

***AKRON-CANTON REGIONAL
AIRPORT AUTHORITY***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Board of Trustees
Akron-Canton Regional Airport Authority
5400 Lauby Road NW
North Canton, Ohio 44720

We have reviewed the *Independent Auditor's Report* of the Akron-Canton Regional Airport Authority, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Akron-Canton Regional Airport Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 16, 2005

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AKRON CANTON REGIONAL AIRPORT AUTHORITY
Stark and Summit Counties, Ohio
Audit Report
For the Year Ended December 31, 2004

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

**Board of Trustees
Akron-Canton Regional Airport Authority
North Canton, Ohio**

We have audited the accompanying financial statements of the Akron-Canton Regional Airport Authority as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated June 14, 2005 on our consideration of the 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Akron-Canton Regional Airport Authority taken as a whole. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
June 14, 2005

AKRON – CANTON REGIONAL AIRPORT

MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31,2004

The Airport

The Akron – Canton Regional Airport, (the “Airport”) is the second busiest airport in northeast Ohio. The Airport opened its doors in 1948 with passenger traffic of 43,042 passengers. Today the Airport accommodates more than 1,300,000 passengers annually.

The Airport offers 45 flights a day to 12 different cities from which travelers can connect to just about anywhere. The Airport is currently expanding its terminal and gate area to accommodate the increase in passenger traffic.

Overview of Financial Statements

The financial statements are presented in accordance with the accounting principles generally accepted in the United States of America, including GASB Statements No. 34. The statements are:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows

The statements are prepared on the accrual basis and presented all assets and liabilities of the Airport, both financial and capital, and short and long – term. They also present revenues and expenses of the Airport during the year, regardless of when cash was received or paid. Collectively, the statements provide information regarding the Airport’s financial condition as of December 31, 2004, and the results of its operations and cash flows for the year then ended.

Financial Highlights

As of December 31, 2004, the Airport’s net assets increased \$8,512,804. Operating revenues increased \$1,061,000 due mainly due to increased parking fees, airline fees and passenger traffic. Federal and State grant activity increased \$433,957 from 2003. Operating expenses increased \$1,174,883 principally due to increased staff and maintenance to run the facility as well as increased marketing costs.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the Airport using the accrual basis of accounting, which is similar to the accounting used by most private – sector institutions. Condensed information from the Airport’s statements of net assets, including comparative data from 2003 is as follows:

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets	\$ 1,008,687	\$ 998,016
Assets Restricted for Airport Improvement Projects	3,335,910	1,499,994
Noncurrent Assets	<u>82,741,103</u>	<u>70,534,033</u>
Total Assets	<u>\$ 87,085,700</u>	<u>\$ 73,032,043</u>
LIABILITIES		
Current Liabilities	\$ 1,797,450	\$ 1,064,992
Noncurrent Liabilities	<u>9,808,079</u>	<u>4,999,684</u>
Total Liabilities	11,605,529	6,064,676
NET ASSETS		
Net Assets	<u>75,480,171</u>	<u>66,967,367</u>
Total Liabilities and Net Assets	<u>\$ 87,085,700</u>	<u>\$ 73,032,043</u>

Assets

Total assets increased \$14,053,657 from 2003 due to the following factors.

- New Gate Concourse Construction
- New Parking Lot Construction
- Land acquisition for current projects and future improvements
- Replacement of outdated equipment with new equipment

Liabilities

Total liabilities increased \$5,540,853 principally due to the following factors:

- Increased borrowing through loans and line of credit on construction projects.
- Accounts payable remaining at year-end increased over that of year-end 2003, due to the construction.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the Airport, as well as the non - operating revenues and expenses. Federal Grant and PFC income are considered non – operating revenues. Condensed information from the Airport's

Statement of Revenues, Expenses, and Changes in Net Assets, including comparative data from 2003 is as follows:

	<u>2004</u>	<u>2003</u>
Operating Revenues	\$ 7,462,745	\$ 6,401,745
Operating Expenses (inc. Dep. Exp.)	<u>8,956,815</u>	<u>7,781,932</u>
Operating Income (Loss)	(1,494,070)	(1,380,187)
Net Non-Operating Revenues (Expenses)	<u>10,006,874</u>	<u>9,572,917</u>
Change in Net Assets	8,512,804	66,967,367
Net Assets (Deficit) Beginning of Year	<u>66,967,367</u>	<u>-</u>
Net Assets (Deficit) End of Year	<u>\$ 75,480,171</u>	<u>\$ 66,967,367</u>

