



OHIO AUDITOR OF STATE
KEITH FABER



**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES
DECEMBER 31, 2018 AND 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	15
Statement of Cash Flows	16
Notes to the Basic Financial Statements	17
Required Supplementary Information on GASB 68 Pension Liabilities	41
Required Supplementary Information on GASB 75 OPEB Liabilities	42
Notes to Required Supplementary Information on GASB 68 Pension and 75 OPEB Liabilities	43
Schedule of Receipts and Expenditures of Federal Awards	45
Schedule of Expenditures of Passenger Facility Charges	46
Notes to the Schedule of Receipts and Expenditures of Federal Awards and the Schedule of Expenditures of Passenger Facility Charges	47
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Passenger Facility Charges And on Internal Control Over Compliance Required by the Uniform Guidance	51
Schedule of Findings	53
Prepared by Management:	
Corrective Action Plan	59

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Akron-Canton Regional Airport Authority
Stark and Summit Counties
5400 Lauby Road Box 23
North Canton, Ohio 44720

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Akron-Canton Regional Airport Authority, Stark and Summit Counties, Ohio (the Airport), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Airport's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Airport's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Akron-Canton Regional Airport Authority, Stark and Summit Counties, Ohio, as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the year ended December 31, 2018, the Airport adopted new accounting guidance in Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of Akron-Canton Regional Airport Authority, Stark and Summit Counties, Ohio, as of and for the year ended December 31, 2017, were audited by a predecessor auditor whose report dated May 11, 2018, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Airport's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards and the Schedule of Expenditures of Passenger Facility Charges presents additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Passenger Facility Charge Audit Guide for Public Agencies (the Guide)*, issued by the Federal Aviation Administration, respectively, and are not a required part of the financial statements.

The Schedule of Receipts and Expenditures of Federal Awards and the Schedule of Expenditures of Passenger Facility Charges are management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

December 3, 2019

This page intentionally left blank.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)*

The Airport

The Akron – Canton Regional Airport Authority, (the "Airport") was dedicated in 1946 and commercial air service began in 1948, when the Airport served 43,042 passengers. Today the Airport is the second entry portal to Northeast Ohio for air travelers. In 2018 the Airport served over 920,000 passengers.

The Airport offers 22 daily flights to 10 non-stop destinations and has one stop service to virtually anywhere in the world. The Airport continually updates and improves its facilities to ensure our passengers' have a great experience. During the year the Airport broke ground on a passenger gate replacement project to replace five older gates.

Overview of Financial Statements

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

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

The statements are prepared on the accrual basis and present all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Airport, both financial and capital, and short and long – term. They also present revenues and expenses of the Airport during the year, regardless of when cash was received or paid. Collectively, the statements provide information regarding the Airport's financial condition as of December 31, 2018 and 2017 and the results of its operations and cash flows for the years then ended. Accompanying the statements are notes and required supplemental information that are integral parts to understanding the Airport's net position.

Financial Highlights

As of December 31, 2018, Operating Revenues decreased from the prior year due to significant changes in air service levels. Despite this reduction in revenue the Airport was able to meet all its financial obligations comfortably. Operating Expenses in total decreased 6% from the prior year excluding depreciation due to proactive fiscal discipline by all departments.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Airport using the accrual basis of accounting, which is similar to the accounting used by most private – sector institutions. Condensed information from the Airport's statements of net position, including comparative data from 2018 and 2017 is as follows:

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

(Table 1)
Net Position

	2018	2017	2016
Assets			
Current Assets	\$ 1,546,225	\$ 1,507,285	\$ 1,043,476
Restricted Assets	37,269,590	13,078,995	12,964,699
Noncurrent Assets	163,822,482	169,717,821	174,685,991
<i>Total Assets</i>	<u>202,638,297</u>	<u>184,304,101</u>	<u>188,694,166</u>
Deferred Outflows of Resources			
OPEB	147,040	-	-
Pension	758,288	1,767,788	1,406,891
<i>Total Deferred Outflow of Resources</i>	<u>905,328</u>	<u>1,767,788</u>	<u>1,406,891</u>
Liabilities			
Current Liabilities	1,619,914	1,679,536	2,472,298
Noncurrent Liabilities	41,651,689	17,523,300	19,190,638
<i>Total Liabilities</i>	<u>43,271,603</u>	<u>19,202,836</u>	<u>21,662,936</u>
Deferred Inflows of Resources			
OPEB	214,650	-	-
Pension	858,596	119,905	93,143
<i>Total Deferred Inflows of Resources</i>	<u>1,073,246</u>	<u>119,905</u>	<u>93,143</u>
Net Position			
Net Investment in Capital Assets	126,891,059	156,059,909	158,089,555
Restricted Net Position	37,269,590	13,078,995	12,964,699
Unrestricted Net Position	(4,961,873)	(2,389,756)	(2,708,276)
<i>Total Net Position</i>	<u>\$ 159,198,776</u>	<u>\$ 166,749,148</u>	<u>\$ 168,345,978</u>

An analysis of significant changes in assets, liabilities and net position for the year ended 2018 is as follows:

Assets

Total assets increased \$18,334,196 from 2017 due to the following factor.

- Increase in Assets Restricted for Airport Improvement Projects due to issuance of Restricted Revenue bonds.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

Liabilities

Total liabilities increased \$24,068,767 due to the following factor

- Refinancing of existing debt service
- Addition of \$23 million dollars in debt to fund Gate Concourse Replacement Project

An analysis of significant changes in assets, liabilities and net position for the year ended 2017 is as follows:

Assets

Total assets decreased \$4,390,065 from 2016 due to the following factor.

- Increased Accumulated Depreciation Expense associated with completed projects that were capitalized during the year.

Liabilities

Total liabilities decreased \$2,460,100 due to the following factor:

- Retirement of Debt Service State Infrastructure Bank Loan IV

Deferred Inflow of Resources and Deferred Outflows

The net pension liability (NPL) is reported by the Airport at December 31, 2018 and 2017, and is reported pursuant to GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27." For 2018, the Airport adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed that follow, many end users of this financial statement will gain a clearer understanding of the Airport's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and 75 require the net pension liability (asset) and the net OPEB liability to equal the Airport's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension and OPEB promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Airport is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained previously, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Airport's statements prepared on an accrual basis of accounting include an annual pension expense and annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Airport is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at January 1, 2018, from \$166,749,148 to \$164,820,176.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present the operating results of the Airport, as well as the non - operating revenues and expenses. Federal Grant, Car Rental Facility Charge, Passenger Facility Charge and Interest income are considered non – operating revenues. Condensed information from the Airport's Statement of Revenues, Expenses, and Changes in Net Position, including comparative data from 2017 and 2016 is as follows:

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

(Table 2)

Change in Net Position

	2018	2017	2016
Operating Revenues	\$ 9,660,664	\$ 11,815,386	\$ 10,590,015
Operating Expenses (Including Depreciation)	18,561,962	18,738,155	18,677,499
Operating Income (Loss)	(8,901,298)	(6,922,769)	(8,087,484)
Net Non-Operating Revenues (Expenses)	3,279,898	5,325,939	6,730,405
Change in Net Position	(5,621,400)	(1,596,830)	(1,357,079)
Net Position Beginning of the Year (restated)	164,820,176	168,345,978	169,703,057
Net Position End of Year	<u>\$ 159,198,776</u>	<u>\$ 166,749,148</u>	<u>\$ 168,345,978</u>

An analysis of significant changes in revenues and expenses for the year ended 2018 is as follows:

Operating Revenues

The Airport had a decrease in annual passenger traffic of 27.0% compared to 2017 due to continued significant air service changes. As a result the Airport experienced declines in scheduled landing fee revenue, Airport concession revenues consisting of parking, rental car and terminal restaurant concession. The Airport had budgeted for the significant decline in revenues that transpired during the year.

Operating Expenses

Operating expenses less depreciation decreased 6.0% from 2017. Due to the anticipated reduction in annual revenues all departments made conscious efforts to maintain financial discipline while adapting to new air service realities. The depreciation expense increased by 4% due to the capitalization of several large completed projects.

