



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 Rd.
Vienna, Ohio 44473

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Western Reserve Port Authority, Trumbull County, Ohio (the Port Authority), as of and for the year ended December 31, 2005, which collectively comprise the Port Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions.

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 modified cash financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Western Reserve Port Authority, Trumbull County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Port Authority revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007, on our consideration of the Port Authority'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 the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the Management's Discussion and Analysis and express no opinion on it.

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

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

Mary Taylor, CPA
Auditor of State

December 3, 2007

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

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, 2005, 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 2005 are as follows:

Net assets of governmental activities increased \$23,989, or 24%, a significant change from 2004. This was entirely due to the General Fund realizing an increase in cash and cash equivalents of \$23,987 from 2004. The cash and cash equivalents of the Airport Improvement Program Fund remained constant from 2004. Net assets of business-type activities remained constant from 2004.

The Port Authority created the Small Community Air Service Development Fund in 2005, to account for the financial resources of the \$250,000 USDOT Small Community Air Service Development (SCASD) Federal Assistance Grant and local moneys representing matching requirements.

The Port Authority had total governmental activities receipts of \$1,991,729. Program specific receipts accounted for \$1,146,783 or 58% of total governmental activities receipts. General receipts accounted for \$844,946 or 42% 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 23% and 35% of the total cash received for governmental activities for 2005. 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 41% and 1% of the total cash received for governmental activities for 2005. Sublease payments represent 100 percent of total receipts for business-type activities and are made to satisfy the Port Authority's conduit debt activity requirements.

The Port Authority had total governmental activities disbursements of \$1,967,740. Program specific receipts offset \$1,146,783 of these disbursements. General receipts of \$844,846 offset the remaining disbursements. Contractual services represent 36% of total disbursements for governmental activities. Of this amount, 69% 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 24% of total disbursements for governmental activities and are comprised of payroll and benefit related costs for Port Authority employees. Repairs and maintenance and capital outlay together represent 21% of total disbursements for governmental activities, and of this amount, 82% was comprised of the disbursement of the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding. Capital lease payments represent 100 percent of total disbursements for business-type activities and are made to satisfy the Port Authority's conduit debt activity requirements.

The financial activities of the General Fund remained moderately constant from 2004 with the exception of (1) contractual services disbursements that decreased from \$730,329 in 2004 to \$214,873 in 2005, a 70% decrease, (2) intergovernmental receipts that decreased from \$1,068,023 in 2004 to \$812,341 in 2005, a 24% decrease, and (3) materials and supplies disbursements that increased from \$20,060 in 2004 to \$73,335 in 2005, a 73% increase. The decrease in contractual service disbursements was primarily the result of that in 2004, the Port Authority seeded \$400,000 to Vacation Express, a large air carrier group, to provide passenger services to the leisure markets of Orlando, Florida and Myrtle Beach, South Carolina, with the premise of reestablishing scheduled passenger enplanements necessary to receive federal entitlements and to provide air services to popular destination points for the community.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

The decrease in intergovernmental receipts was primarily the result of that in 2004, Mahoning County granted the Port Authority an additional \$150,000 subsidy to assist the Port Authority with its seeding of \$400,000 to Vacation Express. The increase in materials and supplies disbursements was primarily the result of that in 2005, extended periods of inclement weather required unusually large quantities of salt and sand as well as fuel for snow removal equipment to be purchased.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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 2005, 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, 2005

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 Delphi Automotive Systems Project (Delphi) and the Timken Latrobe Steel Distribution Project (Timken) that consisted of assisting Delphi and Timken retain their operations in the Mahoning Valley by providing financial resources to Delphi and Timken 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 made by Delphi and Timken 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 three governmental funds, the General Fund, the Airport Improvement Program Fund, and the Small Community Air Service Development Fund, which the governmental funds statements present in separate columns. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Fund - When a governmental unit charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. As described above, the Port Authority participated in the Delphi Automotive Systems Project (Delphi) and the Timken Latrobe Steel Distribution Project (Timken). 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 Delphi and Timken to the Port Authority.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Port Authority as a Whole

Table 1 provides a summary of the Port Authority's net assets for 2005 compared to 2004 on a cash basis.

(Table 1)

Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalents	\$125,096	\$101,107	\$13,941	\$13,941	\$139,037	\$115,048
Net Assets						
Restricted for:						
Capital Outlay	\$0	\$0	\$0	\$0	\$0	\$0
Other Purposes	43,082	43,080	13,941	0	57,023	43,080
Unrestricted	82,014	58,027	0	13,941	82,014	71,968
Total Net Assets	\$125,096	\$101,107	\$13,941	\$13,941	\$139,037	\$115,048

Over time, net assets can serve as a useful indicator of a government's financial position. As mentioned previously, net assets of the governmental activities increased \$23,989, or 24%, during 2005 due to the General Fund realizing an increase in cash and cash equivalents of \$23,987 from 2004. The cash and cash equivalents of the Airport Improvement Program Fund remained constant from 2004. The Small Community Air Service Development Fund is funded by the Department of Transportation on a reimbursement-type basis. Therefore, cash and cash equivalents for this Fund will always be \$0. The Net assets of business-type activities remained constant from 2004.

