



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 NE
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, 2007. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Western Reserve Port Authority, Trumbull County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and the Airport Improvement Program Fund 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 December 17, 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 required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of Passenger Facility Charge Revenue required by 14 Code of Federal Regulations Part 158, are also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule and the schedule of passenger facility charge revenues 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 17, 2008

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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, 2007, 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 2007 are as follows:

Net assets of governmental activities decreased \$168,868, or 55%, a significant decrease from 2006. This was almost entirely due to the Airport Improvement Program Fund realizing a decrease in cash and cash equivalents of \$187,192 from 2006 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 decreased \$6,075 from 2006. The cash and cash equivalents of the non-major funds (All Other Funds) increased \$24,399 from 2006 that was entirely due to that, beginning in 2007, the Federal Aviation Administration allowed the Port Authority to assess a passenger facility charge to all commercial air service passenger employments, the receipts of which are accounted for in the Passenger Facility Charge Fund (non-major fund). Net assets of business-type activities remained constant from 2006.

The Port Authority had total governmental activities receipts of \$2,423,773. Program specific receipts accounted for \$1,492,889 or 62% of total governmental activities receipts. General receipts accounted for \$930,884 or 38% 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 20% and 42% of the total cash received for governmental activities for 2007. 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 29% and 9% of the total cash received for governmental activities for 2007. Conduit debt activity receipts, consisting of proceeds from bond 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 \$2,592,641. Program specific receipts offset \$1,492,890 of these disbursements. General receipts of \$930,884 and the expending of \$168,868 from fund balances available at January 1, 2007 offset the remaining disbursements. Capital outlay represents 33% of total disbursements for governmental activities. Of this amount, 100% was comprised of the disbursement of the Port Authority's Airport Improvement Program Federal Assistance Grants, an Ohio Department of Transportation State Assistance Grant, and related required matching funding. Contractual services represent 26% of total disbursements for governmental activities. Of this amount, 51% 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 22% of total disbursements for governmental activities consist of payroll and benefit related costs for Port Authority employees. Conduit debt activity disbursements, consisting of proceeds from bond issuances disbursed and conduit debt payments, represent 100 percent of total disbursements for business-type activities.

Total receipts of the General Fund increased moderately from 2006 primarily due to (1) rental/lease income receipts that increased from \$319,521 in 2006 to \$388,367 in 2007 a 22% increase, (2) intergovernmental receipts that increased from \$628,509 in 2006 to \$704,644 in 2007, a 12% increase, and (3) other cash receipts that increased from \$65,249 in 2006 to \$196,127 in 2007, a 301% increase.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007

The increase in rental/lease income receipts was primarily the result of that in 2006, Hangar 2 tenant, Ready Air, LLC, poor rental and fee payment practices, its subsequent bankruptcy, and its vacating of Hangar 2, significantly reduced the rental/lease income normally generated by Hangar 2 by nearly \$50,000. In 2007, the Port Authority attracted new tenants to occupy Hangar 2, thereby increasing the rental/lease income generated by Hangar 2 to a normal income level. The increase in intergovernmental receipts was primarily the result of a \$70,200 increase in subsidies received from Mahoning County in 2007 over 2006. The increase in other cash receipts was primarily the result of the Port Authority receiving a \$109,500 "Application Fee" from Central Waste, Inc. to offset certain professional fees incurred by the Port Authority during its process in obtaining \$45,000,000 in various revenue bonds for Central Waste, Inc., as described further below.

Total disbursements of the General Fund increased moderately from 2006 primarily due to 1) personal services disbursements that increased from \$500,091 in 2006 to \$563,779 in 2007 a 13% increase, 2) contractual service disbursements that increased from \$228,224 in 2006 to \$329,783 in 2007, a 45% increase, 3) utilities disbursements that increased from \$168,733 in 2006 to \$228,594 in 2007 a 35% increase, 4) repairs and maintenance disbursements that increased from \$50,789 in 2006 to \$114,743 in 2007, a 226% increase, and 5) other cash disbursements that increased from \$9,403 in 2006 to \$57,601 in 2007, a 613% increase.

The increase in personal services disbursements was primarily the result of extended periods of inclement weather in 2007 required an unusually high amount of overtime compensation to be paid to operations department personnel for snow removal that increased overtime costs in 2007 by nearly \$38,000 over 2006. The increase in contractual service disbursements was primarily the result of 1) an aggressive marketing campaign that began in 2007 to promote Allegiant Air's commercial air services at the Youngstown-Warren Regional Airport (Airport) increased marketing and promotions costs in 2007 by nearly \$73,000 over 2006, and 2) revised federal security regulations that required a heightened level of security presence at the Airport beginning in 2007 increased security costs in 2007 by nearly \$12,000 over 2006. The increase in utility disbursements was primarily the result of 1) unusually high rate increases in 2007 for electric and natural gas utility services increased utility costs in 2007 by nearly \$45,000 over 2006, and 2) extended periods of inclement weather required an unusually high volume of fuel for snow removal equipment to be purchased that increased fuel costs in 2007 by nearly \$11,000 over 2006. The increase in repairs and maintenance disbursements was primarily the result of certain maintenance programs performed in 2007 required unusually higher materials costs. The increase in other cash disbursements was primarily the result of, as mentioned above, the Port Authority received a \$109,500 "Application Fee" from Central Waste, Inc. to offset certain professional fees incurred by the Port Authority during its process in obtaining \$45,000,000 in various revenue bonds for Central Waste, Inc., of which \$54,750 of these fees were expended from other cash disbursements.

The financial activities of the Proprietary Fund, that accounts for the Port Authority's business-type activities, includes \$45,000,000 in proceeds from bond issuances. The Port Authority participated with the State of Ohio, through the Director of the Ohio Department of Development (Director), in the Central Waste, Inc. (Central Waste) Project (Project) that consisted of assisting Central Waste expand its operations in the Mahoning Valley by providing financial resources to Central Waste to establish a solid waste landfill including costs for site acquisition, construction and installation of solid waste disposal facilities, and related equipment purchases. The Port Authority's involvement in the Project consisted of obtaining \$40,000,000 in Solid Waste Facility Revenue Bonds and \$5,000,000 in Subordinate Solid Waste Facility Revenue Bonds through the Ohio Enterprise Bond Fund. The Port Authority passed through the proceeds of the Bond issuances to the Director who administered the Project and let a 20-year loan to Central Waste.