Non-Operating Revenues

In 2018, the Airport received less federal funding compared to the previous year. The decrease was due to the delay in the commencement of a Gate Replacement Project. The Airport was awarded slightly more than \$11 million in federal funds during the year towards this project. These federal funds are authorized by federal grants received by the Airport. The project did not start until November and the Airport did not need to significantly drawdown these funds. Passenger Facility Charge (PFC) and Car Rental Facility Charge (CFC) funds decreased compared to 2017 due to the decrease in passenger levels.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

Restatement Note

The Beginning Net Position for 2018 was adjusted (\$1,928,972) for the cumulative effect of a change in accounting principle pertaining to the net pension liability in 2017. The information was not available at the end of 2017 and therefore not practical to restate 2017 and earlier.

An analysis of significant changes in revenues and expenditures for the year ended 2017 is as follows:

Operating Revenues

The Airport had a decrease in annual passenger traffic of 9.5% compared to 2016 due to continued significant air service changes. As a result, the Airport experienced declines in scheduled landing fee revenue, Airport concession revenues consisting of parking, rental car and terminal restaurant concession. The Airport was able to offset these revenue reductions during the year by receiving proceeds from a negotiated real estate transaction as well as receiving increases in itinerant landing fee, ground and space lease revenues.

Operating Expenses

Operating expenses increase minimally 0.5% from 2016. The Airport had higher administrative, labor and contract service expenses compared to the prior year. However, the Airport was able to reduce its material and supply expenses as well as utility expenses due to conscious effort by all departments to maintain financial discipline while adapting to new air service realities.

Non-Operating Revenues

In 2017, the Airport received less federal funding compared to the previous year. The decrease was due to the reduction in the number of eligible ongoing and new construction that took place during the year. These federal funds are authorized by federal grants received by the Airport. Federal funds received during 2017 went towards projects for entrance road reconstruction, taxiway rehabilitation and the design of a future gate concourse replacement. Passenger Facility Charge (PFC) and Car Rental Facility Charge (CFC) funds decreased compared to 2016 due to the decrease in passenger levels.

Budget Summary

The annual budget is the main document used to estimate revenues and expenses for the year and helps track the actual progress. The Airport is not required to follow the budgetary requirements of the Ohio Revised Code.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

Capital Asset and Long-Term Debt Activity

The Airport's capital asset acquisitions during the year were for equipment replacements and facility enhancements. The Airport completed projects associated with taxiway and roadway improvements as well as the construction of a new maintenance storage facility. The Airport's long-term debt was comprised of three revenue bond agreements one with the Ohio Department of Transportation (ODOT) and two with S & T Bank at the end of the year. The Airport Authority was issued \$15,680,000 in debt via Airport Revenue Bonds with the Ohio Department of Transportation (ODOT) and issued \$6,184,000 in debt via Airport Revenue Bonds with S&T Bank. These bonds were issued to fund a terminal concourse gate replacement project. The Airport also refinanced long-term debt in the amount of \$13,155,251 original held by the Huntington National Bank with S&T Bank. As of December 31, 2018, the Authority had \$36,931,423 in Airport Revenue Bonds outstanding. See notes 8 and 11 in the Notes to the Financial Statements for further information related to debt and capital assets, respectively.

Contacting the Airport's Management

This financial report is designed to provide our users, investors and creditors with a general overview of the Airport's finances and to show the Airport Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact James Krum, Contracts and Finance Manager, at the Akron Canton Regional Airport, 5400 Lauby Road NW, Box 9, North Canton, OH. 44720.

This page intentionally left blank

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018 and 2017**

	2018	2017
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 895,403	\$ 490,068
Accounts Receivable	591,904	967,956
Prepaid Expenses	58,918	49,261
Total Current Assets	1,546,225	1,507,285
Assets Restricted for Airport Improvement Projects:		
Cash and Cash Equivalents	14,427,322	12,821,849
Restricted Revenue Bond Project Funds	22,624,336	-
Federal Funds Receivable	-	-
Passenger Facility Charges Receivable	217,932	257,146
Total Assets Restricted for Airport Improvement Projects	37,269,590	13,078,995
Noncurrent Assets:		
Capital Assets:		
Airport Improvement Projects-In-Progress	5,277,112	18,523,057
Land and Land Improvements	52,821,716	52,821,716
Paving	116,010,251	103,899,261
Buildings	95,308,327	89,988,237
Vehicles and Equipment	23,600,350	23,514,978
Utility Systems	658,361	658,361
Less Accumulated Depreciation	(129,853,635)	(119,687,789)
Total Noncurrent Assets	163,822,482	169,717,821
TOTAL ASSETS	\$ 202,638,297	\$ 184,304,101
DEFERRED OUTFLOW OF RESOURCES:		
Total Deferred Outflows of Resources - OPEB	\$ 147,040	\$ -
Total Deferred Outflows of Resources - Pension	758,288	1,767,788
Total Deferred Outflow of Resources	905,328	\$ 1,767,788
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 203,543,625	\$ 186,071,889

(Continued)

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

**STATEMENT OF NET POSITION (Continued)
AS OF DECEMBER 31, 2018 and 2017**

LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 235,190	\$ 168,401
Projects Payable	205,707	-
Accrued Payroll Expenses	794,009	687,627
Accrued Real Estate Taxes	63,215	63,215
Debt Due Within One Year	321,793	760,293
	<hr/>	<hr/>
Total Current Liabilities	1,619,914	1,679,536

Long-Term Liabilities:

Long-term Notes and Bonds Payable	36,609,630	12,897,619
Net OPEB Liability	1,998,104	-
Net Pension Liability	3,043,955	4,625,681
	<hr/>	<hr/>
Total Long-Term Liabilities	41,651,689	17,523,300

TOTAL LIABILITIES

<hr/>	\$ 43,271,603	\$ 19,202,836
	<hr/>	<hr/>

DEFERRED INFLOWS OF RESOURCES:

Total Deferred Inflows of Resources - OPEB	214,650	-
Total Deferred Inflows of Resources - Pension	858,596	119,905
	<hr/>	<hr/>
Total Deferred Inflows of Resources	1,073,246	119,905

Net Position:

Net Investment in Capital Assets	104,266,723	156,059,909
Restricted for Airport Improvement Projects	59,893,926	13,078,995
Unrestricted Net Position	(4,961,873)	(2,389,756)
	<hr/>	<hr/>

TOTAL NET POSITION

<hr/>	159,198,776	166,749,148
	<hr/>	<hr/>

TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION

<hr/>	\$ 203,543,625	\$ 186,071,889
	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

	2018	2017
Operating Revenues:		
Charges for Services	\$ 4,141,901	\$ 4,295,978
Rent	1,067,642	1,064,788
Parking	3,666,723	4,581,555
Other Operating Revenues	784,398	1,873,065
 Total Operating Revenues	 9,660,664	 11,815,386
 Operating Expenses:		
Salaries	2,795,751	2,680,101
Contract Services	1,373,612	1,524,063
Materials and Supplies	644,374	507,241
Utilities	727,346	808,094
Fuel	60,973	58,742
Insurance	79,938	78,533
Administrative	2,688,619	3,290,184
Depreciation	10,191,349	9,791,197
 Total Operating Expenses	 18,561,962	 18,738,155
 Operating (Loss)	 (8,901,298)	 (6,922,769)
 Nonoperating Revenues:		
Federal Funds	768,818	2,023,953
Car Rental Facility Charge Revenue	571,171	730,671
Passenger Facility Charge Revenue	1,891,886	2,553,239
Interest	40,523	18,076
Gain on Sale of Capital Assets	7,500	-
 Total Non-operating Revenues	 3,279,898	 5,325,939
 Change in Net Position	 (5,621,400)	 (1,596,830)
 Net Position - January 1 (Restated - See Note 17)	 164,820,176	 168,345,978
 Net Postion - December 31	 \$ 159,198,776	 \$ 166,749,148