Operating Revenues

The increase in passenger traffic and air service created an increase in revenue year over year. The record number of passengers generated more revenue from the concession, car rental and the parking lot. The parking lot is the greatest revenue producing area at the Airport. New contracts with air carriers and new air service utilizing bigger equipment caused the landing fee revenues and overall air carrier revenues to increase. All other sources of revenue were consistent with last year.

Operating Expenses

The main increase in operating expenses was due to the increase in personnel during the course of the year and marketing expenses. The Airport hired new employees to keep up with the demands of running the growing Airport facility. The marketing increase was to promote new service added during the year as well as sustaining existing service. Competition in the area has picked up from 2003. Gas and oil cost were also up due to the price of these items. Contract services went down due to the additional employees.

Non-Operating Revenues

The Airport received more federal funding in 2004 primarily due to the amount of construction that took place during the year. These federal funds refer to federal grants received by the Airport. PFC (Passenger Facility Charge) funding was up considerable compared to year-end 2003, due to the increase in passengers using the Airport.

Budget Summary

The annual budget is the main document used to comply with this regulation. The budget estimates revenues and expenditures for the year and helps track the actual progress. The Airport Authority is not required to follow the budgetary requirements of the Ohio Revised Code.

Capital Asset and Long-term Debt Activity

The Airport Authority's capital asset activities consist of various construction projects, including a baggage claim expansion, extending and shifting runways and Gate Concourse rehabilitation. Its debt is administered via loan agreements with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Authority a total of \$5,010,000 for the purpose of assisting in the financing of the Baggage Claim Expansion Project of which \$5,668,079 was outstanding as of December 31, 2004.

Contacting the Airport's Management

This financial report is designed to provide our users, investors and creditors with a general overview of the Airport Authority's finances and to show the Airport Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact James Krum, Airport Accountant at the Akron Canton Regional Airport, 5400 Lauby Road NW, North Canton, Oh. 44720.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY

STARK AND SUMMIT COUNTIES, OHIO

STATEMENT OF NET ASSETS

Proprietary Fund

As of December 31, 2004

ASSETS

Current Assets

Cash	\$	208,687
Investments		175,000
Accounts Receivable		
Trade		512,427
Prepaid Expenses and Other		
Current Assets		88,950
Current Portion of Note Receivable		23,623

Total Current Assets 1,008,687

Assets Restricted for Airport

Improvement Projects

Cash and Cash Equivalents		2,425,760
Investments		724,477
Passenger Facility Charges Receivable		185,673

Total Assets Restricted for Airport Improvement Projects 3,335,910

Noncurrent Assets

Long-term Portion of Note Receivable		256,170
Airport Improvement Projects-in-progress		26,937,250
Land and Land Improvements		23,213,432
Paving		30,096,586
Buildings		21,260,922
Vehicles and Equipment		11,874,873
Utility Systems		514,206
Less Accumulated Depreciation		(31,412,336)

Total Noncurrent Assets 82,741,103

Total Assets \$ 87,085,700

AKRON-CANTON REGIONAL AIRPORT AUTHORITY

STARK AND SUMMIT COUNTIES, OHIO

STATEMENT OF NET ASSETS (continued)

Proprietary Fund

As of December 31, 2004

LIABILITIES

Current Liabilities

Trade Accounts Payable	\$	1,244,612
Projects Payable		4,918
Accrued Payroll Expenses		507,456
Accrued Real Estate Taxes		40,464
		<hr/>

Total Current Liabilities 1,797,450

Long Term Liabilities

Due Within One Year		946,400
Due In More Than One Year		8,861,679
		<hr/>

Total Long Term Liabilities 9,808,079

Total Liabilities \$ 11,605,529

NET ASSETS

Capital Assets Net of Related Debt	\$	72,676,854
Restricted for Airport Improvement Projects		3,510,910
Unrestricted		(707,593)
		<hr/>