Table 2 presents a comparative analysis of changes in net assets for fiscal years 2005 and 2004.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activities 2005	Business-Type Activities 2004	Total 2005	Total 2004
Receipts:						
<i>Program Receipts:</i>						
Charges for Services	\$458,753	\$478,729	\$29,094,911	\$1,572,198	\$29,553,664	\$2,050,927
Operating Grants and Contributions	383,751	1,969,510	0	0	383,751	1,969,510
Capital Grants and Contributions	304,279	553,385	0	0	304,279	553,385
Total Program Receipts	1,146,783	3,001,624	29,094,911	1,572,198	30,241,694	4,573,822
<i>General Receipts:</i>						
Grants and Entitlements not Restricted to Specific Programs	812,341	768,023	0	0	812,341	768,023
Investment Earnings	164	514	0	0	164	514
Miscellaneous Receipts	32,441	61,362	0	0	32,441	61,362
Total General Receipts	844,946	829,899	0	0	844,946	829,899
Total Receipts	1,991,729	3,831,523	29,094,911	1,572,198	31,086,640	5,403,721
Disbursements:						
Personal Services	465,547	451,388	0	0	465,547	451,388
Materials and Supplies	73,335	20,060	0	0	73,335	20,060
Contractual Services	698,592	1,270,440	0	0	698,592	1,270,440
Travel	2,376	5,940	0	0	2,376	5,940
Utilities	254,052	239,552	0	0	254,052	239,552
Repair and Maintenance	76,191	1,349,150	0	0	76,191	1,349,150
Capital Outlay	344,321	556,610	0	0	344,321	556,610
Other Disbursements	53,326	25,694	0	0	53,326	25,694
Capital Lease Payments	0	0	29,094,911	1,572,198	29,094,911	1,572,198
Total Disbursements	1,967,740	3,918,834	29,094,911	1,572,198	31,062,651	5,491,032
Increase/(Decrease) in Net Assets	23,989	(87,311)	0	0	23,988	(87,311)
Net Assets – January 1,	101,107	188,418	13,941	13,941	115,048	202,359
Net Assets - December 31,	\$125,096	\$101,107	\$13,941	\$13,941	139,037	\$115,048

Program specific receipts represent 58% 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 payments, received to finance the Port Authority's conduit debt activity.

General receipts represent 42% of total receipts for governmental activities, and of this amount, 96% 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, 2005

Contractual services represent 36% of total disbursements for governmental activities. Of this amount, 56% was comprised of the disbursement of the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding. Also, of this amount, 13% was comprised of the disbursement of the Port Authority's Small Community Air Service Development Federal Assistance Grant that was utilized to formally engage the assistance of a local marketing firm with the purposes of developing marketing materials and to assist in promulgating a strategic marketing campaign.

Personal services represent 24% of total disbursements for governmental activities and are comprised of payroll and benefit related costs for Port Authority employees.

Repairs and maintenance and capital outlay together represent 21% of total disbursements for governmental activities, and of this amount, 82% was comprised of the expenditure of the Port Authority's Airport Improvement Program Federal Assistance Grants and related required matching funding.

Capital lease 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 2005 and 2004 is presented in Table 3.

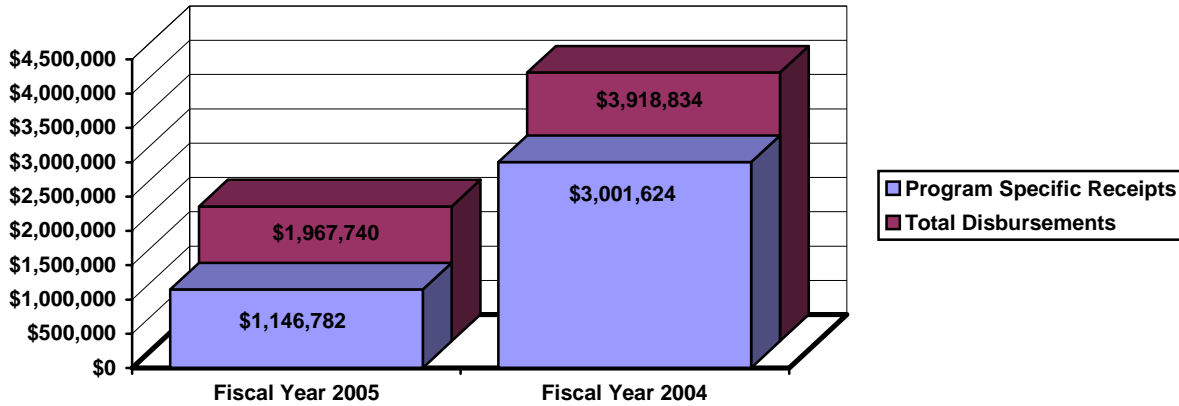
(Table 3)
Cost of Services vs. Net Cost of Services

	Governmental Activities			
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2004
Personal Services	\$465,547	(\$293,858)	\$451,388	(\$310,506)
Materials and Supplies	73,335	(46,290)	20,060	(13,799)
Contractual Services	698,592	(214,007)	1,270,440	(243,402)
Travel	2,376	(1,500)	5,940	(4,086)
Utilities	254,052	(160,360)	239,552	(164,786)
Repair and Maintenance	76,191	(48,092)	1,349,150	(152,970)
Capital Outlay	344,321	(31,109)	556,610	(2,218)
Other Disbursements	53,326	(25,741)	25,694	(25,442)
Total	\$1,967,740	(\$820,957)	\$3,918,834	(\$917,209)

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
 For the Year Ended December 31, 2005

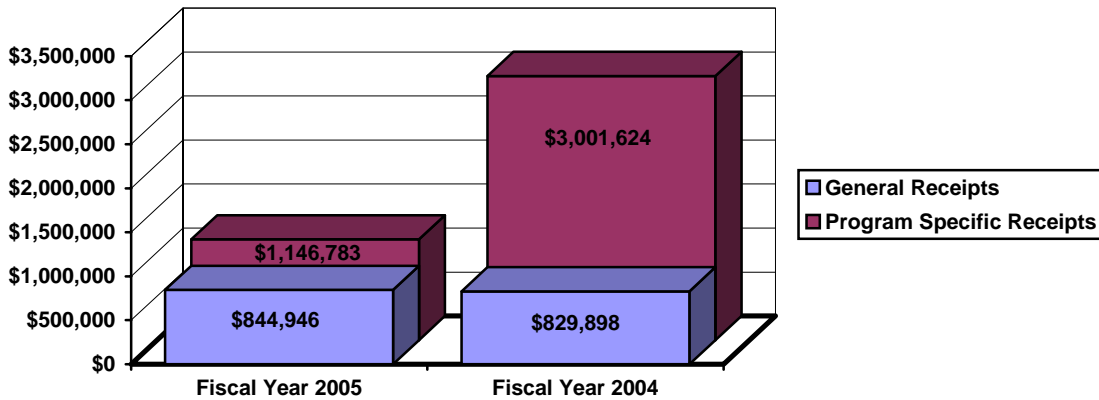
The chart below illustrates the Port Authority's dependence upon general receipts for fiscal years 2005 and 2004, as program specific receipts have not been sufficient to cover total disbursements for governmental activities.

