PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Portage County Regional Airport Authority
Portage County
4039 Nanway Blvd.
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Portage County Regional Airport Authority, Portage County (the Airport), a component unit of Portage County, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portage County Regional Airport Authority, as of December 31, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2007, on our consideration of the Airport'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.

We conducted our audit to opine on the financial statements that collectively comprise the Airport's basic financial statements. The Management Discussion and Analysis provides additional information and is not a required part of the basic financial statements. We did not subject the Management Discussion and Analysis to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 29, 2007

The discussion and analysis of the Portage County Regional Airport Authority's (Airport) financial performance provides an overall review of the Airport's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the Airport's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Airport's financial performance.

Financial Highlights

- Total net assets decreased $75,859 which represents a 2.03 percent decrease from 2005.

- Capital grants decreased from $442,287 in 2005 to $82,488 in 2006 due to the Airport receiving less grant monies from the Federal Aviation Administration. The majority of the grant monies received will be used to maintain and construct new taxiways for the Airport.

- Total expenses decreased from $329,354 in 2005 to $256,096 in 2006 due in large part to a decrease of $85,095 in contractual services. In 2006, the Airport had a significant increase in capitalized expenditures.

- There was no change in outstanding debt.

Using this Financial Report

This annual report consists of two parts, the MD&A and the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, a statement of cash flows and notes to the financial statements. Since the Airport only uses one fund for its operations, the entity wide and the fund presentation information is the same.

Statement of Net Assets and the Statement of Activities

The view of the Airport looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

These statements report the Airport's net assets; however, in evaluating the overall financial position of the Airport, non-financial information such as changes in the condition of the Airport's capital assets will also need to be evaluated.

Table 1 provides a summary of the Airport's net assets for 2006 compared to 2005.

Table 1
Net Assets

	2006	2005	Change
Assets			
Current and Other Assets	$181,792	$130,068	$51,724
Capital Assets	4,011,009	4,039,262	(28,253)
Total Assets	4,192,801	4,169,330	23,471
Liabilities			
Current Liabilities	111,686	12,356	99,330
Noncurrent Liabilities	419,000	419,000	0
Total Liabilities	530,686	431,356	99,330
Net Assets			
Invested in Capital Assets			
Net of Related Debt	3,592,009	4,039,262	(447,253)
Unrestricted (Deficit)	70,106	(301,288)	371,394
Total Net Assets	$3,662,115	$3,737,974	($75,859)

The Airport's total net assets were down from a year ago. There was a decrease from $3,737,974 to $3,662,115 or a decrease of $75,859. The decrease is due to an increase in the Airport's contracts payable of $106,829 offset by an increase in cash of $28,613. The contracts payable increased dramatically due to the timing of payments to contractors for security fencing and apron reconstruction.

Current liabilities increased by $99,330. This increase is also due to an increase in contracts payable of $106,829.

Capital assets decreased $28,253 in 2006. The Airport had total additions (mainly to apron, taxiway construction and improvements) of $168,638. These additions were offset by $196,891 in current year depreciation.

Table 2 shows the changes in net assets for the year ended December 31, 2006 as well as revenue and expense comparisons to 2005.

Table 2
Revenues and Expenses

	2006	2005	Change
Operating Revenues:			
Charges for Services	$83,851	$72,726	$11,125
Miscellaneous	12,537	7,151	5,386
Non-Operating Revenues:			
Interest	1,361	722	639
Capital Grants	82,488	442,287	(359,799)
Total Revenues	180,237	522,886	(342,649)
Operating Expenses:			
Personal Services	16,236	11,498	4,738
Contractual Services	41,462	126,557	(85,095)
Materials and Supplies	1,483	1,271	212
Depreciation	196,891	188,427	8,464
Other	24	0	24
Non-Operating Expenses:			
Interest and Fiscal Charges	0	1,601	(1,601)
Total Expenses	256,096	329,354	(73,258)
Increase (Decrease) in Net Assets	(75,859)	193,532	(269,391)
Net Assets Beginning of Year	3,737,974	3,544,442	193,532
Net Assets End of Year	$3,662,115	$3,737,974	($75,859)