Total Net Assets 75,480,171

**Total Liabilities and
Net Assets** \$ 87,085,700

See accompanying notes to the basis financial statements

AKRON-CANTON REGIONAL AIRPORT AUTHORITY

Statement of Revenue, Expenses and Changes in Fund Net Assets

Proprietary Fund

For the Year Ended December 31, 2004

Operating Revenues	
Charges for Services	\$ 2,704,968
Rent	1,228,894
Parking	3,258,259
Other Operating Revenues	<u>270,624</u>
<i>Total Operating Revenues</i>	7,462,745
Operating Expenses	
Salaries	508,921
Contract Services	476,716
Materials & Supplies	41,621
Utilities	758,850
Fuel	99,101
Insurance	2,058,397
Administrative	2,517,623
Depreciation	<u>2,495,586</u>
<i>Total Operating Expenses</i>	<u>8,956,815</u>
<i>Operating Income (Loss)</i>	(1,494,070)
Non-Operating Revenues (Expenses)	
Non-Operating Federal Funds	7,061,061
Non-Operating Passenger Facility Charge Revenue	2,892,168
Interest	30,694
Gain on Disposal of Fixed Assets	<u>22,951</u>
<i>Total Non-Operating Revenues</i>	<u>10,006,874</u>
<i>Change in Net Assets</i>	8,512,804
<i>Net Assets (Deficit) Beginning of Year</i>	<u>66,967,367</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$ 75,480,171</u>

See accompanying notes to the basic financial statements

AKRON-CANTON REGIONAL AIRPORT AUTHORITY

COMBINED STATEMENT OF CHANGES IN CASH FLOWS

Proprietary Fund

For the Year Ended December 31, 2004

Cash flows from operating activities:	
Cash Received from Customers	\$ 6,950,318
Cash Paid for Goods and Services	(4,820,490)
Cash Paid to Employees	<u>(547,920)</u>
<i>Net cash provided/(used) for operating activities</i>	\$ 1,581,908
Cash flows from capital and related financing activities:	
Receipts from Passenger Facility Charge	\$ 2,892,168
Grants	7,061,061
Acquisition and Construction of Capital Assets	(14,518,490)
Proceeds From State Infrastructure Bank Loan	4,808,395
Gain on Disposal of Fixed Assets	<u>22,951</u>
<i>Net cash provided/(used) for capital and related financing activities</i>	\$ 266,085
Cash flows from investing activities:	
Investments	\$ (1,670,448)
Interest	<u>30,694</u>
<i>Net cash provided/(used) for investing activities</i>	\$ <u>(1,639,754)</u>
Net increase in cash and cash equivalents	208,239
<i>Cash and cash equivalents, January 1, 2004</i>	<u>448</u>
<i>Cash and cash equivalents, December 31, 2004</i>	\$ <u><u>208,687</u></u>
Reconciliation of Operating Income (loss) to Net Cash Provided By (Used For) Operating Activities	
Net operating income/(loss)	\$ (1,494,070)
Adjustments:	
Depreciation expense	2,495,586
(Increase)/decrease in assets:	
Accounts receivable	(121,399)
Note receivable	18,426
Prepaid Expenses and Other Current Assets	(49,093)
Increase/(decrease) in liabilities:	
Trade Accounts Payable	858,200
Projects Payable	(210,146)
Accrued Payroll Expenses	87,994
Accrued Real Estate Taxes	<u>(3,590)</u>
Total Adjustments	<u>3,075,978</u>
<i>Net cash provided/(used) for operating activities</i>	\$ <u><u>1,581,908</u></u>

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ending December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Akron-Canton Regional Airport (the Airport) was founded in 1946, as a governmental entity, for the purpose of operating an airport facility serving commercial carriers and industrial concerns. The Akron-Canton Regional Airport Authority (the Authority) was created by resolution of the County Commissioners of Stark and Summit Counties of Ohio in 1964. The Authority is governed by a Board of Trustees consisting of representatives from both Stark and Summit Counties.