Governmental Activities - Program Specific Receipts vs. Total Disbursements



The *Net Cost of Services* amount of (\$820,957) for governmental activities for 2005 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 43% of disbursements were supported through general receipts. The chart below illustrates the Port Authority's program specific receipts versus general receipts for fiscal years 2005 and 2004 for governmental activities.

Governmental Activities - General Receipts vs. Program Specific Receipts



Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Business-Type Activities

A comparison between the total costs of services and the net cost for business-type activities for fiscal years 2005 and 2004 is presented in Table 4.

(Table 4)
Cost of Services vs. Net Cost of Services

	Business-Type Activities			
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Capital Lease Payments	\$29,094,911	\$0	\$1,572,198	\$0
Total	\$29,194,911	\$0	\$1,572,198	\$0

Port Authority Funds Analysis

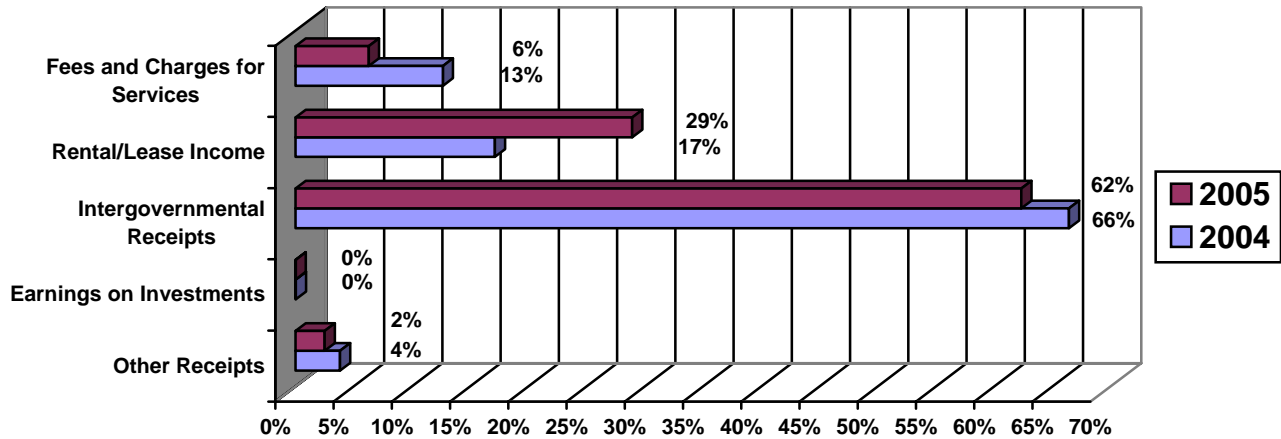
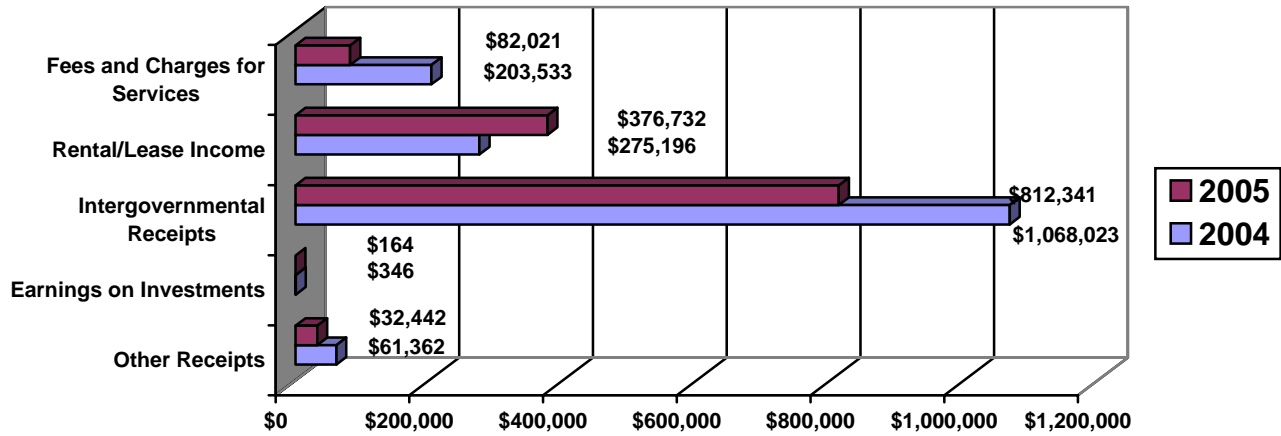
The Port Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus on the funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Port Authority's financing requirements. 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, 2005 the Port Authority's General Fund unreserved fund balance was \$32,120 as compared to \$24,689 at December 31, 2004. This moderate increase portrays a slightly stronger cash position for the General Fund at December 31, 2005 than at December 31, 2004.

The Port Authority had total cash receipts of \$31,086,640 and total cash disbursements of \$31,062,651 for all funds in 2005, although approximately 94% of both amounts are related with the conduit debt activity of the Proprietary Fund. Total governmental funds had cash receipts of \$1,991,729 and cash disbursements of \$1,967,740 in 2005. The greatest change in cash receipts and cash disbursements within governmental funds from 2004 to 2005 occurred in the Airport Improvement Program Fund. The Airport Improvement Program Fund's cash receipts decreased from \$2,223,063 in 2004 to \$688,029 in 2005 and cash disbursements decreased from \$2,384,982 in 2004 to \$723,798 in 2005 due to a decrease in federal and state funding in 2005 for airport improvement projects and capital outlay.