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

	2018	2017
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 10,036,716	\$ 11,726,978
Cash Payments to Suppliers for Goods and Services	(5,312,024)	(6,798,861)
Cash Payments to Employees for Services	(2,386,161)	(1,993,487)
	2,338,531	2,934,630
Net Cash Provided by Operations		
Cash Flows from Capital and Related Financing Activities:		
Receipts from Passenger Facility Charge	1,931,100	2,611,702
Receipts from Car Rental Facility Charge	571,171	730,671
Grants	768,818	2,237,505
S & T Bank Series A & B Bonds	37,032,549	-
Acquisition of Construction of Capital Assets	(3,905,083)	(4,346,167)
Debt Principal Paid	(13,759,035)	(2,938,524)
Gain of Sale of Equipment	7,500	-
Interest Paid	(390,930)	(476,860)
	22,256,090	(2,181,673)
Net Cash (Used by) Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Interest Received	40,523	18,076
	40,523	18,076
Net Cash Provided by Investing Activities		
Net Increase in Cash and Cash Equivalents	24,635,144	771,033
Cash and Cash Equivalents - January 1	13,311,917	12,540,884
Cash and Cash Equivalents - December 31	37,947,061	13,311,917
Statement of Net Position Classification		
Cash and Cash Equivalents	\$ 15,322,725	\$ 13,311,917
Restricted Revenue Bond Proceeds	22,624,336	-
Total Cash and Cash Equivalents	\$ 37,947,061	\$ 13,311,917
Cash Flows from Operating Activities:		
Operating (Loss)	(8,901,299)	(6,922,769)
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:		
Depreciation	10,191,348	9,791,197
(Increase) Decrease in Accounts Receivable	376,053	(88,408)
(Increase) Decrease in Prepaid Assets	(9,658)	9,322
(Increase) Decrease in Deferred Outflows Related to Pension	1,036,259	(360,897)
(Increase) Decrease in Deferred Outflows Related to OPEB	(147,040)	-
Increase (Decrease) in Accounts Payable	66,790	(522,579)
Increase (Decrease) in Project Payable	205,707	(18,747)
Increase (Decrease) in Payroll related Liabilities	106,383	77,399
Increase (Decrease) in Real Estate Tax Accrual	-	10,601
Increase (Decrease) in Net Pension Liability	(1,581,726)	931,749
Increase (Decrease) in OPEB Liability	42,373	-
Increase (Decrease) in Deferred Inflows Related to Pension	738,691	27,762
Increase (Decrease) in Deferred Inflows Related to OPEB	214,650	-
	11,239,830	9,857,399
Net Cash Provided by Operating Activities	\$ 2,338,531	\$ 2,934,630

The notes to the financial statements are an integral part of this statement

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

The Airport's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Reporting Entity*," as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*." The financial statements include all departments and operations for which the Airport is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefit to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Airport itself are included in the financial reporting entity.

B. BASIS OF ACCOUNTING

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

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

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

Enterprise Fund - A fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The accounting and financial reporting treatment applied to the Airport's fund is determined by their measurement focus. The Airport's enterprise fund, uses a flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The Airport uses the accrual basis of accounting, which records revenue when earned and measurable and expenses when the liability is incurred. Revenues subject to accrual are charges for services.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF ACCOUNTING (Continued)

Property and Equipment

Property and Equipment – The Airport’s capitalization threshold is \$500. Substantially all of the Airport’s grounds and runways were contributed by the U.S. Government at the time the Airport was founded. These assets were recorded at their estimated fair value as of the date the contributions were made. Property and equipment acquired subsequent to the Airport’s inception is carried at cost.

Renewals and betterments are capitalized. The cost of maintenance and repairs are charged to expense accounts as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

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

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

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

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

Assets Restricted for Airport Improvement Projects – Cash and cash equivalents, and investments funded by federal grant monies, along with passenger facility charges receivable, are restricted for use in various Airport Improvement Projects. Such deposits, along with passenger facility charges receivable, are not available for use in the general operations of the Airport. When both restricted and unrestricted are available for use, it is the Airport’s policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents –The Airport considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF ACCOUNTING (Continued)

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair market value.

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

Deferred Outflows / Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Airport, there were no deferred outflows of resources to report other than OPEB and pension deferred outflows. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Airport, there were no deferred inflows of resources to report other than OPEB and pension deferred inflows.

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, lease rents, parking and other operating revenues. 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 non-operating.

Net Position – Net position represents the difference between all other elements of the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other Airport Improvement Projects include resources from federal and state grants restricted for specified purposes.

Use of Accounting Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP). These estimates and assumptions affect the reported amounts in the financial statements and accompanying notes. Actual results could vary from the estimates that were used.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

2. CASH AND CASH EQUIVALENTS

The investment and deposit of Airport monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Airport to invest its monies in certificates of deposit, commercial paper, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Airport may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. The Airport is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Airport is also prohibited from investing in reverse repurchase agreements.

Deposits with Financial Institutions

At December 31, 2018 and 2017, the carrying amount of the Airport's deposits was \$15,322,609 and \$13,311,801, respectively, excluding petty cash deposits of \$116 and \$116. The bank balance was \$15,559,584 and \$13,540,338 at December 31, 2018 and 2017, respectively. Additionally, for 2018, the Airport received restricted Revenue Bond proceeds for the Airport Improvement project. The carrying amount of the Airport's proceeds, at December 31, 2018, was \$22,624,336 while the bank balance was \$22,772,478. Deposits with financial institutions were covered by federal depository insurance and/or were collateralized by a pool of securities maintained by the Airport's financial institutions but not in the Airport's name.

Custodial credit risk is the risk that, in the event of bank failure, the Airport will not be able to recover deposits or collateral securities that are in the possession of an outside party. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the Airport and deposited with a qualified trustee by the financial institution as security for repayment, whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. The Airport has no deposit policy for custodial credit risk beyond the requirements of the State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Airport to a successful claim by the FDIC.

These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities, subject to a repurchase agreement, must exceed the value of the principal by 2% and be marked to market daily.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

3. INSURANCE COVERAGES

As of December 31, 2018 and 2017, the Airport had general liability insurance coverage of \$50,000,000 for each occurrence and in the aggregate; director and officer liability coverage of \$1,000,000 per loss and in the aggregate through February 13, 2018, and replaced as part of the \$5,000,000 public liability policy covering the period February 14, 2018 through February 14, 2019; vehicle liability coverage with a combined single limit of \$1,000,000; public officials' coverage of \$5,000,000 per loss and in the aggregate and environmental impairment coverage of \$1,000,000

per loss and in the aggregate. The risks of loss exposed to the Airport include theft, fire, errors and omissions, and general liability. There has been no reduction in insurance coverage during the year ending December 31, 2018. Settlement costs did not exceed coverage in the past three years.

4. VACATION BENEFITS

Employees hired on or before January 1, 1996 earn two weeks of vacation annually during their first five years of service plus an additional week for every five years thereafter, up to a maximum of six weeks. Employees hired after January 1, 1996 can earn a maximum of five weeks of vacation. Vacation leave may, upon approval, be carried over for up to two years. As of December 31, 2018, and 2017, the accrual for vacation benefits totaled \$356,650 and \$303,727, respectively, and is included in the Accrued Payroll Expense in the accompanying Statement of Net Position.

5. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Airport's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Airport's obligation for this liability to annually required payments. The Airport cannot control benefit terms or the manner in which pensions are financed; however, the Airport does receive the benefit of employees' services in exchange for compensation including pension.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

5. DEFINED BENEFIT PENSION PLAN (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accounts payable.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Airport employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

5. DEFINED BENEFIT PENSION PLAN (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	2018 State and Local	2017 State and Local
Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0%
Employee	10.0 %	10.0%
Actual Contribution Rates		
Employer:		
Pension	14.0 %	13.0%
Post-employment Health Care Benefits	0.0	1.0%
Total Employer	14.0 %	14.0%
Employee	10.0 %	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Airport's contractually required contribution was \$391,405 for 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airport's proportion of the net pension liability was based on the Airport's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2018	2017
Proportionate Share of the Net Pension Liability	\$3,043,955	\$4,625,681
Proportion of the Net Pension Liability	0.019403%	0.020370%
Pension Expense	\$558,670	\$937,551
Change in Proportion from Prior Year	-0.000967%	-0.000956%

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

5. DEFINED BENEFIT PENSION PLAN (Continued)

At December 31, 2018, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	
	2018	2017
Deferred outflow of resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 688,891
Differences between expected and actual experience	3,110	6,270
Changes in proportion and differences between Airport contributions and proportionate share of contributions	-	-
Changes in assumptions	363,773	733,690
Airport's contributions subsequent to the measurement date	391,405	338,937
Total	\$ 758,288	\$ 1,767,788
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	\$ 653,500	\$ -
Differences between expected and actual experience	59,987	27,530
Changes in proportion and differences between Airport contributions and proportionate share of contributions	145,109	92,375
Changes in assumptions	-	-
Airport's contribution subsequent to the measurement date	-	-
Total	\$ 858,596	\$ 119,905

\$391,405 reported as deferred outflows of resources related to pension resulting from Airport contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2019	\$180,231
2020	(115,770)
2021	(287,701)
2022	(268,473)
Total	(\$491,713)

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

5. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality – The tables used in evaluating age-and-service and survivor benefit allowances to be paid were updated as a result of the experience study and are now based on the RP-2014 Healthy Annuitant mortality tables. The Healthy Annuitant mortality tables were used, adjusted for mortality improvement back to observation period base of 2006, and then established the base year as 2015 for males and 2010 for females. The mortality rates used in evaluating disability allowances were updated as a result of the experience study and are now based upon the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation period base year of 2006, and then established the base year as 2015 for males and 2010 for females. Mortality rates for particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to previously noted tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 16.82% percent for 2017.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

5. DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long Term Expected Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>	<u>Target Allocation</u>	<u>Long Term Expected Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.20 %	23.00 %	2.75 %
Domestic Equities	19.00	6.37	20.70	6.34
Real Estate	10.00	5.26	10.00	4.75
Private Equity	10.00	8.97	10.00	8.97
International Equities	20.00	7.88	18.30	7.95
Other investments	18.00	5.26	18.00	4.92
Total	100.00 %	5.66 %	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Airport's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Airport's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Airport's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Airport's proportionate share of the net pension liability	\$5,405,288	\$3,043,955	\$1,075,314

Defined Contribution Plan

OPERS also offers a defined contribution plan, the Member-Directed Plan. The Member-Directed Plan does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

5. DEFINED BENEFIT PENSION PLAN (Continued)

Combined Plan

OPERS also offers a combined plan. This is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced benefit.

Employees electing the combined plan receive post-retirement health care benefits. OPERS provide retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

Changes between Measurement Date and Report Date

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the Airport's net pension liability/asset is not known.

6. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance. In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details. The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800- 222-7377. The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

6. POSTEMPLOYMENT BENEFITS (Continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care. Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by the OPERS' actuary, the portion of employer contribution allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%. The actual contribution and the actuarially required contribution amounts are the same.

7. DEFERRED EMPLOYEE BENEFITS

Deferred employee benefits consist exclusively of accrued sick leave. Full-time employees accumulate ten hours of sick leave for each completed month in active pay status. Part-time employees accrue sick leave on a proportionate basis. Upon retirement, employees are paid for accrued sick leave, up to a maximum of 960 hours. Employees qualify for this payment upon retirement by having at least five years of service with the Airport and being eligible to receive OPERS retirement benefits.

8. LONG-TERM LIABILITIES

The changes in the Airport's long-term obligations during 2018 were as follows:

Name	Principal Outstanding			Principal Outstanding		Due in One Year
	12/31/17	Additions	Deductions	12/31/18		
Airport Bonds	\$ 13,657,912	\$ -	\$ 13,657,912	\$ -	\$ -	
S&T Bank Series A 2018	-	14,027,150	78,298	13,948,852	321,793	
S&T Bank Series B 2018	-	6,184,000	-	6,184,000	-	
SIB Series A 2018	-	16,821,399	22,828	16,798,571	-	
Net OPEB Liability	-	1,998,104	-	1,998,104	-	
Net Pension Liability	4,625,681	-	1,581,726	3,043,955	-	
Totals	\$ 18,283,593	\$ 39,030,653	\$ 15,340,764	\$ 41,973,482	\$ 321,793	

Name	Principal Outstanding			Principal Outstanding		Due in One Year
	12/31/16	Additions	Deductions	12/31/17		
SIB IV	\$ 2,215,020	\$ -	\$ 2,215,020	\$ -	\$ -	
Airport Bonds	14,381,416	-	723,504	13,657,912	760,293	
Net Pension Liability	3,693,932	931,749	-	4,625,681	-	
Totals	\$ 20,290,368	\$ 931,749	\$ 2,938,524	\$ 18,283,593	\$ 760,293	

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

8. LONG-TERM LIABILITIES (Continued)

The changes in the Airport's long-term obligations during 2017 were as follows:

SIB IV - In 2012, the Airport entered into a loan agreement with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Airport a total of \$3,108,000 for the purpose of assisting in the financing of a parking lot project. The loan bears interest at a rate between 3% and payments are due semi-annually. This loan was paid in full during 2017.

Airport Bonds - During 2010, the Airport along with Huntington Bank reissued the 2007 Airport Revenue Bonds. The Bonds bear interest at a variable rate and mature on January 1, 2031. In 2018 the Airport refinanced these bonds with S & T Bank as part of larger financing deal. These bonds are now S & T Bank Series A 2018. The total amount of Airport Bonds refunded was \$13,155,251.

S & T Bank Series A – These bonds were issued in 2018 to refinance the existing Revenue Bonds held by Huntington Bank. The amount of the new bonds issued was \$14,027,150. This included the \$13,155,251 in Airport Bonds that were refunded. The remainder of the issuance went towards fees associated with the transaction and breakage of an interest rate swap agreement associated with the Airport Bonds. Payments on these bonds are due monthly. Principal payments are due as follows. Interest payments are per current schedule.

<u>Year Ending December 31,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
2019	\$ 321,793	\$ 597,649
2020	336,006	583,435
2021	350,848	568,594
2022	366,344	553,097
2023	382,526	536,916
2024-2028	2,181,499	2,415,709
2029-2033	2,707,763	1,889,446
2034-2038	3,360,981	1,236,227
2039-2043	3,941,092	426,531
Total	\$ 13,948,852	\$ 8,807,604

S & T Bank Series B 2018 – These bonds were issued in 2018 on behalf of the Airport to help fund the passenger gate replacement project that commenced in late 2018. The total amount of bonds issued was \$6,184,000. Payments on these bonds will be due monthly starting in April 2020. The Airport will make monthly interest payments based on the amount of funds drawdown at the end of each month. These interest payments for 2019 have been estimated based on the full balance.

<u>Year Ending December 31,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
2019	\$ -	\$ 272,714
2020	103,494	271,274
2021	143,416	265,275
2022	149,870	258,821
2023	156,615	252,076
2024-2028	895,354	1,148,098
2029-2033	1,115,787	927,665
2034-2038	1,390,490	652,963
2039-2043	1,732,823	310,630
2034-2045	496,151	14,712
Total	\$ 6,184,000	\$ 4,374,228

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

8. LONG-TERM LIABILITIES (Continued)

State of Ohio Infrastructure Bank Series A 2018 - These bonds were issued in 2018 on behalf of the Airport to help fund the passenger gate replacement project that commenced in late 2018. Payments on these bonds will be due semi - annually starting in May 2021. The Airport will make interest only payments on a semi – annual basis until May 2021 per schedule. The \$16,798,571 balance associated with these bonds is comprised of two parts. The principal amount of these Revenue Bonds is \$15,680,000. The remaining \$1,118,571 is for the Bond Premium Payable associated with this borrowing. The Bond Premium Payable will be amortized over the life of the borrowing.