B. BASIS OF ACCOUNTING

The Authority uses Fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the Authority has one fund which is categorized as a proprietary fund. Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the Authority's proprietary fund type:

Enterprise Fund - A fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The accounting and financial reporting treatment applied to the Authority's fund is determined by their measurement focus. The Authority's fund is an enterprise fund which uses a flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The Authority uses the accrual basis of accounting, which records revenue when earned and measurable and expenses when the liability is incurred. Revenues subject to accrual are charges for services.

In the preparation of its financial statements, the Authority conforms to the Generally Accepted Accounting Principles as prescribed in statements issued by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority's financial statements have been prepared in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." The Authority applies Financial Accounting Standards Board Statements and Interpretations provided that they do not conflict with GASB Statements and Interpretations.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ending December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

B. BASIS OF ACCOUNTING - (continued)

The following information summarizes the accounting basis:

Property and Equipment – Substantially all of the Authority’s grounds and runways were contributed by the U.S. Government at the time the Airport was founded. These assets were recorded at their estimated fair value as of the date the contributions were made. Property and equipment acquired subsequent to the Airport’s inception is carried at cost. Renewals and betterments are capitalized. The cost of maintenance and repairs are charged to expense accounts as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Paving	2-30 years
Buildings	3-30 years
Vehicles and equipment	3-20 years
Utility systems	3-20 years

Compensated Absences – The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the Statement of Net Assets date by those employees who currently are eligible to receive termination payments. To calculate the liability, those accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees’ rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Assets Restricted for Airport Improvement Projects – Cash and cash equivalents, and investments funded by federal grant monies, along with passenger facility charges receivable, are restricted for use in various Airport Improvement Projects. Such deposits, along with passenger facility charges receivable, are not available for use in the general operations of the Authority.

Statement of Cash Flows – The Statement of Cash Flows are presented in accordance with GASB Statement No. 9. The Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents consist of certificates of deposit as of December 31, 2004. In accordance with GASB Statement No. 9, the Authority has elected to treat restricted cash equivalents as investments for cash flow reporting purposes.

There were no cash payments for income taxes during the year ended December 31, 2004.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ending December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

B. BASIS OF ACCOUNTING - (continued)

Accounting and Reporting for Nonexchange Transactions - The Authority accounts for nonexchange transactions in accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. Nonexchange Transactions occur when the Authority receives (or gives) something of value without giving (or receiving) equal value in return. As such, and in conformity with GASB Statement No. 33, the Authority has recognized grant funds expended for capitalizable property and equipment as revenues and the related depreciation thereon, as expenses in the accompanying financial statements.

Use of Accounting Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Federal Income Tax – No provision or credit has been made in the accompanying financial statements for federal or state income taxes as the Authority is not subject to taxation.

2. **DEPOSITS AND INVESTMENTS**

At December 31, 2004, the carrying amount of the Authority's deposits was \$3,358,476, excluding petty cash of \$448, and the bank balance was \$4,321,326.

The Authority's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or by its trust department but not in the Authority's name.

As of December 31, 2004, the bank balance consisted of \$3,774,807 in demand deposits and \$546,519 in certificates of deposits. There was also a balance of \$175,000 in repurchase agreements, which is considered a category 3 investment. Of the bank balance, \$210,060 was collateralized by FDIC insurance and the remaining \$4,111,266 was secured by pooled collateral pledged by various banks.

3. **LOAN RECEIVABLE**

In February 2002 the Authority entered into a "Concession Agreement" with a Concessionaire of food, beverage and merchandise. As part of this agreement, the Authority has agreed to loan the Concessionaire up to \$300,000 for the purpose of completing concession area renovations. The term of this loan is ten years, with principal and interest at 6.5% per annum, payable monthly. As of December 31, 2004, \$279,793 is outstanding with \$23,623 in principal considered current receivables and the remainder consider long-term receivables.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ending December 31, 2004

4. INSURANCE COVERAGES

As of December 31, 2004, the Authority had general liability insurance coverage of \$50,000,000 for each occurrence and in the aggregate; director and officer liability coverage of \$1,000,000 per loss and in the aggregate; vehicle liability coverage with a combined single limit of \$1,000,000; and public officials' coverage of \$1,000,000 per loss and in the aggregate. The risks of loss exposed to the Authority includes theft, fire, errors and omissions, and general liability. There has been no reduction in insurance coverage during the year ending December 31, 2004. Settlement cost did not exceeded coverage limits during the year.