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

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
 For the Year Ended December 31, 2005

Analysis of General Fund Receipts for Fiscal Years 2005 and 2004



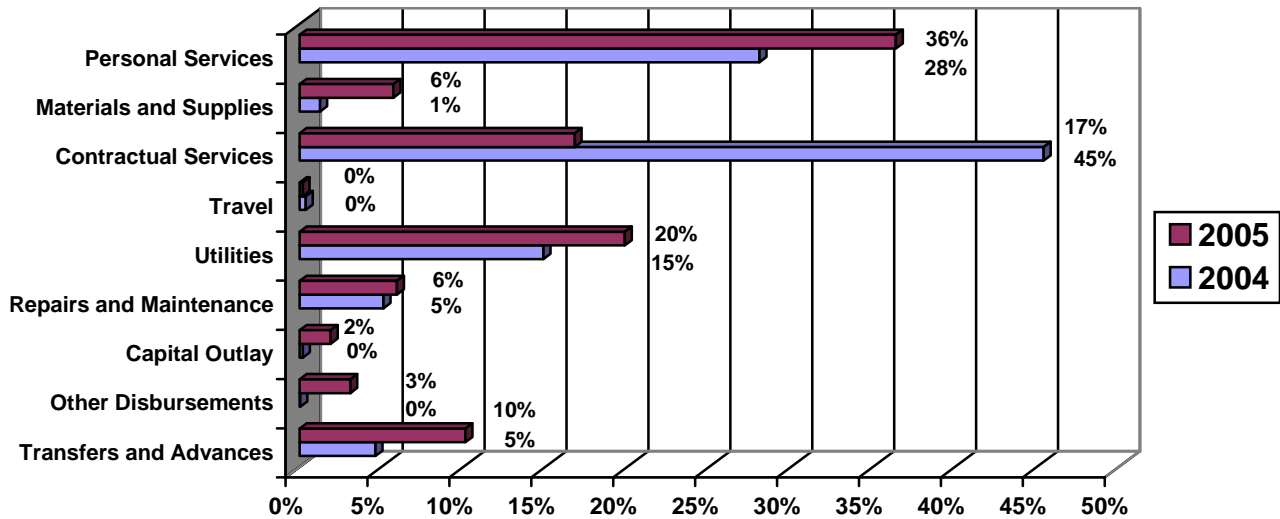
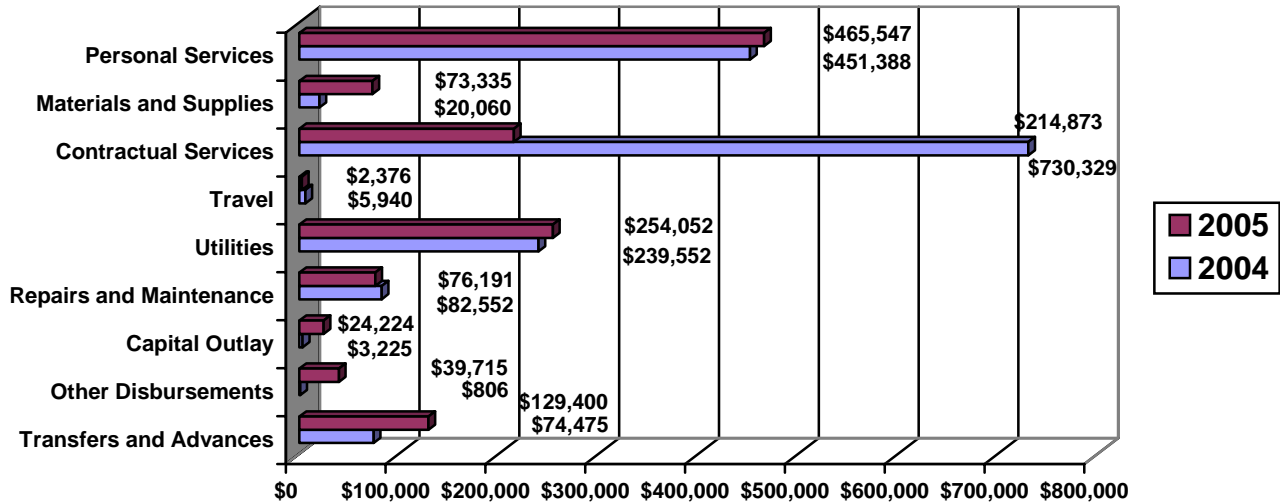
Intergovernmental receipts comprising of subsidies provided by Mahoning and Trumbull Counties is currently the primary source of funding for the Port Authority's general operations and remained moderately constant from 2004 to 2005, notwithstanding the previously mentioned \$150,000 additional subsidy Mahoning County granted the Port Authority in 2004 to assist the Port Authority with its seeding of \$400,000 to Vacation Express in 2004.

Fees and charges for services receipts decreased from \$203,533 in 2004 to \$82,021 in 2005 and rental/lease income increased from \$275,196 in 2004 to \$376,732 in 2005. This was almost entirely due to that prior to 2005, pursuant to an agreement with the Port Authority; Winner Aviation managed total operations within Hangar 1, including collection of rents and leases. The rental/lease income collected by Winner Aviation flowed into the General Fund through concessions (fees and charges for services). Beginning in 2005, the Port Authority managed rentals and leases for Hangar 1 and hence all income from the same flowed into the General Fund as rental/lease income.

Other receipts decreased from \$61,362 in 2004 to \$32,442 in 2005. This was almost entirely due to the Air Force Reserve Base discontinuing its rental payments to the Port Authority in mid 2004.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
 For the Year Ended December 31, 2005

Analysis of General Fund Disbursements for Fiscal Years 2005 and 2004



As mentioned previously, the decrease in contractual service disbursements was primarily the result of that in 2004 the Port Authority seeded \$400,000 to Vacation Express. The increase in materials and supplies disbursements was primarily the result of that in 2005, extended periods of inclement weather required unusually large quantities of salt and sand as well as fuel for snow removal equipment to be purchased.

Transfers and advances representing primarily local matching requirements for federal assistance programs increased from \$74,475 in 2004 to \$129,400 in 2005. All other disbursements remained moderately constant from 2004 to 2005.

Capital Assets and Debt Administration

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

Debt Administration - The Port Authority's outstanding debt as of December 31, 2005 for governmental activities is \$150,000 for a zero-percent interest, general obligation loan from Trumbull County received on February 12, 2004, that was utilized to assist the Port Authority in providing an operational security deposit to Vacation Express Airlines necessary for the Airlines to begin its operations of providing direct commercial flights to Myrtle Beach, South Carolina and to Orlando-Sanford Airport, Florida. The repayment schedule for the loan includes annual payments of \$25,000, \$50,000, \$50,000, and \$25,000 due on October 1 of 2007, 2008, 2009, and 2010, respectively. The Port Authority has satisfied its October 1, 2007 obligation requirement.