<u>Year Ending December 31,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
2019	\$ -	\$ 701,925
2020	-	701,925
2021	415,000	696,600
2022	435,000	675,600
2023	455,000	653,600
2024-2028	2,660,000	2,896,000
2029-2033	3,295,000	2,265,638
2034-2038	3,995,000	1,559,050
2039-2043	4,425,000	571,375
Total	<u>\$ 15,680,000</u>	<u>\$ 10,721,713</u>

<u>Year Ending December 31,</u>	<u>Reduction of Bond Premium Payable</u>
2019	\$ 45,656
2020	45,656
2021	45,656
2022	45,656
2023	45,656
2024-2028	228,280
2029-2033	228,280
2034-2038	228,280
2039-2043	205,451
Total	<u>\$ 1,118,571</u>

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

9. NONCANCELLABLE LEASES

The Airport leases space, hangars, counters, gates, etc. to various entities under noncancellable operating lease agreements. All leases are for the ground or space occupied by the lease. All leases are triple-net leases. Future minimum rentals as of December 31, 2018 under such agreements are as follows:

Year Ending December 31,	Amount
2019	\$ 5,645,678
2020	5,163,522
2021	4,662,596
2022	4,505,607
2023	4,309,346
Thereafter	23,566,900
Total Payments	\$ 47,853,649

10. AIRPORT IMPROVEMENT PROJECTS-IN-PROGRESS

Airport Improvement Projects-in-Progress consists of expenses for capitalized improvements or additions to the Authority's facilities. The cost of completed projects is transferred to property and equipment accounts and depreciated over the estimated useful lives of the projects as of the date of completion. Airport Improvement Projects-in-Progress consist of the following at December 31, 2018:

Description of Project	Source of Funding		Total Cost of Projects-In-Progress
	Federal Grants	State/Local	
AIP #6216	\$ 1,959,095	\$ 1,246,103	\$ 3,205,198
AIP #6317	399,426	44,624	444,050
AIP #6418	352,988	39,221	392,209
AIP #6518	2,169	241	2,410
Various Projects	-	1,233,245	1,233,245
Total	\$ 2,713,678	\$ 2,563,434	\$ 5,277,112

Airport Improvement Projects-in-Progress consist of the following at December 31, 2017:

Description of Project	Source of Funding		Total Cost of Projects-In-Progress
	Federal Grants	State/Local	
AIP #6115	\$ 4,558,241	\$ 577,561	\$ 5,135,802
AIP #6216	3,843,389	1,454,380	5,297,769
Various Projects	-	8,089,486	8,089,486
Total	\$ 8,401,630	\$ 10,121,427	\$ 18,523,057

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018:

	12/31/2017	12/31/2018		
	Balance	Additions	Deletions	Balance
Capital assets non-depreciable:				
Airport Improvement Projects in Progres	\$ 18,523,057	\$ 2,933,870	\$ (16,179,815)	\$ 5,277,112
Land	12,542,983	-	-	12,542,983
Land Improvements	40,278,733	-	-	40,278,733
Total non-depreciable capital assets	71,344,773	2,933,870	(16,179,815)	58,098,828
Capital assets being depreciated:				
Buildings	89,988,237	5,320,090	-	95,308,327
Paving	103,899,261	12,110,990	-	116,010,251
Vehicles and Equipment	23,514,978	110,875	(25,503)	23,600,350
Utility Systems	658,361	-	-	658,361
Total capital assets being depreciated	218,060,837	17,541,955	-25,503	235,577,289
Less accumulated depreciation				
Buildings	(49,603,144)	(4,535,859)	-	(54,139,003)
Paving	(50,897,779)	(4,883,190)	-	(55,780,969)
Vehicles and Equipment	(18,590,574)	(748,652)	25,503	(19,313,723)
Utility Systems	(596,292)	(23,648)	-	(619,940)
Total accumulated depreciation	(119,687,789)	(10,191,349)	25,503	(129,853,635)
Capital assets, net of depreciation	<u>\$ 169,717,821</u>	<u>\$ 10,284,476</u>	<u>\$ (16,179,815)</u>	<u>\$163,822,482</u>

The Airport capitalized \$928,797 in interest expense associated with Phase I of the Terminal Gate Rehabilitation which is included in the Buildings Additions in the above table. There was no interest earned on the capitalized amount.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

11. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2017:

	12/31/2016		12/31/2017	
	Balance	Additions	Deletions	Balance
Capital assets non-depreciable:				
Airport Improvement Projects in Progress	\$ 16,556,625	\$ 4,202,495	\$ (2,236,063)	\$ 18,523,057
Land	12,542,983	-	-	12,542,983
Land Improvements	40,278,733	-	-	40,278,733
Total non-depreciable capital assets	69,378,341	4,202,495	(2,236,063)	71,344,773
Capital assets being depreciated:				
Buildings	88,013,832	1,974,405	-	89,988,237
Paving	103,899,260	1	-	103,899,261
Vehicles and Equipment	22,658,743	856,235	-	23,514,978
Utility Systems	632,407	25,954	-	658,361
Total capital assets being depreciated	215,204,242	2,856,595	0	218,060,837
Less accumulated depreciation				
Buildings	(45,323,006)	(4,280,138.00)	-	(49,603,144)
Paving	(46,290,005)	(4,607,774.00)	-	(50,897,779)
Vehicles and Equipment	(17,713,455)	(877,119.00)	-	(18,590,574)
Utility Systems	(570,126)	(26,166.00)	-	(596,292)
Total accumulated depreciation	(109,896,592)	(9,791,197)	-	(119,687,789)
Capital assets, net of depreciation	<u>\$ 174,685,991</u>	<u>\$ (2,732,107)</u>	<u>\$ (2,236,063)</u>	<u>\$169,717,821</u>

The Airport capitalized \$476,860 in interest expense associated with Phase I of the Terminal Gate Rehabilitation which is included in the Buildings Additions in the above table. There was no interest earned on the capitalized amount.

12. CONTINGENT LIABILITIES

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

Management believes there are no pending claims or lawsuits that would have a material, if any, effect on the financial condition of the Airport.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

13. SUBSEQUENT EVENTS

Management has considered all subsequent events through opinion date, the date the financial statements were available to be issued. No events have occurred that would require adjustment or disclosure in the financial statement.

14. NEWLY ADOPTED STATEMENTS ISSUED BY GASB

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of GASB Statement No. 75 has required a restatement of beginning net position for its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 85, Omnibus 2017, effective for fiscal years beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of GASB Statement No. 85 had no impact on the December 30, 2018 financial statements.

15. DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net OPEB liability represents Akron Canton Regional Airport Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits The Akron – Canton Regional Airport Authority's obligation for this liability to annually required payments. The Airport cannot control benefit terms or the manner in which OPEB are financed; however, The Airport does receive the benefit of employees' services in exchange for compensation including OPEB.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

15. DEFINED BENEFIT OPEB PLAN (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. The proportional share of the plan's unfunded benefit is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in the accounts payable.

Plan Description

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

15. DEFINED BENEFIT OPEB PLAN (Continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, in incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Airport's proportion of the net OPEB liability was based on Airport's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense.

	OPERS
Proportionate Share of the Net OPEB Liability	\$1,998,104
Proportion of the Net OPEB Liability	0.018400%
Increase / (decrease) in % from prior proportion measured	0.000963%
OPEB Expense	\$136,742

At December 31, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 148,845
Differences between expected and actual experience	1,557	-
Changes in proportion and differences between Airport contributions and proportionate share of contributions	-	65,805
Changes in assumptions	145,483	-
Airport's contributions subsequent to the measurement date	-	-
Total	\$ 147,040	\$ 214,650

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

15. DEFINED BENEFIT OPEB PLAN (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2019	\$1,627
2020	1,627
2021	(33,652)
2022	<u>(37,212)</u>
Total	<u>(\$67,610)</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modifications as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2016
Rolled-forward measurement date	December 31, 2017
Experience Study	5 Year Period ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Single Discount Rate current measurement period	3.85%
Investment Rate of Return	6.50%
Single Discount Rate Prior Measurement Period	4.23%
Municipal Bond Rate	3.31%
Wage Inflation	3.25%
Projected Salary Increases	7.50% initial, 3.25% ultimate in 2028
Health Care Cost Trend Rate	3.25% - 10.75% (includes wage inflation of 3.25%)

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

15. DEFINED BENEFIT OPEB PLAN (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

A single discount rate of 3.85% as used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2106. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

The following table presents the OPEB liability calculated using the single discount rate of 3.85%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease	Current	1% Increase
	▼ (2.85%)	▼ Discount Rate (3.85%)	▼ (4.85%)
Airport's proportionate share of the net OPEB liability	\$2,654,568	\$1,998,104	\$1,467,032