Analysis of Overall Financial Position and Results of Operation

The Airport received an $8,000 unrestricted subsidy from the County. The Airport also received an additional $7,895 from the County to be used as the local match for a $150,000 FAA grant. Providing the local match was a one-time occurrence and does not set a precedent for the future. The sources of revenue are land and building leases, a percentage of fuel sales from the fixed base operator, and user fees.

The Airport Board of Trustees are concerned about the low collection rate of user fees, which were initiated in 2002. As of the end of 2006, the unpaid user fees 2002 through 2006 totaled $85,790. In response to a case filed by an Airport user against the fees charged by the Airport, in 2005 the Portage County Common Pleas Court upheld the decision the fees are valid under Ohio Law. Subsequently, a complaint was filed to the Federal Aviation Administration with respect to charging user fees. On March 29, 2007, the FAA issued a Final Decision and Order in favor of the Airport. The complainant has 60 days to file an appeal of this decision with the United States Court of Appeals for the District of Columbia or the United States Sixth

Circuit Court of Appeals. Upon completion of the appeal process, the Portage County Prosecuting Attorney will take action to enforce the user fees.

Capital Assets

FAA and ODOT grants enabled the Airport to begin design of an Automated Weather Observing System, install perimeter security fencing and complete apron reconstruction and construction of taxiways.

	2006	2005
Land	$2,015,996	$2,015,996
Construction in Progress	6,100	0
Land Improvements	1,958,653	1,974,857
Equipment	30,260	48,409
Totals	$4,011,009	$4,039,262

For more information on the Airport's capital assets, see Note 7 to the basic financial statements.

Debt

The Airport has no bonded indebtedness. The Airport's debt consists of a due to primary government payable with a balance of $419,000, which was received in 2001. The Airport requested and was granted a ten year deferment on this loan until 2011 when they will begin paying $41,900 in principal on this payable annually. This request resulted from the overall viability issues of the Airport that would be raised if payment was not deferred. Interest will not be charged nor accrued during the ten year deferment. The subsequent annual interest rate shall be the average County portfolio interest rate yield for the prior years as determined by the Portage County Treasurer. For more information on the Airport's debt, see Note 8 to the basic financial statements.

Current Issues

In 1999 the Airport entered into a 50 year land lease with Portage Flight Center, the fixed base operator, which furnishes aircraft maintenance and repair, flight training, aircraft rental and 24-hour automated fuel sales. Long-term land leases with Kelly Aviation Helios and Chinn Aviation provide income for the Airport and hangar rental for users.

The lease agreement for Castle Hangars with Jeff Cales Custom Aviation LLC (custom aircraft painting) began on October 1, 2004 and continued through September 30, 2006. The contract specified rent payments of $1,000 per month for the leased premises and maintenance fee payments of $800 per month (considered to be unrestricted revenue) for the upkeep of the buildings and the Airport facilities. The board and Jeff Cales agreed to continue the lease under previous terms.

The extension expires on September 30, 2007. Under a second contract (Option to Purchase Real Property), Mr. Cales retains the "First Refusal" meaning that he can still purchase the hangars but at a new negotiated price or at a price that would match any other offer the Board has for the hangars. This contract also expires on September 30, 2007 at which time the agreement with the FAA for the hangars also expires.

According to the agreement made with the FAA at the time funding was received for this property, the Airport retains ownership of the Castle Hangars land. If the hangars are sold, the funds received from the sale may only be used for the purchase of additional property. If, however, the hangars are not sold to Mr. Cales or another buyer, the FAA has the right to demolish the building. Since the lease from Castle Hangars is the largest single source of operating revenue ($21,600 annually), the board has requested from the FAA a five-year extension of the agreement and would continue to lease the property to Mr. Cales.