The Port Authority's outstanding debt as of December 31, 2005 for business-type activities is for \$12,630,942 in capital lease payments due to the Director of the Ohio Department of Development as related to the Timken Latrobe Steel Distribution Project. However, as previously mentioned, the Port Authority's debt service obligations for the Timken Project are financed entirely by sublease payments made by Timken 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 *Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual (Budget Basis)* presents the Port Authority's estimated resources and appropriations for the General Fund only.

The Board of Directors did not prepare a budget for the Airport Improvement Program Fund because the fund was established to account for the financial resources of the Port Authority's Airport Improvement Program Federal Assistance Grants. The associated grant agreements include individual budgets set by the Federal Aviation Administration (FAA). The FAA reviews and approves the expenditure of grant proceeds prior to transmitting such proceeds and any deviation from the grants' budgets is not permitted. Also, the Board of Directors did not prepare a budget for the Small Community Air Service Development Fund because this fund was established to account for the financial resources of the Port Authority's Small Community Air Service Development Federal Assistance Grant. The associated grant agreement includes an individual budget set by the Department of Transportation (DOT). The DOT reviews and approves the expenditure of grant proceeds prior to transmitting such proceeds and any deviation from the grant's budget is not permitted.

The Port Authority's final budgeted receipts were \$1,135,794 while actual receipts were \$1,303,699. The positive difference of \$167,905 was primarily due to higher than expected intergovernmental receipts from other governmental units to be used for general operations of \$182,878 although lower than expected rental/lease income of (\$37,029) was realized. Although lower intergovernmental receipts were anticipated, the Trumbull County Board of County Commissioners granted the Port Authority for general operations all of the County's 2005 Bed Tax receipts that resulted in an unexpected increase of approximately \$152,000. In addition, intergovernmental receipts from Mahoning County granted to the Port Authority for general operations were approximately \$30,000 higher than anticipated. Higher rental/lease income for Hangars 2 and 3 was anticipated in 2005. Hangar 2 tenant, National Marine, Inc., relocated to the Air Cargo Facility on the Airport's west side as a subtenant of Airport Properties, Inc., and was in the final stages of obtaining a long term lease arrangement with the airport for five acres to build and expand their business. This was initially projected to benefit the airport nearly \$50,000 in rental/ lease receipts, however, during final negotiations, National Marine encountered off airport legal complications and later fell into bankruptcy. Ready Air, LLC, signed an agreement in late 2004 to become the Airport's first-ever additional FBO operator. It was anticipated that Ready Air would occupy the National Marine facility, Hangar 2, once it was vacated. As National Marine did not move their operations until May 2005, Ready Air took position much later than projected, in June 2005. The timing of this later than expected start date of Ready Air tenancy, coupled with Ready Air's poor rental and fee payment practices, significantly impacted rental/lease income by nearly \$40,000 in 2005. Hangar 3 rents had lower than expected based aircraft occupancy, which resulted in underachieved rental/lease income of nearly \$20,000 for 2005.

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

The Port Authority's final budgeted disbursements were \$1,053,762 while actual disbursements were \$1,150,313. The negative difference of (\$96,551) was primarily due to higher than expected materials and supplies of (\$46,599), utility costs of (\$48,952), capital outlay of (\$24,224), and other disbursements of (\$38,715) although lower than expected personal services of \$41,189 was realized. Although lower materials and supplies disbursements were anticipated, extended periods of inclement weather required unusually large quantities of salt and sand as well as fuel for snow removal equipment to be purchased. Lower utilities disbursements were anticipated, however, significant utility rate increases resulted in higher than expected utility costs. The unanticipated replacement of a mower and the purchase of a truck resulted in higher than expected capital outlay disbursements. The purchase of land from the Lake to River Council for the Timken Latrobe Steel Distribution Project resulted in the unanticipated increase in other disbursements. Lower than anticipated personal services disbursements were the result of improved control over employee overtime costs.

Current Issues

In the Spring of 2005 the airport applied for a USDOT Small Community Air Service Development (SCASD) grant. The goals and objectives of this submitted application were three fold: (1) to promote existing public charter services to leisure destinations from the airport and promote expansion of those services, (2) demonstrate the potential of the airport to support scheduled air services, and (3) reestablish scheduled air service at the Airport by using scheduled charter services as a bridge. In September 2005 the airport was awarded a \$250,000 SCASD federal grant. As the grant required approximately 20% for matching funds, \$320,000 became available for these goals and objectives. This allowed the Port Authority in late 2005 to formally engage the assistance of a local marketing firm with the purposes of developing marketing materials and to assist in promulgating a strategic marketing campaign. Through the use of the SCASD grant funding, and armed with the experienced load factors from Vacation Express flights, this campaign contacted virtually all-domestic air carriers throughout 2005 and continues on today.

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

In May 2006, Allegiant Air, a scheduled CFR 14, Part 121 air carrier, announced non-stop scheduled YNG to Orlando-Sanford Airport, Florida, air service. Based in Las Vegas, Nevada, with a homogenous fleet of MD80 series aircraft, Allegiant Air operates out of over 40 cities throughout the United States, offering low cost, non-stop flights to Las Vegas, Orlando, and Tampa area airports.

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

Western Reserve Port Authority, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005

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, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$125,096	\$13,941	\$139,037
Net Assets			
Restricted for:			
Other Purposes	\$43,082	\$13,941	\$57,023
Unrestricted	82,014	0	82,014
Total Net Assets	\$125,096	\$13,941	\$139,037

See accompanying Notes to the Basic Financial Statements.