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. In addition, the governmental funds statements present the Port Authority's General Fund, Airport Improvement Program Fund, and non-major funds (All Other Funds) in separate columns.

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

Basis of Accounting

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

Reporting the Port Authority as a Whole

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

The *Statement of Net Assets* and the *Statement of Activities* reflect how the Port Authority did financially during 2007, 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.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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), 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), and participated with the State of Ohio, through the Director of the Ohio Department of Development, in the Central Waste, Inc. Project (Central Waste) that consisted of assisting Timken, EXAL, and Central Waste retain and expand their respective operations in the Mahoning Valley by providing financial resources to Timken, EXAL, and Central Waste 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, EXAL, and Central Waste 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.

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 two major governmental funds, the General Fund and the Airport Improvement Program Fund, which the governmental funds statements present in separate columns. The Port Authority maintains three non-major governmental funds, the Small Community Air Service Development Fund, the Passenger Facility Charge Fund, and the Ohio Department of Transportation Program Fund, which the governmental funds statements present collectively in one column (All Other Funds). 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.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007

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), the EXAL Corporation Project (EXAL), and the Central Waste, Inc. Project (Central Waste). The Port Authority maintains an enterprise fund to account for the conduit debt activity of these Projects, which is financed entirely by sublease payments made by Timken, and loan payments made by EXAL and Central Waste, to the Port Authority.

Port Authority as a Whole

Table 1 provides a summary of the Port Authority's net assets for 2007 compared to 2006 on a cash basis.

(Table 1)

Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Assets						
Cash and Cash Equivalents	\$139,063	\$307,931	\$13,941	\$13,941	\$153,004	\$321,872
Net Assets						
Restricted for:						
Capital Outlay	\$25,140	\$93,799	\$0	\$0	\$25,140	\$93,799
Other Purposes	32,534	126,668	13,941	13,941	46,475	140,609
Unrestricted	81,389	87,464	0	0	81,389	87,464
Total Net Assets	\$139,063	\$307,931	\$13,941	\$13,941	\$153,004	\$321,872

Over time, net assets can serve as a useful indicator of a government's financial position. As mentioned previously, net assets of governmental activities decreased \$168,868, or 55%, a significant decrease from 2006. This was almost entirely due to the Airport Improvement Program Fund realizing a decrease in cash and cash equivalents of \$187,192 from 2006 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 decreased \$6,075 from 2006. The cash and cash equivalents of the non-major funds (All Other Funds) increased \$24,399 from 2006 that was entirely due to that, beginning in 2007, the Federal Aviation Administration allowed the Port Authority to assess a passenger facility charge to all commercial air service passenger employments, the receipts of which are accounted for in the Passenger Facility Charge Fund (non-major fund). Net assets of business-type activities remained constant from 2006.

Table 2 presents a comparative analysis of changes in net assets for fiscal years 2007 and 2006.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Business-Type Activities 2007	Business-Type Activities 2006	Total 2007	Total 2006
Receipts:						
<i>Program Receipts:</i>						
Charges for Services	\$484,631	\$415,442	\$47,166,273	\$11,502,062	\$47,650,904	\$11,917,504
Operating Grants and Contributions	308,101	568,638	0	0	308,101	568,638
Capital Grants and Contributions	700,157	533,032	0	0	700,157	533,032
Total Program Receipts	1,492,889	1,517,112	47,166,273	11,502,062	48,659,162	13,019,174
<i>General Receipts:</i>						
Grants and Entitlements not Restricted to Specific Programs	704,644	628,509	0	0	704,644	628,509
Investment Earnings	243	137	0	0	243	137
Miscellaneous Receipts	225,997	65,249	0	0	225,997	65,249
Total General Receipts	930,884	693,895	0	0	930,884	693,895
Total Receipts	2,423,773	2,211,007	47,166,273	11,502,062	49,590,046	13,713,069
Disbursements:						
Personal Services	563,779	500,091	0	0	563,779	500,091
Materials and Supplies	33,540	48,658	0	0	33,540	48,658
Contractual Services	667,041	768,170	0	0	667,041	768,170
Travel	5,421	8,119	0	0	5,421	8,119
Utilities	228,594	168,733	0	0	228,594	168,733
Repair and Maintenance	114,743	50,789	0	0	114,743	50,789
Capital Outlay	857,042	474,209	0	0	857,042	474,209
Debt Service – Loan Repayment	25,000	0	0	0	25,000	0
Other Disbursements	97,481	9,403	0	0	97,481	9,403
Conduit Debt Activity	0	0	47,166,273	11,502,062	47,166,273	11,502,602
Total Disbursements	2,592,641	2,028,172	47,166,273	11,502,062	49,758,914	13,530,234
Increase/(Decrease) in Net Assets	(168,868)	182,835	0	0	(168,868)	182,835
Net Assets – January 1,	307,931	125,096	13,941	13,941	321,872	139,037
Net Assets - December 31,	\$139,063	\$307,931	\$13,941	\$13,941	\$153,004	\$321,872

Program specific receipts represent 62% 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 38% of total receipts for governmental activities, and of this amount, 76% 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, 2007

Capital outlay represents 33% of total disbursements for governmental activities. Of this amount, 100% was comprised of the disbursement of the Port Authority's Airport Improvement Program Federal Assistance Grants, an Ohio Department of Transportation State Assistance Grant, and related required matching funding.

Contractual services represent 26% of total disbursements for governmental activities. Of this amount, 51% 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 22% of total disbursements for governmental activities consist of payroll and benefit related costs for Port Authority employees.

Proceeds from bond issuances disbursed, capital lease payments, 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 2007 and 2006 is presented in Table 3.

