



**Auditor of State
Betty Montgomery**

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY**

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Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS

Portage County Regional Airport Authority
Portage County
4039 Nanway Boulevard
Ravenna, Ohio 44266-9705

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Portage County Regional Airport Authority, Ohio, (the Airport), a Component Unit of the County of Portage, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the Airport 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 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 the Portage County Regional Airport Authority, as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Airport will continue as a going concern. As discussed in Note 11 to the financial statements, the Airport has suffered losses from operations and has projected those losses to continue in the future. These conditions raise substantial doubt about the Airport's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

The accompanying federal awards expenditures schedule is presented for 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. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

April 30, 2003

Portage County Regional Airport Authority

Management's Discussion and Analysis

For the Year Ended December 31, 2002

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, 2002. 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 increased \$917,210 which represents an 30.84 percent increase from 2001.
- Grant revenues increased by 43.7 percent from \$711,038 to \$1,021,801 due to more grant availability during 2002.
- Total expenses decreased by 81.9 percent from \$1,005,391 to \$182,281 in 2002 due in large part to less monies being spent in the contractual services and materials and supplies categories by \$724,896 and \$102,363 respectively.
- Outstanding debt increased by 11.08 percent from \$388,000 to \$431,000 in 2002.

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 and a statement of cash flows. Since the Airport only uses one fund for its operations, the entity wide and the fund presentations information is the same.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2002?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources 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.

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

Portage County Regional Airport Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2002

Table 1 provides a summary of the Airport's net assets for 2002 compared to 2001.

Table 1
Net Assets

	2002	2001
Assets		
Current and Other Assets	\$734,098	\$484,063
Capital Assets	3,609,128	2,913,479
Total Assets	4,343,226	3,397,542
Liabilities		
Noncurrent Liabilities	425,000	279,000
Current Liabilities	26,997	144,523
Total Liabilities	451,997	423,523
Net Assets		
Invested in Capital Assets		
Net of Related Debt	3,597,128	2,895,479
Unrestricted	294,101	78,540
Total Net Assets	\$3,891,229	\$2,974,019

The Airport's total net assets were up from a year ago. There was an increase from \$2,974,019 to \$3,891,229 or an increase of \$917,210. The increase is due to an overall decrease in expenses being generated during the current year.

Current and other assets increased by \$250,035. This increase is due to the Airport receiving \$328,807 more in grant monies for 2002.

Capital assets were added in the amount of \$818,152. Land improvements increased \$493,152 and land was purchased in the amount of \$325,000 for additional runway and hangar space. The increase was offset by depreciation expense in the amount of \$122,503.

Portage County Regional Airport Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2002

Table 2 shows the changes in net assets for the year ended December 31, 2002 as well as revenue and expense comparisons to 2001.

Table 2
Revenues and Expenses

	2002	2001
Operating Revenues:		
Charges for Services	\$50,292	\$14,687
Miscellaneous	34	3,453
Non-Operating Revenues:		
Interest	7,458	21,600
Operating Grants	1,021,801	711,038
Total Revenues	1,079,585	750,778
Operating Expenses:		
Personal Services	11,524	4,998
Contractual Services	37,376	762,272
Materials and Supplies	9,728	112,091
Depreciation	122,503	120,734
Other	0	30
Non-Operating Expenses:		
Interest and Fiscal Charges	1,150	5,266
Total Expenses	182,281	1,005,391
Increase (Decrease) in Net Assets	\$897,304	(\$254,613)

Analysis of Overall Financial Position and Results of Operation

The financial position of the Airport improved over the past year. The increase in net assets needs, perhaps, to be explained more fully in order to better understand the financial picture for the year 2002. There were several items that affected the Airport adversely that were beyond the control of management. However, two items helped to offset those adversities and produced a favorable outcome on this year's operations. Items that reflected adversely on the overall operations included the collection of airport user fees that were \$18,000 short of expectations, an increase in depreciation of approximately \$15,000 and finally, almost \$14,000 less in earned interest on money market funds. The Airport offset these losses with an increase in operating grants in the amount of \$328,807 and the reduction of contractual services and materials and supplies expenses.

Portage County Regional Airport Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2002

Capital Assets

The ending balance of capital assets shows an increase of \$695,649 compared to the prior year. This increase is due to the \$493,152 runway addition and the \$325,000 land addition being offset by \$122,503 in current year depreciation.

	<u>2002</u>	<u>2001</u>
Land	\$1,790,996	\$1,465,996
Land Improvements	1,688,346	1,291,791
Equipment	<u>129,786</u>	<u>155,692</u>
Totals	<u>\$3,609,128</u>	<u>\$2,913,479</u>

For more information on the Airport's capital assets, see Note 6 to the basic financial statements.