Western Reserve Port Authority, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	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	\$465,547	\$171,689	\$0	\$0	(\$293,858)	\$0	(\$293,858)
Materials and Supplies	73,335	27,045	0	0	(46,290)	0	(46,290)
Contractual Services	698,592	113,772	370,813	0	(214,007)	0	(214,007)
Travel	2,376	876	0	0	(1,500)	0	(1,500)
Utilities	254,052	93,692	0	0	(160,360)	0	(160,360)
Repair and Maintenance	76,191	28,099	0	0	(48,092)	0	(48,092)
Capital Outlay	344,321	8,933	0	304,279	(31,109)	0	(31,109)
Other Cash Disbursements	53,326	14,647	12,938	0	(25,741)	0	(25,741)
Total Governmental Activities	1,967,740	458,753	383,751	304,279	(820,957)	0	(820,957)
Business-Type Activities							
Capital Lease Payments	29,094,911	29,094,911	0	0	0	0	0
Total	\$31,062,651	\$29,553,664	\$383,751	\$304,279	(820,957)	0	(820,957)
General Receipts							
Grants and Entitlements not							
Restricted to Specific Programs					812,341	0	812,341
Investment Earnings					164	0	164
Miscellaneous Receipts					32,441	0	32,441
Total General Receipts					844,946	0	844,946
Changes in Net Assets					23,989	0	23,989
Net Assets - January 1, 2005					101,107	13,941	115,048
Net Assets - December 31, 2005					\$125,096	\$13,941	\$139,037

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, 2005

	General	Airport Improvement Program	SCASD Grant	Total
Assets				
Equity in Pooled Cash and Cash Equivalents	\$82,013	\$43,082	\$0	\$125,095
Fund Balances				
Reserved for Encumbrances	\$49,894	\$0	\$0	\$49,894
Unreserved and/or Undesignated	32,120	43,082	0	75,202
Total Fund Balances	\$82,014	\$43,082	\$0	\$125,096

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, 2005

	General	Airport Improvement Program	SCASD Grant	Total
Cash Receipts				
Operating Cash Receipts:				
Fees and Charges for Services	\$82,021	\$0	\$0	\$82,021
Rental/Lease Income	376,732	0	0	376,732
Total Operating Cash Receipts	458,753	0	0	458,753
Non-Operating Cash Receipts:				
Intergovernmental Receipts	812,341	688,029	0	1,500,370
Earnings on Investments	164	0	0	164
Other Cash Receipts	32,442	0	0	32,442
Total Non-Operating Cash Receipts	844,947	688,029	0	1,532,976
Total Cash Receipts	1,303,700	688,029	0	1,991,729
Cash Disbursements				
Personal Services	465,547	0	0	465,547
Materials and Supplies	73,335	0	0	73,335
Contractual Services	214,873	390,090	93,629	698,592
Travel	2,376	0	0	2,376
Utilities	254,052	0	0	254,052
Repair and Maintenance	76,191	0	0	76,191
Capital Outlay	24,224	320,098	0	344,322
Other Cash Disbursements	39,715	13,610	0	53,325
Total Cash Disbursements	1,150,313	723,798	93,629	1,967,740
Excess of Cash Receipts Over/(Under) Cash Disbursements	153,387	(35,769)	(93,629)	23,989
Other Financing Receipts and (Disbursements)				
Advances-In	0	0	23,629	23,629
Advances-Out	(23,629)	0	0	(23,629)
Transfers-In	0	35,771	70,000	105,771
Transfers-Out	(105,771)	0	0	(105,771)
Total Other Financing Receipts and (Disbursements)	(129,400)	35,771	93,629	0
Net Changes in Fund Cash Balances	23,987	2	0	23,989
Fund Cash Balances - January 1, 2005	58,027	43,080	0	101,107
Fund Cash Balances - December 31, 2005	\$82,014	\$43,082	\$0	\$125,096

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Operating Receipts:				
Fees and Charges for Services	\$77,570	\$77,570	\$82,021	\$4,451
Rental/Lease Income	413,761	413,761	376,732	(37,029)
Total Operating Receipts	491,331	491,331	458,753	(32,578)
Non-Operating Receipts:				
Intergovernmental Receipts	629,463	629,463	812,341	182,878
Earnings on Investments	0	0	164	164
Other Receipts	15,000	15,000	32,441	17,441
Total Non-Operating Receipts	644,463	644,463	844,946	200,483
Total Receipts	1,135,794	1,135,794	1,303,699	167,905
Disbursements				
Personal Services	506,736	506,736	465,547	41,189
Materials and Supplies	26,736	26,736	73,335	(46,599)
Contractual Services	223,590	223,590	214,873	8,717
Travel	5,000	5,000	2,376	2,624
Utilities	205,100	205,100	254,052	(48,952)
Repair and Maintenance	85,600	85,600	76,191	9,409
Capital Outlay	0	0	24,224	(24,224)
Other Disbursements	1,000	1,000	39,715	(38,715)
Total Disbursements	1,053,762	1,053,762	1,150,313	(96,551)
Excess of Receipts Over/(Under) Disbursements	82,032	82,032	153,386	71,354
Other Financing Receipts and (Disbursements)				
Advances-Out	0	0	(23,628)	(23,628)
Transfers-Out	(67,500)	(67,500)	(105,771)	(38,271)
Total Other Financing Receipts and (Disbursements)	(67,500)	(67,500)	(129,399)	(61,899)
Net Changes in Fund Balances	14,532	14,532	23,987	9,455
Fund Balances - January 1, 2005	24,689	24,689	24,689	
Prior Year Encumbrances Appropriated	33,338	33,338	33,338	
Fund Balances - December 31, 2005	\$72,559	\$72,559	\$82,014	\$9,455

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, 2005

Assets

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

Restricted for Other Purposes	<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, 2005

Operating Cash Receipts	
Sublease Payments	\$29,094,911
Operating Cash Disbursements	
Capital Lease Payments	<u>29,094,911</u>
Net Changes in Fund Cash Balance	0
Fund Cash Balance - January 1, 2005	<u>13,941</u>
Fund Cash Balance - December 31, 2005	<u><u>\$13,941</u></u>

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; or 2) the Port Authority is legally entitled to or can otherwise access the organization's resources; 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 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. This cash-basis of accounting differs from accounting principles generally accepted in the United States of America. Generally Accepted Accounting Principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash-basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash-basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Port Authority does not apply FASB statements issued after November 30, 1989 to its business-type activities or to its enterprise fund. 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. The government-wide statement of activities compares 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.

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

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 modified cash-basis or draws from the Port Authority's general receipts.

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

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

B. Fund Accounting

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

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

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

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

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

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

Enterprise Fund This Fund is utilized to account for the conduit debt activity of the Timken Latrobe Steel Distribution Project and the Delphi Automotive Systems as described in Notes 7 and 8.