The Airport has requested from the Portage County Commissioners donation of land adjacent to the Airport, the value of which would be used as the five per cent local match for FAA grants. Neither the County nor the Airport has funds to provide local match in the amounts needed for capital improvements that will improve the economic viability of the Airport - primarily extension of the runway from the current 3,500 feet to 5,000 feet. The County Commissioners have not as yet made a decision on the request.

Most insurance policies for corporate aircraft that are twin engine or small business jet types have an exclusion for landing on runways less than 5,000 feet in length. If the runway were 5,000 feet, it would accommodate 100 percent of the small business class piston and turbo-prop aircraft of 10 or fewer passenger seats and many of the small, light business jet fleet, particularly the newer and quieter models.

The five-year Airport capital improvement plan submitted to the FAA includes acquiring land for runway expansion and the runway clear zone; installation of an Automated Weather Observing System; perimeter control fencing (phase 2); and runway expansion. Efforts will also be made to acquire ODOT funding.

Runway expansion is the key to the economic future of the Airport. Increasing Airport traffic may attract business to locate on the available land, and could enable the Airport to increase operating revenue, make payments on the County loan and enhance the economy of Portage County.

Contacting the Portage County Airport Authority's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Portage County Regional Airport Authority, at the Portage County Regional Airport Authority, 4039 Nanway Boulevard, Ravenna, Ohio 44266-9705.

Portage County Regional Airport Authority
Statement of Net Assets
December 31, 2006

Assets	
Current Assets	
Cash	$92,511
Accounts Receivable	87,920
Interest Receivable	1,361
Total Current Assets	181,792
Noncurrent Assets	
Nondepreciable Capital Assets	2,022,096
Depreciable Capital Assets, Net	1,988,913
Total Noncurrent Assets	4,011,009
Total Assets	4,192,801
Liabilities	
Current Liabilities	
Accounts Payable	3,614
Contracts Payable	106,829
Accrued Wages	468
Intergovernmental Payable	775
Total Current Liabilities	111,686
Noncurrent Liabilities	
Due to Primary Government	419,000
Total Liabilities	530,686
Net Assets	
Invested in Capital Assets	3,592,009
Unrestricted	70,106
Total Net Assets	$3,662,115

See accompanying notes to the basic financial statements.

Portage County Regional Airport Authority

Statement of Revenues,
Expenses and Changes in Net Assets
For the Year Ended December 31, 2006

Operating Revenues	
Charges for Services	$83,851
Miscellaneous	12,537
Total Operating Revenues	96,388
Operating Expenses	
Personal Services	16,236
Contractual Services	41,462
Materials and Supplies	1,483
Depreciation	196,891
Other	24
Total Operating Expenses	256,096
Operating Loss	(159,708)
Non-Operating Revenues	
Interest	1,361
Capital Grants	82,488
Total Non-Operating Revenues	83,849
Change in Net Assets	(75,859)
Net Assets Beginning of Year	3,737,974
Net Assets End of Year	$3,662,115

See accompanying notes to the basic financial statements.

Portage County Regional Airport Authority

Statement of Cash Flows

For the Year Ended December 31, 2006

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$64,231
Cash Received from Other Operating Sources	10,407
Cash Payments to Employees for Services and Benefits	(15,897)
Cash Payments for Contractual Services	(49,300)
Cash Payments to Suppliers for Materials and Supplies	(1,483)
Other Cash Payments	(24)
Net Cash Provided by Operating Activities	7,934
Cash Flows from Capital and Related Financing Activities	
Capital Grants Received	82,488
Purchase of Capital Assets	(61,809)
Net Cash Provided by Capital and Related Financing Activities	20,679
Net Increase in Cash and Cash Equivalents	28,613
Cash and Cash Equivalents Beginning of Year	63,898
Cash and Cash Equivalents End of Year	$92,511
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	($159,708)
Adjustments	
Depreciation	196,891
Increase in Accounts Receivable	(21,750)
Increase (Decrease) in Liabilities:	
Accounts Payable	(7,838)
Accrued Wages	(12)
Intergovernmental Payable	351
Total Adjustments	167,642
Net Cash Provided by Operating Activities	$7,934

See accompanying notes to the basic financial statements.