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

15. DEFINED BENEFIT OPEB PLAN (Continued)

	1% Decrease 6.50 % decreasing to 2.25 %	Current Discount 7.50% decreasing to 3.25%	1% Increase 8.5% decreasing to 4.25%
Airport's proportionate share of the net OPEB liability	\$1,911,760	\$1,998,104	\$2,087,296

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2017.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2018 and 2017*

16. RESTATEMENT FOR CHANGES IN ACCOUNTING PRINCIPLES

Effective July 1, 2017, the Corporation adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The Statement addresses accounting and financial reporting for other post-employment benefits (OPEB) provided to employees who participate in the State OPEB plan. The Statement also requires various note disclosures and required supplementary information. As a result, beginning net position has been restated as follows:

Net Position as previously reported at December 31, 2017	\$166,749,148
Prior period adjustment	
Beginning new OPEB Liability	(1,955,731)
Deferred outflows of resources – 2017 OPEB contributions	<u>26,759</u>
Total prior period adjustment	<u>(1,928,972)</u>
Net position as restated, January 1, 2018	<u>\$164,820,176</u>

The Net Position in 2018 was adjusted (\$1,928,972) for the cumulative effect of a change in accounting principle pertaining to the net pension liability in 2017. The information was not available at the end of 2017 and therefore not practical to restate 2017 and earlier.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES
Required Supplementary Information on GASB 68 Pension Liabilities
For the Year Ended December 31, 2018

**Schedule of the Airport's Proportionate Share of
OPERS Net Pension Liability:**

	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Airport's proportion of the net pension liability (asset) (percentage) - Traditional Plan	0.019403%	0.020370%	0.021326%	0.021587%	0.021587%
Airport's proportionate share of the net pension liability (asset) - Traditional Plan	\$ 3,043,955	\$ 4,625,681	\$ 3,693,932	\$ 2,603,633	\$ 2,544,826
Airport's covered payroll	\$ 2,607,208	\$ 2,675,890	\$ 2,669,464	\$ 2,660,511	\$ 2,774,597
Airport's pension liability (asset) as a percentage of its covered payroll	116.75%	172.87%	138.38%	97.86%	91.72%
Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan)	84.66%	77.25%	81.08%	86.45%	86.36%

Information prior to 2013 is not available

Schedule of the Airport's Contributions to OPERS:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 391,406	\$ 338,937	\$ 321,107	\$ 318,659	\$ 317,590
Contributions in relation to contractually required contribution	(391,406)	(338,937)	(321,107)	(318,659)	(317,590)
Contribution deficit (surplus)	\$ -	\$ -	\$ -	\$ -	\$ -
Airport's covered payroll	\$ 2,795,754	\$ 2,607,208	\$ 2,675,890	\$ 2,669,464	\$ 2,660,511
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	11.94%	11.94%

Information prior to 2014 is not available.

* Amounts presented for each year were determined as of the Airport's measurement date, which is the prior year end.
See accompanying notes to the required supplementary information.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES
Required Supplementary Information on GASB 75 OPEB Liabilities
For the Year Ended December 31, 2018 and 2017

Schedule of the Airport's Proportionate Share of OPERS OPEB Liability:

	2018	2017
Airport's proportion of the net OPEB liability (asset) (percentage) - Traditional Plan	0.018400%	0.019363%
Airport's proportionate share of the net OPEB liability (asset) - Traditional Plan	\$ 1,998,104	\$ 1,955,731
Airport's covered payroll	\$ 2,607,208	\$ 2,675,890
Airport's pension liability (asset) as a percentage of its covered payroll	76.64%	73.09%
Plan fiduciary net position as a percentage of the total OPEB liability (Traditional Plan)	54.14%	54.05%

Information prior to 2016 is not available.

Schedule of the Airport's Contributions to OPERS OPEB:

	2018	2017
Contractually required contribution	\$ -	\$ 26,759
Contributions in relation to contractually required contribution	-	(26,759)
Contribution deficit (surplus)	\$ -	\$ -
Airport's covered payroll	\$ 2,795,754	\$ 2,607,208
Contributions as a percentage of covered payroll	0.00%	1.03%

Information prior to 2017 is not available.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

*Notes to Required Supplementary Information on GASB 68 Pension and 75 OPEB Liabilities
For the Years Ended December 31, 2018 and 2017*

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	<u>2017</u>	<u>2016 and prior</u>
Wage Inflation		
Future Salary Increases, including inflation	3.25 percent 3.25 to 10.75 percent including wage inflation	3.75 percent 4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions – OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

This page intentionally left blank.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Direct Funding:</i>				
Airport Improvement Program:				
Airport Improvement Project No. 61	3-39-000-6115	20.106	\$ -	\$ 120,332
Airport Improvement Project No. 62	3-39-000-6216	20.106	150,118	360,942
Airport Improvement Project No. 63	3-39-000-6317	20.106	356,490	444,050
Airport Improvement Project No. 64	3-39-000-6418	20.106	262,210	392,209
Airport Improvement Project No. 65	3-39-000-6518	20.106	-	2,410
Total -- U.S. Department of Transportation			<u>768,818</u>	<u>1,319,943</u>
Total Federal Financial Assistance			<u>\$ 768,818</u>	<u>\$ 1,319,943</u>

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

Akron - Canton Regional Airport
Schedule of Expenditures of Passenger Facility Charges
for the Year ended December 31, 2018