Debt

The Airport has no bonded indebtedness. The Airport's debt consists of a ten-year due to primary government payable with a balance of \$419,000. The Airport has been granted a deferment on this loan until 2011 when they will owe \$41,900 in principal on this payable annually. An additional debt amount is a four-year 5.38 percent loan payable with a balance of \$12,000. The Airport is to pay \$6,000 in principal on this payable annually. For more information on the Airport's debt, see Note 7 to the basic financial statements.

Current Issues

In the Spring of 1997 a fire destroyed the administration offices and large storage hangar at the Airport. The fire left the airport void of any operational buildings which could be utilized for airport business such as fuel sales, aircraft maintenance and aircraft storage and parking. The Airport was operated through the remainder of that year from a mobile office with only part-time help. The single remaining building on Airport property, which was scheduled to be razed, was leased to a commercial company that was scheduled to move out within ninety days. The Airport runway was in bad shape and in need of immediate repair and overlay. There was no parallel taxiway and the aircraft parking apron was virtually unusable. The two underground fuel tanks were required to be removed by Federal Law prior to December 31, 1998.

From the beginning, the Airport's board of trustees developed a long range operational plan that placed the Airport in the position of the landlord and then set about developing long-term agreements with tenants who would eventually supply the Airport with all the aeronautical services required for a fully serviced Airport. Presently, the Airport has a total of five fully functional Fixed Base Operators (FBOs). They include one full service FBO (Portage Flight Center), on a long-term land lease that provides for aircraft parts and supplies, fuel sales, pilot supplies and flight instruction. A new facility for refurbishing aircraft (painting) just opened for business on the north side. Another FBO that rents hangar space to private and business aircraft owners has a long-term land lease agreement with the Airport. The fifth FBO is located in the main FBO's hangar facilities but operates as an independent FBO that upholsters and refurbishes the interior of aircraft. The newly repaired fuel farm is operating normally with fuel flowage fees

Portage County Regional Airport Authority

Management's Discussion and Analysis

For the Year Ended December 31, 2002

directed to the Airport. There is a newly paved runway and a new full-length parallel taxiway. In addition, there are newly paved aircraft parking aprons and more recently a new taxiway extension that will provide a future FBO with a building site that will accommodate approximately 20 "T" hangars. Already there are negotiations with an FBO to build "T" hangars under very favorable conditions should the Airport Authority find the necessary funding.

Over the last several years, grant funds were used to purchase properties and then clear those same properties of all obstructions. All the available properties on the south side of the Airport are now owned by the Airport Authority and have just recently been designated by the Board of Trustees to be developed into commercial plots for long-term land leases for both commercial enterprises in addition to aeronautical service providers (FBOs). Several interested parties have requested information on the new building sites and the plans will soon be shown on the Airport Web Site in addition to being advertised in various aeronautical publications. The revenues from the long-term land lease will go directly to offset the operating expenses of the Airport.

The continued need for user fees is of great concern to the Airport Authority. Only a portion of the required fees have been collected and the Airport Authority fully anticipates the collection of the remaining fees. The Airport will require the strong support of the County in terms of grant matching funds that enables the Airport to apply for and receive Federal and State grant funds. Equally important and directly affecting the Airport's operating funds is the County's subsidy for the Airport each year. It is anticipated that a minimum yearly subsidy of \$25,000 will be required to operate the Airport effectively and efficiently.

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 Grant Consultant Gene Ripple, 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, 2002

Assets	
<i>Current Assets</i>	
Cash and Investments	\$264,034
Accounts Receivable	33,983
Interest Receivable	21
Intergovernmental Receivable	436,060
	<hr/>
<i>Total Current Assets</i>	734,098
	<hr/>
<i>Noncurrent Assets</i>	
Nondepreciable Capital Assets	1,790,996
Depreciable Capital Assets, Net	1,818,132
	<hr/>
<i>Total Noncurrent Assets</i>	3,609,128
	<hr/>
<i>Total Assets</i>	4,343,226
	<hr/>
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	2,436
Contracts Payable	12,392
Accrued Wages	67
Intergovernmental Payable	5,252
Accrued Interest Payable	850
Loans Payable-Current	6,000
	<hr/>
<i>Total Current Liabilities</i>	26,997
	<hr/>
<i>Noncurrent Liabilities</i>	
Loans Payable-Long-Term	6,000
Due to Primary Government-Long Term	419,000
	<hr/>
<i>Total Noncurrent Liabilities</i>	425,000
	<hr/>
<i>Total Liabilities</i>	451,997
	<hr/>
Net Assets	
Invested in capital assets, net of related debt	3,597,128
Unrestricted	294,101
	<hr/>
<i>Total Net Assets</i>	\$3,891,229
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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, 2002