Note 1 - Reporting Entity

The Portage County Regional Airport Authority (the "Airport") was created by resolution of the Portage County Commissioners under the authority of Chapter 308 of the Ohio Revised Code. The Airport is presently governed by a seven member board of trustees appointed by the County Commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name, the power to establish and collect rates, rentals and other charges, the authority to acquire, construct, operate, manage and maintain Airport facilities, the authority to buy and sell real and personal property, and the authority to issue debt for acquiring or constructing any facility or permanent improvement. Portage County has loaned the Airport money to continue operations. Since the Airport imposes a financial burden on the County, the Airport is reported as a discretely presented component unit of Portage County.

The reporting entity for the Airport is comprised of all departments, boards and agencies that are not legally separate from the Airport, any component units of the Airport and any other organizations that would need to be included to ensure that the financial statements of the Airport are not misleading.

Component units are legally separate organizations for which the Airport is financially accountable. The Airport is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the Airport has no component units.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Airport have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Airport also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Airport has elected not to apply FASB Pronouncements and Interpretations issued after November 30, 1989. The more significant of the Airport's accounting policies are described below.

A. Basis of Presentation

The Airport's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

The Airport uses a single enterprise fund 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.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Airport are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Airport finances and meets the cash flow needs of its enterprise activity.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Airport's financial statements are prepared using the accrual basis of accounting.

On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the Airport receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

D. Investments

Investments are reported at fair value which is based on quoted market prices, except for nonparticipating investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's current share price.

E. Capital Assets

Capital assets utilized by the Airport are reported on the statement of net assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Airport was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The Airport maintains a capitalization threshold of one hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 20 years
Equipment, Furniture and Fixtures	5 - 10 years

The Airport's policy is to capitalize net interest on the enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2006, no material interest costs were incurred on construction projects for the Airport.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Airport applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Airport did not have any restricted net assets as of December 31, 2006.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Airport, these revenues are charges for services and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Airport. Revenues and expenses which do not meet these definitions are reported as nonoperating.

H. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Changes in Accounting Principle

For fiscal year 2006, the Airport has implemented GASB Statement No. 47, "Accounting for Termination Benefits". GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits. The implementation of GASB Statement No. 47 did not materially affect the presentation of the financial statements of the Airport.

Note 4 - Deposits and Investments

Monies held by the Airport are classified by State statute 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 Airport Treasury or in money market deposit accounts.

Inactive deposits are public deposits that the Airport 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 or deposit accounts including passbook accounts.

Interim monies held by the Airport can 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 any other obligation guaranteed as to payment of 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, 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 securities listed above;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;

7. The State Treasurer's investment pool (STAROhio);

8. Securities lending agreements in which the Airport lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;

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. Investments may only be made through specified dealers and institutions.

Note 5 - Accounts Receivable

Accounts receivable represent monies due from various companies and individuals for their use of Airport facilities and services. No allowance for doubtful accounts has been recorded as all amounts are considered collectible.