Project Number	Project Name	Approved Project Budget	Cumulative	1st Qtr. 2018 Expenditures	2nd Qtr. 2018 Expenditures	3rd Qtr. 2018 Expenditures	4th Qtr. 2018 Expenditures	Total 2018 Expenditures	Cumulative
			Expenditures at 12/31/17						Expenditures at 12/31/18
PFC6-01	Property Acquisition- Ketron	\$128,169.00	\$128,169.00	-	-	-	-	-	\$128,169.00
PFC6-02	Property Acquisition- Goodyear	\$246,802.00	\$246,802.00	-	-	-	-	-	\$246,802.00
PFC6-03	Property Acquisition- Fouts	\$163,810.00	\$163,810.00	-	-	-	-	-	\$163,810.00
PFC6-04	Property Acquisition- Frayer	\$97,567.00	\$97,567.00	-	-	-	-	-	\$97,567.00
PFC6-05	Property Acquisition- Salmons	\$120,831.00	\$120,831.00	-	-	-	-	-	\$120,831.00
PFC6-08	Glycol Recovery Study	\$134,689.00	\$134,689.00	-	-	-	-	-	\$134,689.00
PFC6-09	Glycol Recovery Design	\$1,457,092.00	\$1,457,092.00	-	-	-	-	-	\$1,457,092.00
PFC6-10	SRE - High Speed Rotary Broom	\$335,681.00	\$335,681.00	-	-	-	-	-	\$335,681.00
PFC6-11	SRE - High Speed Rotary Broom	\$395,000.00	\$395,000.00	-	-	-	-	-	\$395,000.00
PFC6-12	SRE - Runway De-Icing Truck	\$201,172.00	\$201,172.00	-	-	-	-	-	\$201,172.00
PFC6-14	Terminal Rehabilitation	\$24,419,714.00	\$19,126,649.16	\$238,830.40	\$156,132.12	-	-	\$394,962.52	\$19,521,611.68
PFC6-15	RNWW 14/32 Closure Conversion to Taxiway K	\$36,558.00	\$36,558.00	-	-	-	-	-	\$36,558.00
PFC7-01	De-Icing North Pad Construction	\$92,431.00	\$92,431.00	-	-	-	-	-	\$92,431.00
PFC7-02	De-Icing South Pad Construction	\$262,807.00	\$262,807.00	-	-	-	-	-	\$262,807.00
PFC7-03	De-Icing Treatment Plant	\$897,792.00	\$897,792.00	-	-	-	-	-	\$897,792.00
PFC7-04	Domestic Water Service	\$568,116.00	\$568,116.00	-	-	-	-	-	\$568,116.00
PFC7-05	CTX Design and Installation	\$1,578,857.00	\$0.00	-	-	\$159,825.73	\$169,528.36	\$329,354.09	\$329,354.09
PFC7-06	Landside Planning Effort Study	\$94,856.00	\$94,856.00	-	-	-	-	-	\$94,856.00
PFC7-07	Runway 5 and 23 Environmental Assessment Study	\$41,474.00	\$41,474.00	-	-	-	-	-	\$41,474.00
PFC7-08	Runway 5 and 23 Runway Safety Area Fix	\$3,000,000.00	\$2,780,938.00	-	-	-	-	-	\$2,780,938.00
PFC7-09	Wildlife Habitat Removal	\$133,264.00	\$133,264.00	-	-	-	-	-	\$133,264.00
PFC7-10	ARFF, Snow Removal Equipment Storage Facility Design	\$30,391.00	\$30,391.00	-	-	-	-	-	\$30,391.00
PFC7-11	ARFF, Snow Removal Equipment Storage Facility Constr.	\$395,000.00	\$395,000.00	-	-	-	-	-	\$395,000.00
PFC7-12	Aircraft Rescue and Firefighting Vehicle A	\$34,659.00	\$34,659.00	-	-	-	-	-	\$34,659.00
PFC7-13	Aircraft Rescue and Firefighting Vehicle B	\$34,659.00	\$34,659.00	-	-	-	-	-	\$34,659.00
PFC7-14	Federal Inspection Facility Study	\$57,308.00	\$57,308.00	-	-	-	-	-	\$57,308.00
PFC8-01	Security Checkpoint Expansion	\$82,456.00	\$82,456.00	-	-	-	-	-	\$82,456.00
PFC8-02	SRE: HS Runway Brooms, Front End Loader, Tractor	\$517,890.00	\$67,890.00	-	-	-	-	-	\$67,890.00
PFC8-03	Taxiway D, E, K Reconstruction	\$404,412.00	\$404,412.00	-	-	-	-	-	\$404,412.00
PFC8-04	West General Aviation Ramp Reconstruction	\$46,996.00	\$46,996.00	-	-	-	-	-	\$46,996.00
PFC8-05	Airport Master Plan Study	\$113,527.00	\$110,799.00	-	-	-	-	-	\$110,799.00
PFC8-06	Part 150 Noise Study	\$77,076.00	\$77,076.00	-	-	-	-	-	\$77,076.00
PFC8-07	General Aviation Customs & Border Patrol Facility	\$490,161.00	\$490,161.00	-	-	-	-	-	\$490,161.00
PFC8-08	South De-Icing Pad Expansion	\$540,607.00	\$540,607.00	-	-	-	-	-	\$540,607.00
PFC8-09	Airport Entrance Road Reconfiguration	\$522,228.00	\$522,228.00	-	-	-	-	-	\$522,228.00
PFC8-10	Ticket Wing Reconstruction	\$627,398.00	\$627,398.00	-	-	-	-	-	\$627,398.00
PFC8-11	Sand/Chemical Storage Building	\$108,835.00	\$104,460.00	-	-	-	-	-	\$104,460.00
PFC8-12	Enclosed Baggage Make Up Area	\$1,500,000.00	\$1,413,529.00	-	-	-	-	-	\$1,413,529.00
PFC8-13	Taxiway B Rehabilitation	\$196,575.00	\$132,953.00	-	-	-	-	-	\$132,953.00
PFC8-14	Preparation of PFC Application	\$43,681.00	\$43,681.00	-	-	-	-	-	\$43,681.00
PFC9-01	Terminal Modification - Gate Replacement	\$24,145,535.00	-	-	-	-	-	-	-
PFC9-02	Terminal Apron - Design and Construct	\$928,544.00	-	-	-	-	-	-	-
PFC9-03	Preparation of PFC Application	\$75,000.00	-	-	-	-	-	-	-
Grand Totals		\$65,379,620.00	\$32,532,361.16	\$238,830.40	\$156,132.12	\$159,825.73	\$169,528.36	\$724,316.61	\$33,256,677.77

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

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**
*Schedule of Receipts and Expenditures of Federal Awards
and the Schedule of Expenditures of Passenger Facility Charges
For the Years Ended December 31, 2018 and 2017*

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards and the Schedule of Expenditures of the Passenger Facility Charges include the federal award activity of the Akron – Canton Regional Airport Authority (the Airport) under programs of the federal government for the year ended December 31, 2018. The information on the Schedule of Expenditures and Receipts of Federal Awards is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The information on the Schedule of Expenditures of Passenger Facility Charges is prepared in accordance with the requirements of the *Audit Requirements for Federal Awards*, and the *Passenger Facility Charge Audit Guide for Public Agencies* (the “Guide”). Because the Schedules present only a selected portion of the operations of the Airport, they are not intended to and do not present the financial position, changes in net position, or cash flows of the Airport.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Receipts and Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Schedule of Expenditures of Passenger Facility Charges has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

NOTE C – INDIRECT COST RATE

The Airport has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – MATCHING REQUIREMENTS

Certain federal programs require that the Airport contribute non-federal funds (matching funds) to support the federally-funded programs. The Airport has met its matching requirements. The expenditures of non-federal funds are not included on these schedules.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

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

Akron-Canton Regional Airport Authority
Stark and Summit Counties
5400 Lauby Road Box 23
North Canton, Ohio 44720

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Akron-Canton Regional Airport Authority, Stark and Summit Counties, (the Airport) as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued our report thereon dated December 3, 2019, wherein we noted the Airport adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. In addition, our report refers to other auditors who audited the basic financial statements of the Airport as of and for the year ended December 31, 2017 as described in our report on the Airport's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Airport Authority's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Airport's financial statements. We consider finding 2018-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2018-002 described in the accompanying schedule of findings to be a significant deficiency.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Airport's Response to Findings

The Airport's responses to the findings identified in our audit are described in the accompanying schedule of findings and / or corrective action plan. We did not subject the Airport's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Airport Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Airport Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

December 3, 2019

OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Akron-Canton Regional Airport Authority
Stark and Summit Counties
5400 Lauby Road Box 23
North Canton, Ohio 44720

To the Board of Trustees:

Report on Compliance for Each Major Federal Program and the Passenger Facility Charge Program

We have audited the Akron-Canton Airport Authority's, Stark and Summit Counties, (the Airport) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Airport's major federal program and the *Passenger Facility Charge Audit Guide for Public Agencies (the Guide)*, issued by the Federal Aviation Administration, for the Airport Passenger Facility Charge Program for the year ended 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Airport's major federal program.

Management's Responsibility

The Airport's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program and Passenger Facility Charge program.

Auditor's Responsibility

Our responsibility is to opine on the Airport's compliance for the Airport's major federal program and the Passenger Facility Charge Program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance and *the Guide* require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program or the Passenger Facility Charge program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the Airport's major program and the Passenger Facility Charge Program. However, our audit does not provide a legal determination of the Airport's compliance.

Opinion on the Major Federal Program

In our opinion, the Akron-Canton Regional Airport Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program and the Passenger Facility Charge Program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

The Airport's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Airport's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program or the Passenger Facility Charge Program, to determine our auditing procedures appropriate for opining on each major federal program's and the Passenger Facility Charge Program compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Airport's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance and the Guide requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

December 3, 2019

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STARK AND SUMMIT COUNTIES**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018 AND 2017**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Airport Improvement Program (CFDA #20.106)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

FINDING NUMBER 2018-001

MATERIAL WEAKNESS – FINANCIAL REPORTING

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The Airport's financial statements, the accompanying footnotes, required supplemental information and the management's discussion and analysis contained a variety of exceptions and errors which resulted in adjustments to reflect the proper reporting. These exceptions, as listed below, indicate a deficiency in the design, implementation and maintenance of internal control relevant to preparing and fairly presenting financial statements.