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

C. Basis of Accounting

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

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

D. Cash and Cash Equivalents

Prior to January 1, 2005, all Port Authority cash and investments were maintained by Mahoning County. On January 1, 2005, Mahoning County transferred the Port Authority's General Fund cash balance to the Port Authority. Mahoning County retained the cash balances of the Port Authority's other governmental and proprietary funds in its cash and investment pool since the expenditure of these monies are either restricted by agreements with grantors or to satisfy other contractual obligations. However, individual fund integrity is maintained through Port Authority records. The amount of the Port Authority's cash and investments maintained by Mahoning County 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 balance of its General Fund in interest bearing checking accounts. Interest credited to the General Fund during 2005 amounted to \$164. Investment procedures are restricted by the provisions of the Ohio Revised Code and Mahoning County is responsible for such compliance for the cash balances of the Port Authority's other governmental and proprietary funds that it retained.

An analysis of the Port Authority's equity in pooled cash at December 31, 2005 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, 2005 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 – (Continued)

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 \$43,082 of restricted net assets for governmental activities, all of which is restricted by agreements with grantors, and \$13,941 of restricted net assets for business-type activities, all of which is restricted by contractual obligations.

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

L. Interfund Activity

Non-exchange flows of cash from one fund to another are reported in the financial statements as interfund transfers. The Port Authority maintains certain federal programs that require the Port Authority to contribute local resources (matching funds) to support these federal programs. The Port Authority complied with the matching requirements of these federal programs by transferring \$35,771 from the General Fund into the Airport Improvement Program Fund and by transferring \$70,000 from the General Fund into the Small Community Air Service Development Fund. Interfund transfers are reflected as other financing sources/(uses) in the accompanying financial statements.

Flows of cash from one fund to another that are expected to be repaid within a twelve-month period are reported in the financial statements as interfund advances. The Port Authority's Small Community Air Service Development Federal Assistance Grant is funded by the Department of Transportation (DOT) on a reimbursement-type basis. The Port Authority advanced \$23,629 from the General Fund into the Small Community Air Service Development Fund to satisfy current contractual obligations of the Program. Reimbursement from the DOT is expected in 2006. Interfund advances are reflected as other financing sources/(uses) in the accompanying financial statements.

M. Budgetary Process

The Ohio Revised Code requires the Board of Directors to annually prepare a budget for the Port Authority. The Port Authority's annual budget, which is prepared on the budgetary basis of accounting, presents the Port Authority's estimated resources and appropriations for the General Fund. The Board of Directors did not prepare a budget for the Airport Improvement Program Fund because this fund was established to account for the financial resources of the Port Authority's Airport Improvement Program Federal Assistance Grants. The associated grant agreements include individual budgets set by the Federal Aviation Administration (FAA). The FAA reviews and approves the expenditure of grant proceeds prior to transmitting such proceeds and any deviation from the grants' budgets is not permitted. Also, the Board of Directors did not prepare a budget for the Small Community Air Service Development Fund because this fund was established to account for the financial resources of the Port Authority's Small Community Air Service Development Federal Assistance Grant.

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

The associated grant agreement includes an individual budget set by the Department of Transportation (DOT). The DOT reviews and approves the expenditure of grant proceeds prior to transmitting such proceeds and any deviation from the grant's budget is not permitted.

Estimated resources in the budget include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. Estimated resources establish a limit on the amount the Board of Directors may appropriate. Estimated resources may be adjusted during the year if the Board of Directors projects increases or decreases in receipts. 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 2005, the Port Authority has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This Statement also establishes and modifies disclosure requirements for custodial risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not affect the presentation of the financial statements of the Port Authority, however, additional note disclosure is presented in Note 5.

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.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

A. Cash on Hand

At year-end, the Port Authority had \$3,063 in undeposited cash on hand, which is included on the financial statements of the Port Authority as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of the Port Authority's General Fund deposits was \$78,951. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$52,612 of the Port Authority's bank balance of \$152,612 was exposed to custodial credit risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 4 – DEPOSITS AND INVESTMENTS – (Continued)

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. Deposits with Mahoning County

At December 31, 2005, the carrying amount of the Port Authority's share of Mahoning County's cash and investments pool for the Port Authority's other governmental and proprietary funds was \$57,023. As discussed above, the Ohio Revised Code prescribes allowable deposits and investments and Mahoning County is responsible for such compliance. As of December 31, 2005, Mahoning County had complied with the provisions of the Ohio Revised Code governing deposits and investments including insuring and/or collateralizing its deposits in accordance with State statutes. The amount of the Port Authority's cash and investments maintained by Mahoning County is valued at cost and is presented in the statement of net assets as "equity in pooled cash and cash equivalents".

D. Investments

The Port Authority did not maintain any investments in 2005.

E. Reconciliation of Cash and Investments to the Statement of Net Assets

<u>Cash and Investments per Footnote</u>	
Cash on hand	\$3,063
Carrying amount of deposits with financial Institutions	78,951
Carrying amount of deposits with Mahoning County	<u>57,023</u>
Total	<u>\$139,037</u>
<u>Equity in Pooled Cash and Cash Equivalents Per Statement of Net Assets</u>	
Governmental Activities	\$125,096
Business-Type Activities	<u>13,941</u>
Total	<u>\$139,037</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 Statement of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual (Budget Basis) for the General Fund is 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, 2005 (budgetary basis) amounted to \$49,894.

Western Reserve Port Authority, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

NOTE 6 – TRUMBULL COUNTY – GENERAL OBLIGATION LOAN

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

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

The Port Authority satisfied its October 1, 2007 obligation requirement.

NOTE 7 – TIMKEN LATROBE STEEL DISTRIBUTION PROJECT – CAPITAL LEASE OBLIGATION

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 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, and obtained a \$3,000,000 Loan (2% - 20 Years) from ODOD's 166 Direct Loan Program. The Port Authority passed through the proceeds of the Grant to the Director who administered the Project and retained ownership of the land, improvements, facilities, and equipment.