Note 6 – Risk Management

During 2006 the Authority contracted with several companies for various types of insurance as follows:

Company	Type	Coverage
Houston Casualty Company	Professional Liability Insurance	$1,000,000
XL Speciality Insurance Company	Bodily Injury and Property Damage	2,000,000
USF & G/St. Paul	Commercial Property Insurance	591,350
Aviation Insurance Managers, Inc.	Inland Marine 100 percent Coinsured	47,100
Aviation Insurance Managers, Inc.	Public Officials Bond	18,000

Settled claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

The Airport 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 7 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2006 was as follows:

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
Capital Assets, not being depreciated:				
Land	$2,015,996	$0	$0	$2,015,996
Construction in Progress	0	6,100	0	6,100
Total Capital Assets not being depreciated	2,015,996	6,100	0	2,022,096
Capital Assets, being depreciated:				
Land Improvements	2,604,602	159,320	0	2,763,922
Equipment	221,721	3,218	0	224,939
Total Capital Assets being depreciated	2,826,323	162,538	0	2,988,861
Less Accumulated Depreciation:				
Land Improvements	(629,745)	(175,524)	0	(805,269)
Equipment	(173,312)	(21,367)	0	(194,679)
Total Accumulated Depreciation	(803,057)	(196,891)	0	(999,948)
Total Capital Assets being depreciated, net	2,023,266	(34,353)	0	1,988,913
Capital Assets, net	$4,039,262	($28,253)	$0	$4,011,009

Note 8 - Long-Term Obligations

The Airport has an obligation to the primary government of $419,000 at December 31, 2006 for a loan to continue the operations of the Airport. The principal payment will be $41,900 payable annually for ten years beginning in 2011. The loan is currently interest free. Interest payments will begin in 2011 and will be based on the average County portfolio interest rate yield for the prior years as determined by the Portage County Treasurer.

Note 9 - Defined Benefit Pension Plan

The Airport 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 percent 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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Airport's contribution rate for pension benefits for 2006 was 13.77 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Airport's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were $1,333, $899 and $858 respectively; 96.31 percent has been contributed for 2006 and 100 percent for 2005 and 2004. The Airport employees made no contributions to the member-directed plan for 2006.

Note 10 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement 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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statue. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were $435. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 11 – Operating Leases

In prior years, the Airport, as a lessor, has entered into an agreement for operating leases for land with the Portage Flight Center, Fixed Base Operators (FBO) Hangars LLC and Chinn Aviation. The Airport has also entered into an operating lease for one of its hangars with Jeff Cales Custom Aviation.

The lease and purchase agreement with Portage Flight Center for the 13,920 square feet of land on which the hanger is located began on August 1, 1999 and ends on July 31, 2049. The monthly lease payment for 2006 was $377.89. In November, 2006, the Board approved an addendum to the existing lease as a result of a building addition and increased the monthly lease by $68.11 for a monthly total of $446.

The Airport Fixed Base Operator agreement with Portage Flight Center began on July 17, 1999 for a 50 year period to run concurrent with the lease and purchase agreement. The following are the amounts owed to the Airport: a rental of $1 per annum for the ramps; annual percentage of fuel sales (20 cents per gallon on the first 150,000 gallons; 15 cents per gallon on the next 100,000 gallons; 10 cents per gallon thereafter) and one percent of Portage Flight Center annual gross sales. Due to financial constraints, Portage Flight Center requested that the Board accept $13,100 for fuel sales in 2006 (the amount paid in 2005) rather than the per gallon amounts specified in the contract. The Board agreed to the proposal.

The long-term land lease agreement for Area (C) with FBO Hangers LLC was entered into on September 9, 2003 for a 50 year period. In 2006 the contract was assigned to Kelly Aviation Helios. The annual rental payment is $5,120 plus reimbursement to the Board for real estate property taxes.

The lease with Chinn Aviation is a forty year lease which began in 2000 and will expire in 2040. The monthly lease payment is $449.06 plus reimbursement to the Board for real estate property taxes.