Preparation of Financial Statements:

- The calculation of the Net Position-Net Investment in Capital Assets on the Statement of Net Position improperly included the Restricted Revenue Bond Projects Funds of \$22,624,336. The amount should have been reported as Net Position-Restricted for Airport Improvement Projects.
- The debt activity (additions of \$37,032,559 and deductions of \$13,759,035) for the year was not originally included within the Cash Flows.
- The prior year Cash and Investments balance was incorrectly stated on the fiscal year 2018 Statement of Cash Flows.
- The calculation of the Cash Payments to Suppliers for Goods and Services on the Statement of Cash Flows was improperly calculated which resulted in a decrease in of \$62,079.
- The calculation of Cash Flow from Capital and Related Financing Activity: Acquisition of Construction of Capital Assets did not include all of the acquisition activity resulting in an adjustment of \$1,230,147.
- The headers for the Statement of Assets, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows did not properly identify the statements as comparative statements which included financial information as of December 31, 2017.

Preparation of Financial Statement Footnotes:

- The Airport presented the Long Term Liabilities principal and interest payments for each long-term obligation for the next five years individually but did not present the subsequent payments in intervals of five years. Similarly, the noncancellable leases disclosure did not properly present the minimum future rentals for the next five years nor did it present the subsequent rentals in intervals of five years.
- The Airport did not include a note disclosure describing the debt refunding transaction, the difference between the cash flows servicing the old debt and the cash flows required to service the new debt, or the economic gain or loss which resulted from the refunding transaction.
- The Airport did not include a note disclosure regarding the amount of Capitalized Interest net of the related interest payments which was included in the Capital Assets balance.
- The Airport classified the Restricted Net Assets as Restricted for other Purposes within the Basis of Accounting Note Disclosure while the Restricted Net Assets on the Statement of Net Position were classified as Restricted for Airport Improvement Projects.
- The Airport's Note Disclosures contained multiple instances in which the page headers were in the middle of page text as well as page numbers which were not sequential.

Required Supplemental Information / Management Discussion and Analysis:

- The Airport's Required Supplemental Information on GASB 75 OPEB Liabilities did not include Notes to the Pension and Other Post Employment Benefits Schedules; therefore, did not refer to the Notes which are an integral part of the Schedule.
- The Airport's Required Supplemental Information on GASB 68 Pension Liabilities were inserted within the Notes to the Financial Statements rather than presented as Notes to the Required Supplemental Information on GASB 68 Pension Liabilities. Additionally, the Required Supplemental Information on GASB 68 Pension Liabilities did not refer to the Notes which are an integral part of the Schedule.
- The Airport's Schedule of Expenditures of Passenger Facilities Charges incorrectly identified the date of the schedule as December 31, 2012 rather than December 31, 2018. Additionally, headers on the Schedule of Expenditures and Receipts of Federal Awards and the associated Notes was not formatted.
- The Airport omitted the totals for Deferred Inflows, Deferred Outflows and Net Position on the Summary Net Position table in the Management Discussion and Analysis.

The accompanying financial statements, footnote disclosures, Required Supplemental Information and the Management Discussion and Analysis were corrected to reflect the aforementioned activities and information.

To help ensure the financial statements are presented properly, the Airport should review the design, implementation and maintenance of internal controls relevant to preparing and fairly presenting financial statements and update and/or clarify the procedures and expected practices regarding proper Financial Statement reporting and compliance. Additionally, the Airport should develop procedures to help ensure proper monitoring of financial activity and subsequent reporting on the Airport's annual Financial Statements.

Official's Response: See Corrective Action Plan

FINDING NUMBER 2018-002

SIGNIFICANT DEFICIENCY – CASH RECONCILIATION

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Contracts and Finance Manager is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Trustees and/or other administrators are responsible for reviewing the reconciliations and related support.

While the Airport attempted to reconcile the cash balances to the accounting system records as of December 31, 2018 multiple times, the final reconciliation included the following deficiencies:

- Unnecessary inclusion of reconciling items that represented reclassification of account balances on the Airport's books rather than actual reconciling items between the accounting records and the bank statements.
- Improper inclusion of a reconciling item for a check in the amount of \$354 and improper exclusion of a reconciling item for two deposits totaling \$8,304.
- Incomplete recording of interest and dividends totaling \$4,242 that were not included as a reconciling item.
- Incomplete recording of Administration and Trustee fees in the amount of \$4,717 that were not included as a reconciling item.

Cumbersome and inaccurate monthly reconciliations increase the possibility that the Airport will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Contracts and Finance Manager should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board of Trustees should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

In addition, in order to help correct the reconciliation deficiencies, the Airport should consider developing policies and procedures to help ensure:

- Reconciling items represent transactions which have occurred either within the Airport's bank accounts but were not recorded in the Airport's accounting records or were recorded in the Airport's accounting records but were not recorded in the Airport's bank accounts.
- Adequate, timely reviews procedures are performed over the accuracy of all reconciling items as documented on the bank reconciliation.
- Interest and dividends are accurately and timely recorded.
- Administration and Trustee fees are accurately and timely recorded.

Official's Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.



**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2018**

Finding Number: 2018-001

Planned Corrective Action:

The Akron – Canton Regional Airport Authority presented all financial records consistent with previously approved audited financials. The Airport utilized an outside auditor to assist and calculate values associated with GASB 68 and GASB 75.

The misclassification of the \$22,624,336 between the Net Position- Net Investment in Capital Assets section total and the Net Position-Restricted for Airport Improvement Projects section total in the Statement of Net Position was due to a formula with the original document. This document was used in prior year audits; however, this was the first year the Airport had such project funds available. The document was corrected, and the project funds were reclassified.

The Airport recorded the refunding and acquisition of new debt service on the Statement of Cash Flows identical to the last such financing which took place 2010. The Airport recorded the net cash inflow and out flow of the transaction in its Hinkle System submission. The amounts were initially recorded in the Debt Principal Paid section and Interest Paid section on the Statement of Cash Flows. The Airport corrected the Statement of Cash Flows to record the refunding and acquisition of new debt service in its entirety. Due to this adjustment, an additional adjustment was needed in the Acquisition of Construction of Capital Assets section of \$1,230,147.

As a result of this finding the Akron – Canton Regional Airport Authority has reclassified amended and revised its 2018 audited financials to conform with the issues stated in this finding. The Airport has consolidated to the extent possible all documents that make up the audit report into one document to address all layout issues with the report. The Airport will also revise and correct the layout and formatting issues with future Hinkle System submissions.

Anticipated Completion Date: Completed

Responsible Contact Person: James Krum, Contracts & Finance Manager



Finding Number: 2018-002

Planned Corrective Action:

The Akron – Canton Regional Airport Authority respectfully disagrees with the significance of the issues reported in this finding. The 2018 audit process was the first time any issue of this nature was presented with the account reconciliation process. There were no similar issues with prior audits.

A requirement of the October 2018 bond agreements was that the Airport had to change its primary financial institution. At the end of the year the Airport had multiple active checking and savings accounts receiving electronic payments with two different banking institutions. Due to this situation the original reconciliation of one of the Akron – Canton Regional Airport Authority's accounts was incomplete as it did not include information needed to be fully reconciled. The account was fully reconciled the following month. An additional contributing factor associated with this finding was significant staffing changes occurring within the Airport's finance and accounting departments at the end of 2018.

The interest, dividends, and trustees' fees in the amounts of \$4,242 and \$4,717 were associated with a trust account held by Huntington Bank created at the time of the acquisition of the Airport's new debt service. At the time the Airport's financial statements need to be submitted the Hinkle System, it was unknown that these accounts were interest bearing and/or who the beneficiary of any interest was. These accounts came into existence in October 2018 but did not record any interest until December 2018. After consulting with the Huntington Trustee and auditors it was determined this information needed to be recorded and was recorded.

In response to this finding the Akron – Canton Regional Airport Authority has changed the way all accounts are reconciled pursuant to the all the information contained in the finding. Previously, the Airport had details for each individual account which were reconciled between the detail balance and the book balance. The Airport has since consolidated most of these details into one main detail that reconciles between the bank statements, detail balance and Airport book balance.

In addition, the Airport has begun recording the earned interest on its general savings accounts on a monthly basis. In the past the Airport only recorded interest on these accounts on a quarterly basis. The consolidated improved reconciliation detail and increased frequency of recording interest will address all the issues found within this finding.

Anticipated Completion Date: Completed
Responsible Contact Person: James Krum, Contracts & Finance Manager

OHIO AUDITOR OF STATE KEITH FABER



AKRON CANTON REGIONAL AIRPORT AUTHORITY

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2019**