(Table 3)

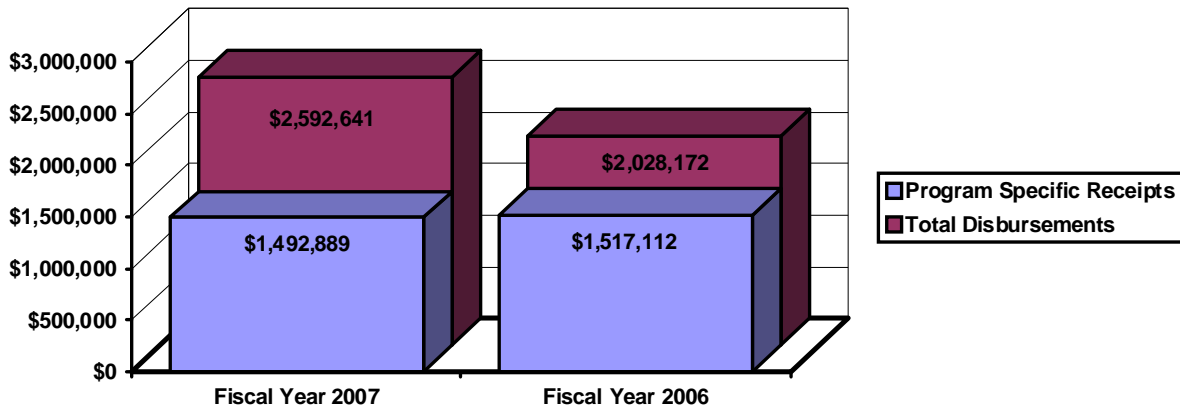
Cost of Services vs. Net Cost of Services

	Governmental Activities			
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
Personal Services	\$563,779	(\$458,394)	\$500,091	(\$397,654)
Materials and Supplies	33,540	(27,271)	48,658	(35,105)
Contractual Services	667,041	(266,832)	768,170	(42,183)
Travel	5,421	(4,407)	8,119	(6,456)
Utilities	228,594	(185,864)	168,733	(137,757)
Repair and Maintenance	114,743	(93,295)	50,789	(40,386)
Capital Outlay	857,042	3,318	474,209	155,958
Debt Service – Loan Repayment	25,000	(20,327)	0	0
Other Disbursements	97,481	(46,680)	9,403	(7,477)
Total	\$2,592,641	(\$1,099,752)	\$2,028,172	(\$511,060)

The chart below illustrates the Port Authority's dependence upon general receipts for fiscal years 2007 and 2006, as program specific receipts have not been sufficient to cover total disbursements for governmental activities.

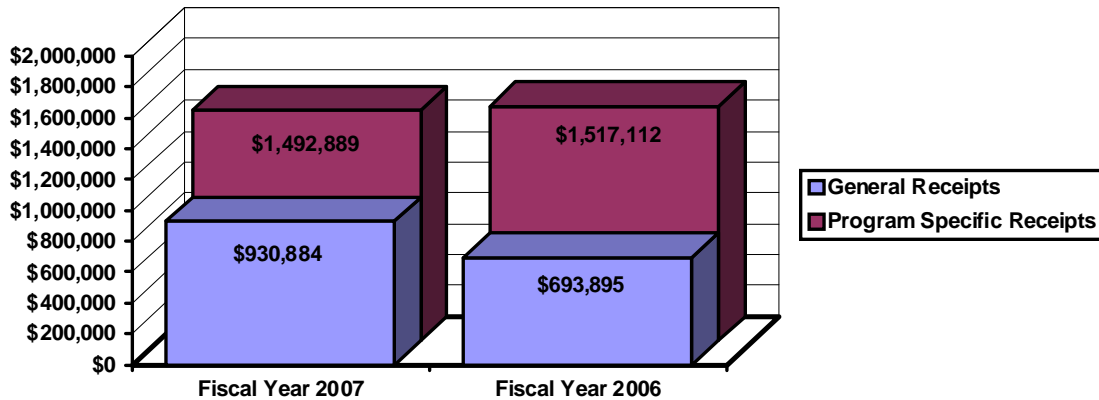
Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
 For the Year Ended December 31, 2007

Governmental Activities - Program Specific Receipts vs. Total Disbursements



The *Net Cost of Services* amount of (\$1,099,751) for governmental activities for 2007 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 36% of disbursements were supported through general receipts. The chart below illustrates the Port Authority's program specific receipts versus general receipts for fiscal years 2007 and 2006 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 2007 and 2006 is presented in Table 4.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007

(Table 4)

Cost of Services vs. Net Cost of Services

	Business-Type Activities			
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Conduit Debt Activity	\$47,166,273	\$0	\$11,502,062	\$0
Total	\$47,166,273	\$0	\$11,502,062	\$0

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, 2007 the Port Authority's General Fund unreserved fund balance was \$43,447 as compared to \$12,600 at December 31, 2006. This moderate decrease portrays a slightly stronger cash position for the General Fund at December 31, 2007 than at December 31, 2006.

The Port Authority had total cash receipts of \$49,590,046 and total cash disbursements of \$49,758,914 for all funds in 2007, although approximately 95% of both amounts are related with the conduit debt activity of the Proprietary Fund. Total governmental funds had cash receipts of \$2,423,773 and cash disbursements of \$2,592,641 in 2007. The greatest changes in cash receipts and cash disbursements within governmental funds from 2006 to 2007 occurred due to:

1) The General Fund's cash receipts increased from \$1,109,337 in 2006 to \$1,385,617 in 2007 primarily due to a) in 2006, Hangar 2 tenant, Ready Air, LLC, poor rental and fee payment practices, its subsequent bankruptcy, and its vacating of Hangar 2, significantly reduced the rental/lease income normally generated by Hangar 2 by nearly \$50,000, however, in 2007, the Port Authority attracted new tenants to occupy Hangar 2, thereby increasing the rental/lease income generated by Hangar 2 to a normal income level, b) a \$70,200 increase in subsidies received from Mahoning County in 2007 over 2006, and c) the Port Authority received a \$109,500 "Application Fee" from Central Waste, Inc. to offset certain professional fees incurred by the Port Authority during its process in obtaining \$45,000,000 in various revenue bonds for Central Waste, Inc.;

2) The General Fund's cash disbursements increased from \$1,025,874 in 2006 to \$1,358,461 in 2007 primarily due to a) extended periods of inclement weather in 2007 required an unusually high amount of overtime compensation to be paid to operations department personnel for snow removal that increased overtime costs in 2007 by nearly \$38,000 over 2006, b) an aggressive marketing campaign that began in 2007 to promote Allegiant Air's commercial air services at the Youngstown-Warren Regional Airport (Airport) increased marketing and promotions costs in 2007 by nearly \$73,000 over 2006, c) revised federal security regulations that required a heightened level of security presence at the Airport beginning in 2007 increased security costs in 2007 by nearly \$12,000 over 2006, d) unusually high rate increases in 2007 for electric and natural gas utility services increased utility costs in 2007 by nearly \$45,000 over 2006, e) extended periods of inclement weather required an unusually high volume of fuel for snow removal equipment to be purchased that increased fuel costs in 2007 by nearly \$11,000 over 2006, f) certain maintenance programs performed in 2007 required unusually higher materials costs, and g) as mentioned above, the Port Authority received a \$109,500 "Application Fee" from Central Waste, Inc. to offset certain professional fees incurred by the Port Authority during its process in obtaining \$45,000,000 in various revenue bonds for Central Waste, Inc., of which \$54,750 of these fees were expended from other cash disbursements;