There is a lease agreement for Castle Hangers with Jeff Cales Custom Aviation LLC. The contract specifies rent payments of $1,000 per month for the leased premises and maintenance fee payments of $800 per month for the upkeep of the buildings and the Airport facilities. The lease expires on September 30, 2007. Under the rental agreement, Mr. Cales retains the “First Refusal” meaning that he can still purchase the hangers but at a new negotiated price or a price that would match any other offer the Board has for the hangars. This contract also expires on September 30, 2007 at which time the agreement with the FAA for the hangers also expires. Since the lease revenue from Castle Hangar is the largest single source of operating revenue ($21,600 annually), the Board has requested from the FAA a five-year extension of the agreement.

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Mary Taylor, CPA
Auditor of State

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

Portage County Regional Airport Authority
Portage County
4039 Nanway Blvd.
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the basic financial statements of the Portage County Regional Airport Authority, Portage County, (the Airport) as of and for the year ended December 31, 2006, which collectively comprise the Airport's basic financial statements and have issued our report thereon dated June 29, 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 Airport's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Airport's internal control over financial reporting.

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

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

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

We noted certain matters that we reported to the Airport's management in a separate letter dated June 29, 2007.

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Compliance and Other Matters

As part of reasonably assuring whether the Airport's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

The Airport's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Airport's response and, accordingly, we express no opinion on it.

The Airport Authority has responded to issues as discussed in this Management Letter. You can obtain a copy of their response from Karen Stacko, Secretary-Treasurer, at 330-995-9119.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 29, 2007

SCHEDULE OF FINDINGS
DECEMBER 31, 2006

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code Section 308.13(A) states that the board of trustees of a regional airport authority or any officer or employee designated by such board may make any contract for the purchase of supplies or material or for labor for any work, under the supervision of the board, the cost of which shall not exceed fifteen thousand dollars. If the proposed expenditure does exceed this amount, the airport is required to solicit bids by advertising for such in a newspaper of general circulation within the area of the airport authority. In this solicitation of bids, the airport authority includes the estimated cost of project to be completed.

The Portage County Airport solicited bids for the installation of Perimeter Control Fencing, and the installation of Automated Weather Observation System (AWOS). The estimated price of the Perimeter Control Fencing was advertised at $26,219. After the bids were solicited for the Automated Weather Observation System the Federal Aviation Administration ruled that they would not fund the AWOS during the grant year. The Airport received two bid proposals during August on the Perimeter Control Fencing and selected one of the bidders for the base bid of $26,219, plus three alternatives for $6,279.60, for a total of $32,498.60.

On December 5, 2006, the Board actually entered into the agreement with Workman Industrial Services for the security fencing. The Contract provided for a base amount of $26,219, plus three alternatives for $6,279.60 for a total of $32,498.60. Additionally, the Airport Board provided for a "supplemental contract" for the installation of additional fencing. The Contract stated that the "supplemental contract" would not be re-bid. The Board then entered into this "supplemental agreement" with Workman in the amount of $95,258 for the installation of additional security fencing. This "supplemental agreement" brought the total contract price to $127,756.60. The Board failed to re-bid the new contract amount.

As seen above, county airports are required to competitively bid expenditures when they exceed $15,000. A County Airport does not have the authority to supersede this law, by contract or otherwise. Here, the Airport only bid a fraction of the project, awarding the rest to the bidder without opportunity to the bidder's competitors. Ohio's competitive bidding procedures are in place to ensure that tax dollars are spent efficiently and justly. The Airport's actions served to circumvent this intent, keeping potential bidders from entering the competition.

We recommend the Airport rebid any contract that has not been fully bid so they include all possible bidders.

Client Response: The reason was: When the project was bid, it was anticipated that only approximately $25,000 would be available in the grant for fencing with an additional $110,000 for Automated Weather Observation System (AWOS) installation. After opening bids, the Federal Aviation Administration advised the Airport Board that they would not fund the AWOS installation under the grant, and the money slated for AWOS installation could be used for additional fencing. The Board agreed to award up to a maximum of $96,000 for additional footage of fencing at the unit price bid.

Mary Taylor, CPA
Auditor of State

PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY

PORTAGE 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
OCTOBER 2, 2007

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