

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY  
STARK AND SUMMIT COUNTIES  
Single Audit  
For the Years Ended December 31, 2012 and 2011**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Board of Trustees  
Akron-Canton Regional Airport Authority  
5400 Lauby Road Box 23  
North Canton, Ohio 44720

We have reviewed the *Independent Auditor's Report* of the Akron-Canton Regional Airport Authority, Summit County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 4, 2013

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

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***Perry & Associates***  
Certified Public Accountants, A.C.

[www.perrycpas.com](http://www.perrycpas.com)

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE  
121 E. Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

**INDEPENDENT AUDITOR'S REPORT**

April 25, 2013

Board of Trustees  
Akron-Canton Regional Airport Authority  
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 business-type activities of the **Akron-Canton Regional Airport Authority** (the Authority), Stark and Summit Counties, Ohio, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority'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 Authority's internal control. Accordingly, we express no 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 respective financial position of the business-type activities of the Akron-Canton Regional Airport Authority, Stark and Summit Counties, Ohio, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Change in Accounting Principles*

As described in Note 1.C., the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 Authority's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule and the Schedule of Expenditures of Passenger Facility Charges provide additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, and are not a required part of the basic financial statements.

The Federal Awards Receipts and Expenditures Schedule and the Schedule of Expenditures of Passenger Facility Charges are management's responsibility, and were derived from and relate 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is 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 April 25, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our 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 Authority's internal control over financial reporting and compliance.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2012 and 2011  
(Unaudited)**

**The Airport**

The Akron – Canton Regional Airport Authority, (the “Airport”) was dedicated in 1946 and commercial air service began in 1948. In 1948 the Airport served 43,042 passengers. Today the Airport has grown into the second entry portal to Northeast Ohio for air travelers. In 2012 the Airport celebrated its third consecutive record year and served over 1,836,000 passengers, a 10.4% increase over 2011.

The Airport offers 35 daily flights to 13 non-stop destinations and one stop service to virtually anywhere in the world. Due to the increase in passengers, the Airport continues to improve its facilities with additional parking, airfield pavement rehabilitation and a recent security checkpoint expansion.

**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 presented all assets and liabilities of the Airport, both financial and capital, and short and long – term. They also present revenues and expenses of the Airport during the year, regardless of when cash was received or paid. Collectively, the statements provide information regarding the Airport's financial condition as of December 31, 2012 and 2011 and the results of its operations and cash flows for the years then ended.

**Financial Highlights**

As of December 31, 2012, the Airport had an increase of \$11,269,977 in its net position. Federal grant activity increased by \$1,449,920 due to the construction of a new operations/maintenance facility, paving rehabilitation and the beginning of a new master plan for the airport. Operating expenses decreased by \$27,902 due to an unusually mild winter and a consistent emphasis to control spending. Our labor costs increased as a result of additional personnel.

**Statement of Net Position**

The Statement of Net Position includes all assets and liabilities of the Airport using the accrual basis of accounting, which is similar to the accounting used by most private – sector institutions. Condensed information from the Airport's statements of net position, including comparative data from 2011 and 2010 is as follows:

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2012 and 2011  
(Unaudited)**

(Table 1)  
**Net Position**

	2012	2011	2010
<b>Assets</b>			
Current Assets	\$ 2,032,290	\$ 1,434,018	\$ 1,308,681
Restricted Assets	13,883,783	11,807,315	11,503,633
Noncurrent Assets	174,925,928	164,870,570	158,348,364
<b>Total Assets</b>	<b>190,842,001</b>	<b>178,111,903</b>	<b>171,160,678</b>
<b>Liabilities</b>			
Current Liabilities	3,539,303	3,139,147	2,306,439
Noncurrent Liabilities	21,307,947	20,247,982	22,002,710
<b>Total Liabilities</b>	<b>24,847,250</b>	<b>23,387,129</b>	<b>24,309,149</b>
<b>Net Position</b>			
Invested In Capital Assets			
Net of Related Debt	152,299,671	143,145,304	134,940,468
Restricted for Airport Improvement Projects	13,883,783	11,807,315	11,503,633
Unrestricted	(188,703)	(227,845)	407,428
<b>Total Net Position</b>	<b>165,994,751</b>	<b>154,724,774</b>	<b>146,851,529</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 190,842,001</b>	<b>\$ 178,111,903</b>	<b>\$ 171,160,678</b>

An analysis of significant changes in assets, liabilities and net position for the year ended 2012 is as follows:

**Assets**

Total assets increased \$12,730,098 from 2011 due to the following factors.