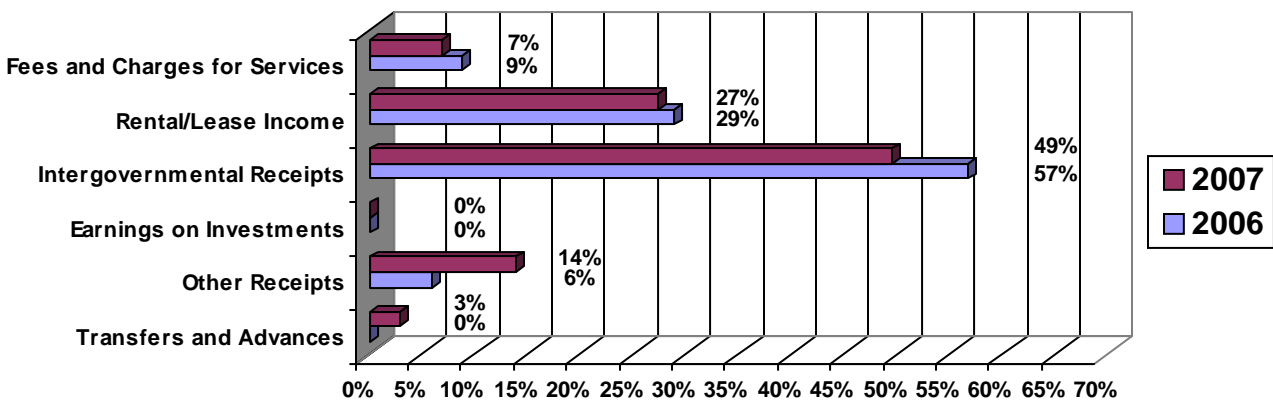
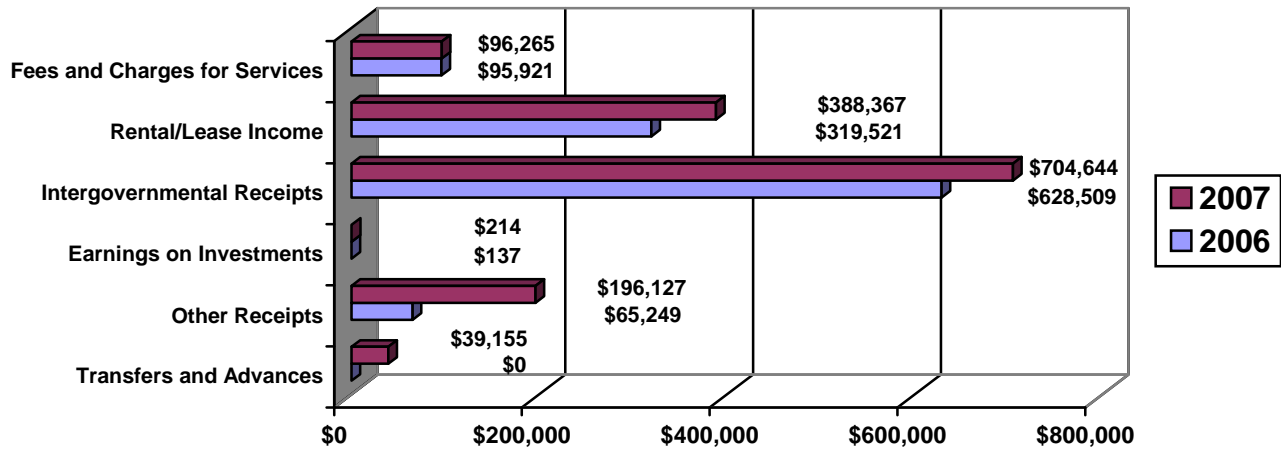
Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007

3) The Airport Improvement Program Fund's cash disbursements increased from \$750,475 in 2006 to \$1,155,871 in 2007 primarily due to receiving \$219,726 in Federal Program Grant proceeds at the end of December 2006 but not disbursing them until January 2007; and

4) The Small Community Air Service Development Federal Assistance Grant Fund's cash receipts decreased from \$210,845 in 2006 to \$39,155 in 2007 and cash disbursements decreased from \$251,823 in 2006 to \$23,782 in 2007 due to a decrease in federal funding in 2007 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.