Operating Revenues	
Charges for Services	\$50,292
Miscellaneous	34
	<hr/>
<i>Total Operating Revenues</i>	<i>50,326</i>
	<hr/>
Operating Expenses	
Personal Services	11,524
Contractual Services	37,376
Materials and Supplies	9,728
Depreciation	122,503
	<hr/>
<i>Total Operating Expenses</i>	<i>181,131</i>
	<hr/>
<i>Operating Loss</i>	<i>(130,805)</i>
	<hr/>
Non-Operating Revenues (Expenses)	
Interest and Fiscal Charges	(1,150)
Interest	7,458
Operating Grants	1,021,801
	<hr/>
<i>Total Non-Operating Revenues (Expenses)</i>	<i>1,028,109</i>
	<hr/>
<i>Change in Net Assets</i>	<i>897,304</i>
	<hr/>
<i>Net Assets Beginning of Year - Restated Note 10</i>	<i>2,993,925</i>
	<hr/>
<i>Net Assets End of Year</i>	<i>\$3,891,229</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Portage County Regional Airport Authority

Statement of Cash Flows

For the Year Ended December 31, 2002

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Customers	\$29,609
Cash Received from Other Operating Sources	34
Cash Payments to Employees for Services and Benefits	(6,474)
Cash Payments for Contractual Services	(36,522)
Cash Payments to Suppliers for Materials and Supplies	(9,602)
	<hr/>
<i>Net Cash Used for Operating Activities</i>	<u>(22,955)</u>

Cash Flows from Noncapital Financing Activities

Operating Grants Received	589,701
Proceeds from Loan	49,000
	<hr/>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>638,701</u>

Cash Flows from Capital and Related Financing Activities

Principal Payment - Loan	(6,000)
Interest and Fiscal Charges	(1,800)
Purchase of Capital Assets	(818,152)
	<hr/>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(825,952)</u>

Cash Flows from Investing Activities

Interest on Investments	7,437
	<hr/>
<i>Net Decrease in Cash and Cash Equivalents</i>	(202,769)
<i>Cash and Cash Equivalents Beginning of Year</i>	<hr/>
	466,803
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$264,034</u></u>

**Reconciliation of Operating Loss to Net
Cash Used for Operating Activities**

<i>Operating Loss</i>	<u>(\$130,805)</u>
<i>Adjustments</i>	
Depreciation	122,503
Increase in Accounts Receivable	(20,683)
<i>Increase/(Decrease) in Liabilities:</i>	
Accounts Payable	1,316
Contracts Payable	(336)
Accrued Wages	(1)
Intergovernmental Payable	5,051
<i>Total Adjustments</i>	<hr/>
	107,850
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$22,955)</u></u>

See accompanying notes to the basic financial statements

Portage County Regional Airport Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2002

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 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 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.

Portage County Regional Airport Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2002

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 is 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.

For purposes of the statement of cash flows and for presentation on the statement of net assets, all interest bearing instruments are recorded as investments.

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. Donated fixed 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 years
Equipment, Furniture and Fixtures	5 -10 years

Portage County Regional Airport Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2002

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 2002, 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 adopted by the Airport 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 for 2002.

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 – Deposits and Investments

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Airport Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Airport has identified as not required for use within the current four 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.

Protection of the Airport's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Portage County Regional Airport Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2002

Monies held by the Airport which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Airport;
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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
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;
9. High grade commercial paper in an amount not to exceed five percent of the Airport's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Airport's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Airport, and must be purchased with the expectation that it will be held to maturity.

Portage County Regional Airport Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2002

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The investment and deposit of the Airport’s monies are governed by the Investment and Deposit Policy of the Portage County Regional Airport Authority as formally adopted by the Board of Trustees. In accordance with these provisions, investments purchased for the portfolio may be safekept only by financial institutions that have been authorized by the Airport’s Board of Trustees through formal resolution and recommendations received from the Finance Committee, which considers such criteria as the financial institution’s insured status, size, financial condition, location and fee structure.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the market value of which is at least 105 percent of the total value of public monies on deposit at the institution.

Deposits. At year-end, the carrying amount of the Airport’s deposits was \$264,034 and the bank balance was \$264,374. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$164,034 was covered by Ohio Public Entities Pooled Collateral.