- Facility Enhancements in parking, screening checkpoint expansion, and airfield pavement rehab
- New facility construction for Airport maintenance/operations
- Replacement of outdated equipment with new equipment

**Liabilities**

Total liabilities increased \$1,460,121 due to the following factor:

- Addition of new debt service for parking lot expansion

**Akron-Canton Regional Airport Authority  
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**Management's Discussion and Analysis  
For the Years Ended December 31, 2012 and 2011  
(Unaudited)**

An analysis of significant changes in assets, liabilities and net position for the year ended 2011 is as follows:

**Assets**

Total assets increased \$6,951,225 from 2010 due to the following factors.

- Facility Enhancements in parking and screening checkpoint expansion
- Replacement of outdated equipment with new equipment

**Liabilities**

Total liabilities decreased \$922,020 due to the following factor:

- Reduction of Debt Service

**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 and PFC 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 2011 and 2010 is as follows:

(Table 2)

**Change in Net Position**

	2012	2011	2010
Operating Revenues	\$ 12,230,786	\$ 10,518,140	\$ 9,729,241
Operating Expenses (Including Depreciation)	14,358,226	14,220,639	14,489,411
<b>Operating Income (Loss)</b>	(2,127,440)	(3,702,499)	(4,760,170)
Net Non-Operating Revenues (Expenses)	13,397,417	11,575,744	21,948,523
<b>Change in Net Position</b>	11,269,977	7,873,245	17,188,353
Net Position Beginning of the Year	154,724,774	146,851,529	129,663,176
<b>Net Position End of Year</b>	<b>\$ 165,994,751</b>	<b>\$ 154,724,774</b>	<b>\$ 146,851,529</b>

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2012 and 2011  
(Unaudited)**

An analysis of significant changes in revenues and expenditures for the year ended 2012 is as follows:

**Operating Revenues**

The Airport set an all - time record for annual passenger traffic in 2012 which was the main driver of the increase in revenues year over year. Airport concession revenues which include parking lot, rental car and restaurant concession were up over 21% from 2011. The increase in passenger traffic, addition of a new parking lot and new parking rates lead to an increase in parking lot revenues of \$1,111,816 from 2011. The Airport also had an increase in landing fee revenue due to airlines utilizing larger aircraft to accommodate passenger growth. All other sources of revenue increased from last year.

**Operating Expenses**

Overall Operating Expenses were lower than in 2011. During 2012, the Airport was able to reduce expenses for contract services, material and supplies, utilities, fuel, insurance and administrative expenses compared to the previous year. A mild winter along with an emphasis on controlled spending contributed to these savings. The Airport hired additional staff in 2012 which resulted in an increase to our labor costs.

**Non-Operating Revenues**

In 2012, the Airport received additional federal funds compared to 2011. The increase was primarily due to the amount of eligible ongoing and new construction that took place during the year. These federal funds are authorized by federal grants received by the Airport. The Airport received federal funding in 2012 for airfield pavement rehabilitation, a new high speed runway broom, and funding for a FAA Part 150 Noise Study. PFC (Passenger Facility Charge) funding increased compared to year-end 2011 due to the increase in passenger enplanement levels.

An analysis of significant changes in revenues and expenditures for the year ended 2011 is as follows:

**Operating Revenues**

All - time record annual passenger traffic created an increase in concession revenues year over year. These concession revenues include parking lot, rental car and restaurant concession. Revenues from the Airports parking lots increased 13% from 2010 results. Revenues for rental cars increased 8% and restaurant concession revenues increased 9% from 2010 results. The Airport also had an increase in landing fee revenue due to airlines utilizing larger aircraft to accommodate passenger growth. All other sources of revenue were consistent with last year.

**Operating Expenses**

Overall Operating Expenses were lower than in 2010. During 2011 the Airport was able to reduce expenses for salaries, contract services, utilities, and insurance compared to the previous year.