Analysis of General Fund Receipts for Fiscal Years 2007 and 2006



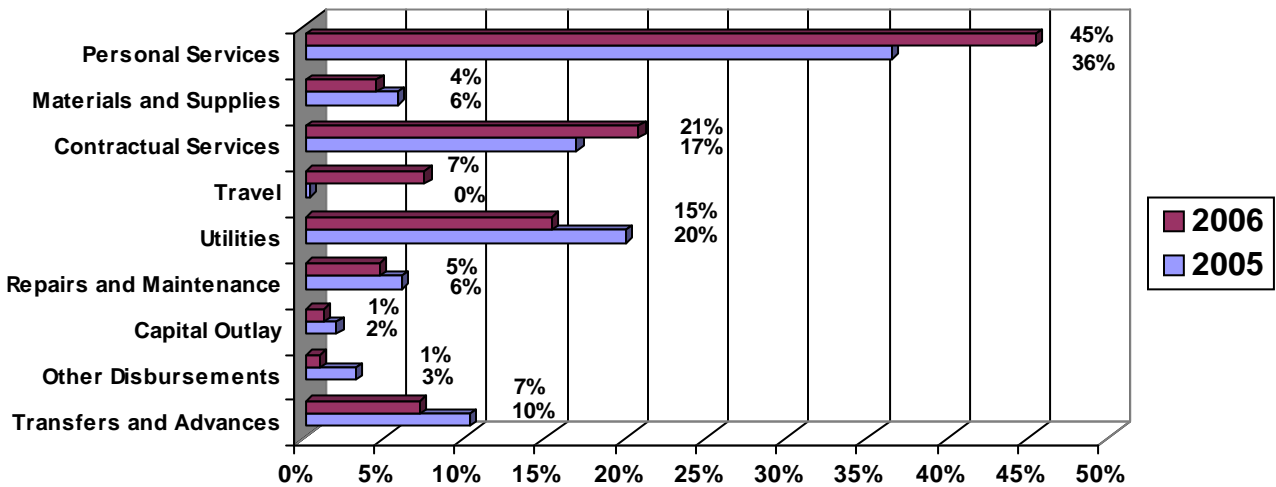
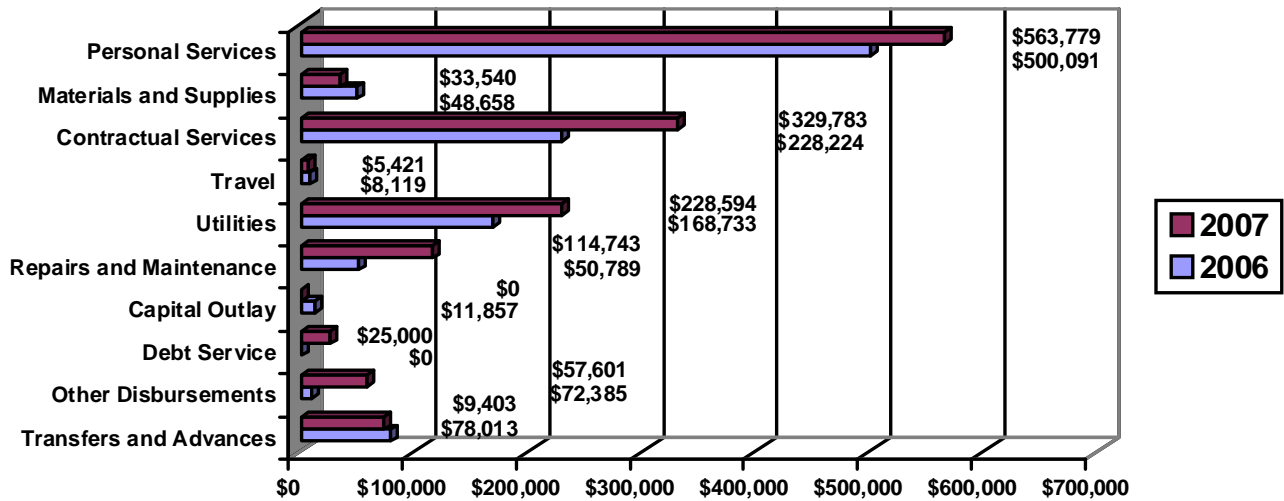
Intergovernmental receipts comprising of subsidies provided by Mahoning and Trumbull Counties is currently the primary source of funding for the Port Authority's general operations and remained moderately constant from \$628,509 in 2006 to \$704,464 in 2007, notwithstanding the previously mentioned \$70,200 increase in subsidies received from Mahoning County in 2007 as compared to 2006.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007

As previously mentioned, rental/lease income increased from \$319,521 in 2006 to \$388,367 in 2007 primarily the result of that in 2006, Hangar 2 tenant, Ready Air, LLC, poor rental and fee payment practices, its subsequent bankruptcy, and its vacating of Hangar 2, significantly reduced the rental/lease income normally generated by Hangar 2 by nearly \$50,000, however, in 2007, the Port Authority attracted new tenants to occupy Hangar 2, thereby increasing the rental/lease income generated by Hangar 2 to a normal income level. Other cash receipts that increased from \$65,249 in 2006 to \$196,127 in 2007 primarily the result of the Port Authority receiving a \$109,500 "Application Fee" from Central Waste, Inc. to offset certain professional fees incurred by the Port Authority during its process in obtaining \$45,000,000 in various revenue bonds for Central Waste, Inc.

All other receipts remained moderately constant from 2006 to 2007.

Analysis of General Fund Disbursements for Fiscal Years 2007 and 2006



Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007

As mentioned previously, extended periods of inclement weather in 2007 required an unusually high amount of overtime compensation to be paid to operations department personnel for snow removal that increased overtime costs in 2007 by nearly \$38,000 over 2006. An aggressive marketing campaign began in 2007 to promote Allegiant Air's commercial air services at the Youngstown-Warren Regional Airport (Airport) that increased marketing and promotions costs in 2007 by nearly \$73,000 over 2006. Revised federal security regulations required a heightened level of security presence at the Airport beginning in 2007 that increased security costs in 2007 by nearly \$12,000 over 2006. Unusually high rate increases in 2007 for electric and natural gas utility services increased utility costs in 2007 by nearly \$45,000 over 2006. Extended periods of inclement weather required an unusually high volume of fuel for snow removal equipment to be purchased that increased fuel costs in 2007 by nearly \$11,000 over 2006. Certain maintenance programs performed in 2007 required unusually higher materials costs. The Port Authority received a \$109,500 "Application Fee" from Central Waste, Inc. to offset certain professional fees incurred by the Port Authority during its process in obtaining \$45,000,000 in various revenue bonds for Central Waste, Inc., of which \$54,750 of these fees were expended from other cash disbursements.

Transfers and advances representing primarily local matching requirements for federal assistance programs decreased from \$78,013 in 2006 to \$72,385 in 2007.

All other disbursements remained moderately constant from 2006 to 2007.

Capital Assets and Debt Administration

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

Capital Lease Obligations - The Port Authority financed the acquisition of a truck in 2004, a copier in 2006, a truck on February 21, 2007, and four HVAC units on March 21, 2007, through leasing arrangements. All of these leasing arrangements meet the criteria of capital leases as defined by FASB Statement No. 13 "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Future payments collectively for these capital lease obligations are \$19,895, \$17,854, \$11,557, \$11,557, and \$2,456 due in 2008, 2009, 2010, 2011, and 2012, respectively.

Debt Administration - The Port Authority's outstanding debt as of December 31, 2007 for governmental activities is \$125,000 remaining for a zero-percent interest, general obligation loan from Trumbull County received on February 12, 2004, that was utilized to assist the Port Authority in providing an operational security deposit to Vacation Express Airlines necessary for the Airlines to begin its operations of providing direct commercial flights to Myrtle Beach, South Carolina and to Orlando-Sanford Airport, Florida. The remaining repayment schedule for the loan includes annual payments of \$50,000, \$50,000, and \$25,000 due on October 1 of 2008, 2009, and 2010, respectively.