GASB Statement No. 3, “Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements”, requires that local governments disclose the market value and carrying amounts of investments, classified by risk. The Airport’s investments are categorized as either (1) insured or registered for which the securities are held by the Airport or its agent in the Airport’s name, (2) uninsured and unregistered for which the securities are held by the counterparty’s trust department or agent in the Airport’s name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the Airport’s name. For the purpose of classification under GASB Statement No. 3, the Airport did not have any investments at year end.

Note 4 - Accounts Receivable

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

Note 5 – Risk Management

During 2002, the Authority contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type</u>	<u>Coverage</u>
Philadelphia Insurance Company	Professional Liability Insurance	\$1,000,000
Aviation Insurance Managers, Inc.	Bodily Injury and Property Damage	2,000,000
Aviation Insurance Managers, Inc.	Commercial Property 80%	591,350
Aviation Insurance Managers, Inc.	Inland Marine 100% Coinsured	47,100

Portage County Regional Airport Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2002

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 6 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2002 was as follows:

	Balance 1/1/2002	Additions	Deletions	Balance 12/31/2002
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,465,996	\$325,000	\$0	\$1,790,996
<i>Capital Assets, being depreciated</i>				
Land Improvements	1,382,959	493,152	0	1,876,111
Equipment	248,147	0	0	248,147
Total Capital Assets being depreciated	1,631,106	493,152	0	2,124,258
Less Accumulated Depreciation:				
Land Improvements	(91,168)	(92,937)	0	(184,105)
Equipment	(92,455)	(29,566)	0	(122,021)
Total Accumulated Depreciation	<u>(183,623)</u>	<u>(122,503)</u>	<u>0</u>	<u>(306,126)</u>
Total Capital Assets being depreciated, net	1,447,483	370,649	0	1,818,132
Capital Assets, net	<u>\$2,913,479</u>	<u>\$695,649</u>	<u>\$0</u>	<u>\$3,609,128</u>

Note 7 - Long-Term Obligations

The changes in the Airport's long-term obligations during the year consist of the following:

	Principal Outstanding 1/1/2002	Additions	Reductions	Principal Outstanding 12/31/2002	Amounts Due in One Year
1998 \$24,000 5.38%					
Loans Payable	\$18,000	\$0	(\$6,000)	\$12,000	\$6,000
2001 \$419,000					
Due to Primary Government	370,000	49,000	0	419,000	0
Total Business-Type Activities Long-Term Liabilities	<u>\$388,000</u>	<u>\$49,000</u>	<u>(\$6,000)</u>	<u>\$431,000</u>	<u>\$6,000</u>

Portage County Regional Airport Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2002

The Airport has an obligation to the primary government of \$419,000 at December 31, 2002 for a loan to continue the operations of the Airport. Payment on this loan has been deferred until 2011. The principal payment has been determined at \$41,900 payable annually on this loan for ten years. Interest payments have not been determined for this loan as of December 31, 2002 due to the extended deferment. The Airport also incurred a long-term obligation during 2001 for the purchase of a piece of equipment. Principal and interest payments due on this obligation as of December 31, 2002, are as follows:

Year	Loans Payable	
	Principal	Interest
2003	\$6,000	\$900
2004	6,000	450
Totals	<u>\$12,000</u>	<u>\$1,350</u>

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Airport full-time employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the Airport was 8.55 percent of the covered payroll, decreased from 9.25 percent in 2001. Contributions are authorized by State statute. The Airport's required contributions to OPERS for the years ended December 31, 2002, 2001 and 2000 were \$437, \$699 and \$575 respectively. The full amount has been contributed for 2001 and 2000, 90.32 percent has been contributed for 2002.

Note 9 - Postemployment Benefit

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service employees with ten 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. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent was the portion that was used to fund health care for the year 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Portage County Regional Airport Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2002

Benefits are advanced-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest review performed as of December 31, 2001, included a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 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 premiums were assumed to increase 4.0 percent annually.

All investments are carried at market. 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.

The number of active contributing participants was 402,041. The Airport's actual contributions for 2002 which were used to fund postemployment benefits were \$255. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion respectively.

Note 10 – Restatement of Prior Year Net Assets

At December 31, 2001, accrued interest payable was overstated. The effect of this change on net assets is a \$19,906 increase from \$2,974,019 to \$2,993,925.

Note 11 – Operating Losses

The Airport has suffered recurring losses from operations and projects. Those recurring losses will continue in the future without additional subsidies from the County. The Airport has a limited (fixed) revenue base which is insufficient to cover operating expenses. Additionally, vendors have not been paid timely, which is due, in part, to poor record keeping in the past.