The Director let a 20-year capital lease to the Port Authority for the land, improvements, facilities, and equipment. Quarterly lease payments by the Port Authority meet the amounts needed to service the debt, including interest and fiscal charges, on the Bonds and the Loan. The Port Authority subleased the same to Timken who will make monthly lease payments meeting the amounts of the Port Authority's lease requirements. In the event of default by Timken, the Port Authority shall not have any liability under or in respect of its performances of the lease agreement. At such time, the Director will terminate the lease agreement and exclude the Port Authority from possession of the Project. The average monthly payment during 2005 was \$72,166 totaling \$865,994 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
2006	\$866,446
2007	868,550
2008	868,878
2009	867,363
2010 – 2020	<u>9,159,705</u>
Total	<u>\$12,630,942</u>

NOTE 8 – DELPHI AUTOMOTIVE SYSTEMS PROJECT – CAPITAL LEASE OBLIGATION

The Port Authority participated with the State of Ohio, through the Director of the Ohio Department of Development (Director), in the Delphi Automotive Systems (Delphi) Project (Project) that consisted of assisting Delphi retain its operations in the Mahoning Valley by providing financial resources to Delphi 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 \$250,000 Development Grant from the Ohio Department of Development (ODOD). The Director of the Ohio Department of Development obtained \$22,480,174 in State Economic Development Revenue Bonds (10-year bonds), interest is calculated using a variable rate determined by using the Key Bank base rate or the Derived LIBO Rate during the interest period) through the Ohio Enterprise Bond Fund, and obtained a \$5,000,000 Loan (3% - 10 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 10-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 Delphi who will make monthly lease payments meeting the amounts of the Port Authority's lease requirements. In the event of default by Delphi, 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.

Delphi satisfied its above obligations, in full, in July 2005. Total payments for 2005 were \$28,228,917.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

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

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

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5% of their annual covered salaries to fund pension obligations. The Port Authority's contribution rate for pension benefits for 2005 was 9.55%. 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, 2005, 2004, and 2003 were \$52,740, \$62,180, and \$63,148, respectively.

NOTE 10 – 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.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS – (Continued)

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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 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, 2004, include a rate of return on investments of 8 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 between 1 percent and 6 percent annually for the next eight years and 4 percent annually after eight years.

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.

The number of active contributing participants in the traditional and combined plans was 376,109 as December 31, 2005. The number of active participants for both plans used in the December 31, 2004 actuarial valuation was 355,287. The Port Authority's actual employer contributions for 2005, which were used to fund post-employment benefits, were \$15,569. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarial accrued liability and the unfounded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care benefits.

NOTE 11 – 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.

NOTE 11 – CONTINGENT LIABILITIES – (Continued)

B. Grant Compliance

The Port Authority receives assistance from federal and state agencies in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims, including amounts already received, resulting from such audits could become a liability of the General Fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Port Authority as of December 31, 2005.

NOTE 12 – 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 also provides health insurance, dental and vision coverage to full-time employees through a private carrier.

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

NOTE 13 – SUBSEQUENT EVENT

In May 2006, Allegiant Air, a scheduled CFR 14, Part 121 air carrier, began non-stop scheduled YNG to Orlando-Sanford Airport, Florida, air service. Based in Las Vegas, Nevada, with a homogenous fleet of MD80 series aircraft, Allegiant Air operates out of over 40 cities throughout the United States, offering low cost, non-stop flights to Las Vegas, Orlando, and Tampa area airports.

WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity/Grant Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION/</u>				
<i>Federal Aviation Administration:</i>				
Airport Improvement Program	3-39-0096-2702	20.106	8,897	8,897
	3-39-0096-2803		16,481	16,481
	3-39-0096-2904		192,498	192,498
	3-39-0096-3004		264,124	264,124
	3-39-0096-3105		204,198	204,198
			<u>686,198</u>	<u>686,198</u>
Small Community Air Service Development Grant	OST-2004-17343-222	20.930		93,629
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>686,198</u>	<u>779,827</u>

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2005**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Port Authority's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B-- MATCHING REQUIREMENTS

Certain federal programs require that the Port Authority contribute non-federal funds (matching funds) to support the federally-funded programs. The Port Authority has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Western Reserve Port Authority, Trumbull County, (the Port Authority) as of and for the year ended December 31, 2005, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated December 3, 2007. 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 Authority's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

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 misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Port Authority's management dated December 3, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Port Authority's management dated December 3, 2007, we reported a matter related to noncompliance we deemed immaterial.

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 3, 2007



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, 2005. 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, 2005.

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.

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 3, 2007

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS
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<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)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<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 - CFDA #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?	No

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

**WESTERN RESERVE PORT AUTHORITY
TRUMBULL COUNTY
DECEMBER 31, 2005
(Continued)**

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

Finding Number	2005-001
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Reportable Condition

Financial Reporting

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements, and prepare financial statements.

During our audit we noted the Port Authority had to make numerous adjusting entries to the financial records in order to present reconciled accurate financial statements. Revenues were increased by \$38,110, expenditures were increased by \$49,865 and other financing uses were increased by \$92,612. The net result of these adjustments was (\$104,367).

Prior to 2005 the Port Authority had maintained their financial records and protected their cash utilizing the Mahoning County accounting software and depositories. In 2005 the Port brought those functions back in house and maintained their own depositories and accounting software, using QuickBooks. QuickBooks is a basic accounting, accrual based software package. Cash basis fund statements require additional setup/posting procedures to be performed to receive the desired reports. The Port had difficulty transitioning to the new system and with these additional procedures, and as a result, significant problems occurred with both the financial reporting and cash reconciliation processes.

While we were able to satisfy ourselves as to the reliability and accuracy of the financial information presented for audit, it was a time consuming process due to the increased risk associated with numerous adjustments by the entity. As the Port gains experience with the new system, normal expectations would be that the rate of error would significantly decrease. Care must taken to ensure that the Port is preparing their reports timely and accurately and that they are in reconciliation with the depositories.

We recommend the District evaluate its procedures to determine the best approach to enable the reporting and reconciliation process to become effective and efficient. Financial reporting should be complete and accurate in order to ensure the entity is properly reflecting its operations so that informed decisions can be made from that information.

Officials' Response:

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	None
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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 20, 2008**