The Port Authority's outstanding debt as of December 31, 2007 for business-type activities is for \$104,287,114, \$10,656,188 in capital lease payments due to the Director of the Ohio Department of Development as related to the Timken Latrobe Steel Distribution Project, \$7,594,143 in loan payments due to the Director of the Ohio Department of Development as related to the EXAL Corporation Project, \$3,424,515 in loan payments due to the Summit County Port Authority as related to the EXAL Corporation Project, and \$82,612,268 in loan payments due to the Director of the Ohio Department of Development as related to the Central Waste, Inc. Project. However, as previously mentioned, the Port Authority's debt service obligations for the Timken, EXAL, and Central Waste, Inc. Projects are financed entirely by sublease payments made by Timken and loan payments made by EXAL and Central Waste 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.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007

The Port Authority's General Fund had final budgeted receipts of \$1,420,227 while actual receipts were \$1,424,772 for an insignificant positive difference of \$4,545.

The Port Authority's General Fund had final budgeted disbursements of \$1,497,900 while actual disbursements were \$1,430,847 for an insignificant positive difference of \$67,053.

Current Issues

In the Spring of 2007, the Port Authority 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.

Including the Port Authority's involvement in the Central Waste, Inc. Project in 2007, that 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 and passing through the proceeds of the Bond issuances to Central Waste, Inc., 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 21st 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.

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Western Reserve Port Authority, Ohio
Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$139,063	\$13,941	\$153,004
Net Assets			
Restricted for:			
Capital Outlay	\$25,140	\$0	\$25,140
Other Purposes	32,534	13,941	46,475
Unrestricted	81,389	0	81,389
Total Net Assets	\$139,063	\$13,941	\$153,004

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts				Net Receipts (Disbursements) and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Personal Services	\$563,779	\$105,385	\$0	\$0	(\$458,394)	\$0	(\$458,394)
Materials and Supplies	33,540	6,269	0	0	(27,271)	0	(27,271)
Contractual Services	667,041	124,687	275,522	0	(266,832)	0	(266,832)
Travel	5,421	1,014	0	0	(4,407)	0	(4,407)
Utilities	228,594	42,730	0	0	(185,864)	0	(185,864)
Repair and Maintenance	114,743	21,448	0	0	(93,295)	0	(93,295)
Capital Outlay	857,042	160,203	0	700,157	3,318	0	3,318
Debt Service - Loan Repayment	25,000	4,673	0	0	(20,327)	0	(20,327)
Other Cash Disbursements	97,481	18,222	32,579	0	(46,680)	0	(46,680)
Total Governmental Activities	2,592,641	484,631	308,101	700,157	(1,099,752)	0	(1,099,752)
Business-Type Activities							
Conduit Debt Activity	47,166,273	47,166,273	0	0	0	0	0
Total Business-Type Activities	47,166,273	47,166,273	0	0	0	0	0
Total	\$49,758,914	\$47,650,904	\$308,101	\$700,157	(1,099,752)	0	(1,099,752)
General Receipts							
Grants and Entitlements not Restricted to Specific Programs					704,644	0	704,644
Investment Earnings					243	0	243
Miscellaneous Receipts					225,997	0	225,997
Total General Receipts					930,884	0	930,884
Changes in Net Assets					(168,868)	0	(168,868)
Net Assets - January 1, 2007					307,931	13,941	321,872
Net Assets - December 31, 2007					\$139,063	\$13,941	\$153,004

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, 2007

	General	Airport Improvement Program	All Other	Total
Assets				
Equity in Pooled Cash and Cash Equivalents	\$81,389	\$32,534	\$25,140	\$139,063
Fund Balances				
Reserved for Encumbrances	\$37,942	\$0	\$0	\$37,942
Unreserved and/or Undesignated	43,447	32,534	25,140	101,121
Total Fund Balances	\$81,389	\$32,534	\$25,140	\$139,063

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, 2007

	General	Airport Improvement Program	All Other	Total
Cash Receipts				
Operating Cash Receipts:				
Fees and Charges for Services	\$96,265	\$0	\$0	\$96,265
Rental/Lease Income	388,367	0	0	388,367
Total Operating Cash Receipts	484,632	0	0	484,632
Non-Operating Cash Receipts:				
Intergovernmental Receipts	704,644	929,882	78,375	1,712,901
Earnings on Investments	214	0	29	243
Other Cash Receipts	196,127	0	29,870	225,997
Total Non-Operating Cash Receipts	900,985	929,882	108,274	1,939,141
Total Cash Receipts	1,385,617	929,882	108,274	2,423,773
Cash Disbursements				
Personal Services	563,779	0	0	563,779
Materials and Supplies	33,540	0	0	33,540
Contractual Services	329,783	307,976	29,282	667,041
Travel	5,421	0	0	5,421
Utilities	228,594	0	0	228,594
Repair and Maintenance	114,743	0	0	114,743
Capital Outlay	0	808,015	49,026	857,041
Debt Service - Loan Repayment	25,000	0	0	25,000
Other Cash Disbursements	57,601	39,880	0	97,481
Total Cash Disbursements	1,358,461	1,155,871	78,308	2,592,640
Excess of Cash Receipts Over/(Under) Cash Disbursements	27,156	(225,989)	29,966	(168,867)
Other Financing Receipts and (Disbursements)				
Advances-In	39,155	0	0	39,155
Advances-Out	0	0	(39,155)	(39,155)
Transfers-In	0	38,798	33,587	72,385
Transfers-Out	(72,386)	0	0	(72,386)
Total Other Financing Receipts and (Disbursements)	(33,231)	38,798	(5,568)	(1)
Net Changes in Fund Cash Balances	(6,075)	(187,191)	24,398	(168,868)
Fund Cash Balances - January 1, 2007	87,464	219,726	741	307,931
Fund Cash Balances - December 31, 2007	\$81,389	\$32,535	\$25,139	\$139,063