5. VACATION BENEFITS

Employees hired on or before January 1, 1996 earn two weeks of vacation annually during their first five years of service plus an additional week for every five years thereafter, up to a maximum of six weeks. Employees hired after January 1, 1996 can earn a maximum of five weeks of vacation. Vacation leave may, upon approval, be carried over for up to two years. As of December 31, 2004, the accrual for vacation benefits totaled \$207,386 and is included in the Accrued Payroll Expense in the accompanying Statement of Net Assets.

6. DEFINED BENEFIT PENSION PLAN

The employees of the Authority are covered by the Ohio Public Employees Retirement System. The State of Ohio accounts for the activities of the retirement system and the amounts of this fund is not reflected in the accompanying financial statements.

Ohio Public Employees Retirement System (OPERS) - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan (TP) is a cost-sharing multiple-employer defined benefit pension plan. The Member-Directed Plan (MD) 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 member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan (CO) is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement and disability, survivor and death benefits and annual cost of living adjustments to the Traditional Plan and Combined Plans. Members of the Member-Director Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

OPERS issues a stand alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2004 was 8.5 % for employees other than law enforcement. The 2004 employer contribution rate was 13.55% of covered payroll. The Authority's contributions for pension obligations to OPERS for the years ended December 31, 2004, 2003, and 2002 were \$287,578 \$241,589, and \$219,467; respectively.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ending December 31, 2004

7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Ohio Public Employees Retirement System—Ohio Public Employees Retirement System administers three separate pension plans: The Traditional Pension Plan (TP) is a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) is a defined contribution plan; and the Combined Plan (CO) is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2003. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2003 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually. OPEBs are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. The Authority's contribution to fund postemployment benefits was \$84,894.

\$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 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' health care coverage to improve the financial solvency of the fund in response to skyrocketing 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 costs of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ending December 31, 2004

8. **DEFERRED EMPLOYEE BENEFITS**

Deferred employee benefits consist exclusively of accrued sick leave. Full-time employees accumulate ten hours of sick leave for each completed month in active pay status. Part-time employees accrue sick leave on a proportionate basis. Upon retirement, employees are paid for accrued sick leave, up to a maximum of 960 hours. Employees qualify for this payment upon retirement by having at least five years service with the Authority and being eligible to receive OPERS retirement benefits. As of December 31, 2004, the deferred employee benefits liability is \$83,078. There were no eligible employee retirements in 2004 therefore the expense is \$0.

9. **LINE OF CREDIT**

As of December 31, 2004, the Authority had a line of credit available from a bank for \$7,000,000, of which \$4,140,000 is outstanding as of December 31, 2004. This line of credit is payable on demand and bears interest at a variable rate adjusted quarterly, based on a predetermined index. The credit line is secured by balances in certain bank accounts.

10. **STATE INFRASTRUCTURE BANK LOAN**

In September of 2002, the Authority entered into a loan agreement with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Authority a total of \$5,010,000 for the purpose of assisting in the financing of the Baggage Claim Expansion Project. As of December 31, 2004, \$5,668,079 was outstanding under this loan agreement. The loan bears interest at a rate of 3% annually beginning in April of 2004. Payments of \$473,200 (including interest) are due semiannually, beginning in April of 2005.

11. **AIRPORT IMPROVEMENT PROJECTS-IN-PROGRESS**

Airport Improvement Projects-in-Progress consists of expenditures for capitalized improvements or additions to the Authority's facilities. The cost of completed projects is transferred to property and equipment accounts and depreciated over the estimated useful lives of the projects as of the date of completion. Airport Improvement Projects-in-Progress consist of the following at December 31, 2004:

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ending December 31, 2004

<u>Description of Project</u>	<u>Source of Funding</u>		<u>Total Cost of Projects-In- Progress</u>
	<u>Federal Grants</u>	<u>State/Local Funding</u>	
AIP #31 - Shift and extend runway	\$ 8,599,501	\$ 957,023	\$ 9,556,524
AIP #33 - Shift and extend runway	3,416,860	379,855	3,796,715
AIP #34 –Environmental assessment runway 5/23	224,926	24,994	249,920
AIP #35 – Gate Concourse rehab phase I	2,825,035	323,951	3,148,986
AIP #36 - Runway 14/32 Taxiway K Conversion	260,501	68,631	329,132
AIP #37 - Wildlife Control/Habitat Removal	823,674	57,054	880,728
AIP #38 - Gate Concourse rehab phase I & II	2,962,262	187,899	3,150,161
AIP #40 - Gate Concourse rehab phase II	-	3,935,504	3,935,504
Long Term Lot B Expansion	-	1,616,212	1,616,212
Various Other Projects	-	273,368	273,368
Total	\$ 19,112,759	\$ 7,824,491	\$ 26,937,250

12. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004:

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ending December 31, 2004

Description	Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
Airport Improvement Projects in Progress	\$27,805,240	\$ 510,545	\$ (1,378,535)	\$26,937,250
Land and Land Improvements	22,356,501	856,931	-	23,213,432
Paving	22,077,815	8,018,771	-	30,096,586
Buildings	14,875,747	6,452,590	(67,415)	21,260,922
Vehicles and Equipment	11,712,995	263,758	(101,880)	11,874,873
Utility Systems	550,481	-	(36,275)	514,206
Accumulated Depreciation	(29,120,819)	(2,495,586)	204,069	(31,412,336)
Total	<u>\$70,257,960</u>	<u>\$13,607,009</u>	<u>\$ (1,380,036)</u>	<u>\$82,484,933</u>

13. NONCANCELLABLE LEASES

The Authority leases space, hangars, counters, gates, etc. to various entities under noncancellable operating lease agreements. Future minimum rentals as of December 31, 2004 under such agreements are as follows:

Year Ending December 31,	Amount
2005	\$ 1,432,589
2006	1,157,109
2007	833,843
2008	598,582
Thereafter	<u>17,835,942</u>
Total Payments	<u>\$ 21,858,065</u>

14. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, particularly the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed, by the grantor cannot be determined at this time although the Airport expects such amounts, if any, to be immaterial.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<i><u>U.S. Department of Transportation</u></i>				
Airport Improvement Project - #28	3-39-0001-2801	20.106	\$ 72,935	\$ 68,650
Airport Improvement Project - #31	3-39-0001-3102	20.106	288,604	288,612
Airport Improvement Project - #32	3-39-0001-3202	20.106	646	646
Airport Improvement Project - #33	3-39-0001-3302	20.106	632,030	632,211
Airport Improvement Project - #34	3-39-0001-3403	20.106	224,926	224,725
Airport Improvement Project - #35	3-39-0001-3503	20.106	1,795,483	1,802,450
Airport Improvement Project - #36	3-39-0001-3604	20.106	260,501	260,502
Airport Improvement Project - #37	3-39-0001-3704	20.106	823,674	832,539
Airport Improvement Project - #38	3-39-0001-3804	20.106	2,962,262	2,990,625
Airport Improvement Project - #40	3-39-0001-4005	20.106	<u>0</u>	<u>1,598,135</u>
Total U.S. Department of Transportation			<u>7,061,061</u>	<u>8,699,095</u>
Total Federal Expenditures			<u>\$ 7,061,061</u>	<u>\$ 8,699,095</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

Akron Canton Regional Airport Authority
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than the obligation is incurred.

2. Matching Requirements

Certain federal programs require that the Authority contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

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

The Board of Trustees
Akron-Canton Regional Airport Authority
North Canton, Ohio

We have audited the financial statements of the Akron-Canton Regional Airport Authority as and for the year ended December 31, 2004, and have issued our report thereon dated June 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Airport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
June 14, 2005

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

The Board of Trustees
Akron-Canton Regional Airport Authority
North Canton, Ohio

Compliance

We have audited the compliance of the Akron-Canton Regional Airport Authority with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the 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, 2004.

Internal Control Over Compliance

The management of the Authority 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 Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
June 14, 2005

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
Stark and Summit Counties, Ohio
December 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Airport Improvement Programs CFDA# 21.106
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2003, did not include material citations or recommendations.



**Auditor of State
Betty Montgomery**

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AKRON-CANTON REGIONAL AIRPORT AUTHORITY

SUMMIT 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
AUGUST 30, 2005**