**  
Auditor of State

**WESTERN RESERVE PORT AUTHORITY**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 11, 2008**