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Operating Receipts:				
Fees and Charges for Services	\$120,916	\$95,472	\$96,265	\$793
Rental/Lease Income	434,497	387,500	388,367	867
Total Operating Receipts	555,413	482,972	484,632	1,660
Non-Operating Receipts:				
Intergovernmental Receipts	628,509	703,000	704,644	1,644
Earnings on Investments	0	0	214	214
Other Receipts	114,537	195,100	196,127	1,027
Total Non-Operating Receipts	743,046	898,100	900,985	2,885
Total Receipts	1,298,459	1,381,072	1,385,617	4,545
Disbursements				
Personal Services	561,839	565,000	563,779	1,221
Materials and Supplies	33,610	40,800	33,540	7,260
Contractual Services	327,742	350,100	329,783	20,317
Travel	9,900	5,500	5,421	79
Utilities	202,321	235,000	228,594	6,406
Repair and Maintenance	111,119	125,000	114,743	10,257
Capital Outlay	0	0	0	0
Debt Service - Loan Repayment	0	25,000	25,000	0
Other Disbursements	928	58,000	57,602	398
Total Disbursements	1,247,459	1,404,400	1,358,462	45,938
Excess of Receipts Over/(Under) Disbursements	51,000	(23,328)	27,155	50,483
Other Financing Receipts and (Disbursements)				
Advances-In	0	39,155	39,155	0
Transfers-Out	(36,385)	(93,500)	(72,385)	21,115
Total Other Financing Receipts and (Disbursements)	(36,385)	(54,345)	(33,230)	21,115
Net Changes in Fund Balances	14,615	(77,673)	(6,075)	71,598
Fund Balances - January 1, 2007	12,600	12,600	12,600	
Prior Year Encumbrances Appropriated	74,864	74,864	74,864	
Fund Balances - December 31, 2007	\$102,079	\$9,791	\$81,389	\$71,598

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Non-Operating Receipts:				
Intergovernmental Receipts	\$ 892,416	\$ 929,882	\$ 929,882	\$ -
Total Receipts	892,416	929,882	929,882	-
Disbursements				
Contractual Services	307,976	307,976	307,976	-
Capital Outlay	808,016	808,016	808,016	-
Other Disbursements	-	39,879	39,879	-
Total Disbursements	1,115,992	1,155,871	1,155,871	-
Excess of Receipts Over/(Under) Disbursements	(223,576)	(225,989)	(225,989)	-
Other Financing Receipts				
Transfers-In	36,385	38,798	38,798	-
Total Other Financing Receipts	36,385	38,798	38,798	-
Net Changes in Fund Balances	(187,191)	(187,191)	(187,191)	-
Fund Balances - January 1, 2007	219,726	219,726	219,726	
Prior Year Encumbrances Appropriated	-	-	-	
Fund Balances - December 31, 2007	\$ 32,535	\$ 32,535	\$ 32,535	\$ -

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, 2007

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$13,941</u></u>
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Fund Balances

Unreserved and/or Undesignated	<u><u>\$13,941</u></u>
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See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Cash Receipts, Cash Disbursements, and
Changes in Cash Basis Fund Balance
Proprietary Fund
For the Year Ended December 31, 2007

Operating Cash Receipts	
Conduit Debt - Proceeds from Bond Issuances	\$45,000,000
Conduit Debt - Sublease Payments	850,471
Conduit Debt - Payments for Bonds and Loans Debt Service	1,315,802
Total Operating Cash Receipts	47,166,273
 Operating Cash Disbursements	
Conduit Debt - Loan Issued	45,000,000
Conduit Debt - Capital Lease Payments	850,471
Conduit Debt - Bonds and Loans Debt Service Payments	1,315,802
Total Operating Cash Disbursements	47,166,273
Net Changes in Fund Cash Balance	0
Fund Cash Balance - January 1, 2007	13,941
Fund Cash Balance - December 31, 2007	\$13,941

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

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

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

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

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

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, the EXAL Corporation Project, and the Central Waste, Inc. Project as described in Notes 8, 9, and 10.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2007 amounted to \$243 of which \$214 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, 2007 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, 2007 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. Also, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 \$57,674 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 and state 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 and state programs by transferring \$38,798 from the General Fund into the Airport Improvement Program Fund, by transferring \$23,782 from the General Fund into the Small Community Air Service Development Fund, and by transferring \$9,805 from the General Fund into the Ohio Department of Transportation Capital Improvement 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 \$39,155 from the General Fund into the Small Community Air Service Development Fund in 2006 to satisfy contractual obligations of the Program. The total amount of this advance, \$39,155, was reimbursed to the General Fund 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 its governmental funds. The annual budget is reflected in the accompanying financial statements and is presented separately for each of the Port Authority's major funds and collectively for all of its non-major funds.

Estimated resources in the budget include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. Estimated resources establish a limit on the amount the Board of Directors may appropriate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimated resources may be adjusted during the year if the Board of Directors projects increases or decreases in receipts. The appropriations in the budget are the Port Authority's authorization to spend resources and set limits on expenditures plus encumbrances at the level of control selected by the Board of Directors. The legal level of control has been established by the Board of Directors at the function level for 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.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2007, the Port Authority has implemented GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold.

The implementation of GASB Statement No. 48 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, 2006.

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.

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;

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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

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, 2007, the carrying amount of the Port Authority deposits was \$153,004. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, \$12,498 of the Port Authority's bank balance of \$221,385 was exposed to custodial credit risk as discussed below, while \$208,887 was covered by Federal Deposit Insurance Corporation.

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 2007.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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>\$153,004</u>
<u>Equity in Pooled Cash and Cash Equivalents Per Statement of Net Assets</u>	
Governmental Activities	\$139,063
Business-Type Activities	<u>13,941</u>
Total	<u>\$153,004</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 governmental 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, 2007 (budgetary basis) amounted to \$37,942.

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%) and financed the acquisition of a copier in 2006 through a leasing arrangement (cost/principal \$8,000, 36-month term, 6.75%). In addition, the Port Authority financed the acquisition of a truck on February 21, 2007 through a leasing arrangement (cost/principal \$22,018, 60-month term, 6.75%) and financed the acquisition of four HVAC units March 21, 2007 through a leasing arrangement (cost/principal \$27,350, 60-month term, 6.08%). All of these leasing arrangements meet the criteria of capital leases as defined by FASB Statement No. 13 “Accounting for Leases”, which defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

Future payments collectively for these capital lease obligations follow:

Year	Amount
2008	\$19,895
2009	17,854
2010	11,557
2011	11,557
2012	<u>2,456</u>
Total	<u>\$63,319</u>

The Port Authority satisfied its 2007 capital lease obligation requirements.