The Airport has delayed making payment on the \$419,000 loan from the Commissioners six times. The Airport requested that the Commissioners forgive the loan, but the response was that the loan is still owed. The 1999, 2000, 2001 and 2002 loan payments have been extended until calendar year 2011 when the Airport must make its first payment on the loans totaling \$419,000, plus interest. The loan schedule will be paid in annual payments of \$41,900, plus interest to be determined during 2011.

The Airport has set up a computerized record keeping system. The Airport believes that additional operating subsidies received this year in the amount of \$15,000 helped operating conditions. The Airport also believes that if the Commissioners were to continue to provide the additional \$15,000 in operating subsidies they would be able to meet their obligations in a timelier manner. The Commissioners have continued to provide matching monies on Federal and State Grants.

Portage County Regional Airport Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2002

At present, the Airport has filed two law suits against users of the airfield for fees associated with use of Airport facilities. The outcome of the lawsuits will have an effect on the operating condition of the airport because the monies will be used to fund current operations if the Court allows the fee to be placed on users of the Airport. The outcome is presently undeterminable. Providing the Airport's fee policy is sustained the estimated amount being sought is \$55,795 in total. The estimates are as follows: Due from Calendar 2002 is estimated to be \$18,925; Due from Calendar 2003 is estimated to be \$36,870.

Note 12 – Pending Litigation

During 2002 the Portage County Regional Airport Authority (PCRAA) filed a civil complaint lawsuit against Thickstun Bros Inc. for breach of contract and negligence in the installation of the fuel farm system on airport property. This case was filed on February 12, 2002.

Thickstun Bros. Inc. has filed a counter claim against the PCRAA for an alleged unjust enrichment claim for the amount of \$25,466 in principal and an additional \$33,035 in interest.

On February 27, 2003, the PCRAA received a letter from its insurance provider that the above counterclaim was not covered under its policy. The Plaintiff is seeking compensatory damages.

This case is currently in the discovery phase. The outcome of the above will depend primarily upon whether it can be proven that the Defendant Thickstun Bros. failed to perform the conditions of the contract in the areas of material and workmanship. In the initial contract, there was a liquidated damages provision if the project was not completed by a certain date. Defendant Thickstun Inc. did not meet the completion deadline and that is the PCRAA's basis for not paying the balance of the contract amount.

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PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
DIRECT	Land Bank Monies from Grant 0796 used		
AIRPORT IMPROVEMENT PROGRAM	to purchase land in calendar 2002	20.106	\$ 407,514.00
	99-1-3-39-0099-1199		500.00
	01-1-3-39-0099-1301		195,818.00
	02-1-3-39-0099-1402		164,996.00
Total U.S. Department of Transportation			<u>\$ 768,828.00</u>

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

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY
YEAR ENDED DECEMBER 31, 2002**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- MATCHING REQUIREMENTS

The Federal program requires that the Airport contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Airport has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Portage County Regional Airport Authority
Portage County
4039 Nanway Boulevard
Ravenna, Ohio 44266-9705

To the Board of Trustees:

We have audited the basic financial statements of the Portage County Regional Airport Authority, Ohio, (the Airport), a component Unit of the County of Portage, as of and for the year ended December 31, 2002, and have issued our report thereon dated April 30, 2002, in which we noted certain conditions which raise substantial doubt about the Airport's ability to continue as a going concern. 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.

Compliance

As part of obtaining reasonable assurance about whether the Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on 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 that are required to be reported under *Government Auditing Standards*.

Internal Control 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 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.

Portage County Regional Airport Authority
Portage County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, Board of Trustees, and 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.

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

Betty Montgomery
Auditor of State

April 30, 2003



**Auditor of State
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Portage County Regional Airport Authority
Portage County
4039 Nanway Boulevard
Ravenna, Ohio 44266-9705

To the Board of Trustees:

Compliance

We have audited the compliance of the Portage County Regional Airport Authority, Ohio, (the Airport), a Component Unit of the County of Portage, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2002. The Airport's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Airport's management. Our responsibility is to express an opinion on the Airport'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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Airport'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 Airport's compliance with those requirements.

In our opinion, the Airport 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, 2002.

Internal Control Over Compliance

The management of the Airport 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 Airport'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 the audit committee, management, Board of Trustees, and 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.



Betty Montgomery
Auditor of State

April 30, 2003

PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
 PORTAGE COUNTY
 DECEMBER 31, 2002

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

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

PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
 PORTAGE COUNTY
 DECEMBER 31, 2002

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2001-61167-001	Financial Reporting	Yes	



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

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
JULY 15, 2003**