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.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 7 – TRUMBULL COUNTY – GENERAL OBLIGATION LOAN – (CONTINUED)

Future payments for this loan follow:

Date	Amount
October 1, 2008	50,000
October 1, 2009	50,000
October 1, 2010	<u>25,000</u>
Total	<u>\$125,000</u>

The Port Authority satisfied its 2007 loan obligation requirement.

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 lease payment by Timken during 2007 was \$70,873 totaling \$850,471 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
2008	\$851,627
2009	851,077
2010	850,488
2011	854,467
2012	854,468
2013 – 2017	4,299,385
2018 – 2020	<u>2,094,676</u>
Total	<u>\$10,656,188</u>

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 9 – EXAL CORPORATION PROJECT – CONDUIT DEBT OBLIGATION

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

The Director obtained \$5,000,000 in State Economic Development Revenue Bonds (5.42% - 10 Years) through the Ohio Enterprise Bond Fund Program, and obtained a \$2,000,000 Loan (3% - 10 Years) from ODOT'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 \$1,315,802 were made in 2007 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
2008	\$918,174
2009	917,129
2010	908,856
2011	907,556
2012	905,464
2013 – 2016	<u>3,036,964</u>
Total	<u>\$7,594,143</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
2008	\$395,363
2009	400,988
2010	400,463
2011	399,219
2012	401,969
2013 – 2016	<u>1,426,513</u>
Total	<u>\$3,424,515</u>

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

NOTE 10 – CENTRAL WASTE, INC. PROJECT – CONDUIT DEBT OBLIGATION

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

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

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

Debt service on the Bonds begins on January 1, 2008.

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

Year	Amount
2008	\$2,663,302
2009	2,870,625
2010	4,300,625
2011	4,301,728
2012	4,297,225
2013 – 2017	21,483,843
2018 – 2022	21,351,820
2023 – 2027	<u>21,343,100</u>
Total	<u>\$82,612,268</u>

NOTE 11 – 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.

NOTE 11 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)

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, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries to fund pension obligations. The Port Authority's contribution rate for pension benefits for 2007 was 8.85 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, 2007, 2006, and 2005 were \$56,740, \$42,056, and \$36,082, respectively.

NOTE 12 – 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 2007 local government employer contribution rate was 13.85 percent of covered payroll; 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, 2006, 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 5 percent annually for the next eight years. In subsequent years, nine 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.

The number of active contributing participants in the traditional and combined plans was 374,979 as December 31, 2007. The Port Authority's actual employer contributions, which were used to fund post-employment benefits, for the years ending December 31, 2007, 2006, and 2005, were \$15,460, \$10,399, and \$7,996, 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, 2006 (the latest information available) were \$12 billion. The actuarial accrued liability and the unfounded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was 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, January 1, 2007, and January 1, 2008, which will allow additional funds to be allocated to the Health Care Plan.

NOTE 13 – 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. 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, 2007.

The Port Authority was not always in compliance with Ohio Revised Code Section 5705.41 (D).

NOTE 14 – 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, Ohio
Schedule of Federal Award Expenditures
For the Year Ended December 31, 2007

Federal Grantor/Pass Through Pass Through Grantor Program Title	Entity/Grant Identifier Number	CFDA Number	Receipts	Expenditures
U.S. Department of Transportation/ Federal Aviation Administration:				
Airport Improvement Program	3-39-0096-2904	20.106	\$37,821	\$37,821
	3-39-0096-3004	20.106	19,032	19,784
	3-39-0096-3105	20.106	9,600	9,600
	3-39-0096-3205	20.106	44,418	101,123
	3-39-0096-3306	20.106	204,414	334,149
	3-39-0096-3407	20.106	<u>614,597</u>	<u>614,597</u>
Total Airport Improvement Program			929,882	1,117,074
U.S. Department of Transportation				
Small Community Air Service Development Program	OST-2004-17343-222	20.930	<u>2,688</u>	<u>2,688</u>
Total Federal Financial Assistance			<u>\$932,570</u>	<u>\$1,119,762</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

Western Reserve Port Authority, Ohio
Notes to the Schedule of Federal Award Expenditures
For the Year Ended December 31, 2007

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – MATCHING REQUIREMENTS

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

WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY

SCHEDULE OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED DECEMBER 31, 2007

Passenger Facility Charge Revenues	\$	29,899
Passenger Facility Charge Expenditures		<u>5,500</u>
Excess of Revenues Over Expenditures		24,399
Balance January 1		<u>741</u>
Balance December 31	\$	<u><u>25,140</u></u>

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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 NE
Vienna, Ohio 44473

To the 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, 2007, and have issued our report thereon dated December 17, 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.

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 December 17, 2008.

Western Reserve Port Authority
Trumbull County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*

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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001

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.

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

December 17, 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, 2007. 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, 2007.

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 December 17, 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

December 17, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

Compliance

We have audited the compliance of Western Reserve Port Authority, Trumbull County, with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2007. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of Western Reserve Port Authority's management. Our responsibility is to express an opinion on Western Reserve 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 the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about Western Reserve Port Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Western Reserve 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 passenger facility charge program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Western Reserve Port Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. In planning and performing our audit, we considered Western Reserve Port Authority's internal control over compliance with requirements that could have a direct and material effect on its passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide.

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 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 that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Directors, and Federal Aviation Administration, and is not intended to be and should not be used by anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

December 17, 2008

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY
DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number	2007-001
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Non-Compliance Citation - Purchase Order Certifications

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order involving the expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Blanket Certificate: Fiscal officers may prepare so-called "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate: In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year or, in the case of counties, beyond the quarterly spending plan established by the county commissioners. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

We found that in 20 out of 50 vouchers (40%) tested in the non payroll disbursement the invoice date came before the purchase order date. Therefore, the Port did not certify the funds prior to incurring the obligation. In addition, the Port did not utilize the certification exceptions described above for those expenditures lacking prior certification.

We recommend the Port certify the availability of funds prior to expenditures being made. When prior certification is not feasible, we encourage the Port to utilize "Then and Now" certificates to ensure that purchases are certified upon entering into a contract or order involving the expenditure of the Port's money as per the requirements set forth in Ohio Rev. Code Section 5705.41 (D).

We did not receive a response from Officials to this finding.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	
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None



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
MARCH 19, 2009**