**Non-Operating Revenues**

The Airport received less federal funding in 2011 than in 2010 primarily due to the amount of construction that took place during the year. These federal funds refer to federal grants received by the Airport. The Airport received a large amount of additional federal funding in 2011 to complete a major runway expansion. The level of federal funds returned to more normal levels in 2011 due to the Airport not having as many ongoing federally funded projects as in 2010. PFC (Passenger Facility Charge) funding increased compared to year-end 2010 due to the increase in passenger enplanement levels.

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Management's Discussion and Analysis  
For the Years Ended December 31, 2012 and 2011  
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**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 Authority is not required to follow the budgetary requirements of the Ohio Revised Code.

**Capital Asset and Long-Term Debt Activity**

The Airport Authority's capital asset activities consist of various construction projects, including extending and shifting of a runway, new fire vehicles, new multipurpose maintenance building and additional parking lot improvements. Debt is administered via loan agreements with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Authority a total of \$8,850,000 for the purpose of assisting in the financing of the Gate Concourse Rehabilitation Project and a total of \$3,108,000 for the purpose of assisting in the financing of a New Parking Lot of which \$5,684,377 was outstanding as of December 31, 2012. The Airport Authority was issued \$18,000,000 in debt via Airport Revenue Bonds with Huntington Bank. These bonds were issued to fund a terminal concourse rehabilitation, additional parking lots, and screening checkpoint expansion projects. As of December 31, 2012, the Authority had \$16,941,880 in Airport Revenue Bonds outstanding. See notes 9 and 12 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 Authority's finances and to show the Airport Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact James Krum, Contracts and Finance Manager at the Akron Canton Regional Airport, 5400 Lauby Road NW, Box 9, North Canton, OH. 44720.

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

**STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 884,292	\$ 400,611
Accounts Receivable	1,088,861	978,221
Prepaid Expenses	22,856	17,990
Current Portion of Note Receivable	36,281	37,196
Total Current Assets	2,032,290	1,434,018
Assets Restricted for Airport Improvement Projects:		
Cash and Cash Equivalents	12,921,643	11,514,547
Federal Funds Receivable	676,546	-
Passenger Facility Charges Receivable	285,594	292,768
Total Assets Restricted for Airport Improvement Projects	13,883,783	11,807,315
Noncurrent Assets:		
Long-Term Portion of Note Receivable	-	39,258
Capital Assets:		
Airport Improvement Projects-In-Progress	51,826,941	40,741,015
Land and Land Improvements	52,824,360	52,757,175
Paving	52,131,954	51,146,560
Buildings	71,882,330	68,133,375
Vehicles and Equipment	19,440,731	19,349,143
Utility Systems	553,929	553,929
Less Accumulated Depreciation	(73,734,317)	(67,849,885)
Total Noncurrent Assets	174,925,928	164,870,570
<b>TOTAL ASSETS</b>	<b>\$ 190,842,001</b>	<b>\$ 178,111,903</b>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ 163,112	\$ 329,494
Projects Payable	1,377,874	818,166
Accrued Payroll Expenses	628,882	511,129
Accrued Real Estate Taxes	51,125	42,332
Debt Due Within One Year	1,318,310	1,438,026
Total Current Liabilities	3,539,303	3,139,147
Long-Term Liabilities:		
Long-Term Notes and Bonds Payable	21,307,947	20,247,982
Total Long-Term Liabilities	21,307,947	20,247,982
<b>TOTAL LIABILITIES</b>	<b>24,847,250</b>	<b>23,387,129</b>
Net Position:		
Invested in Capital Assets, Net of Related Debt	152,299,671	143,145,304
Restricted for Airport Improvement Projects	13,883,783	11,807,315
Unrestricted	(188,703)	(227,845)
Total Net Position	165,994,751	154,724,774
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 190,842,001</b>	<b>\$ 178,111,903</b>

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

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 4,663,368	\$ 4,081,439
Rent	936,210	973,494
Parking	6,113,178	5,001,362
Other Operating Revenues	518,030	461,845
 Total Operating Revenues	 12,230,786	 10,518,140
<b>Operating Expenses:</b>		
Salaries	2,703,648	2,460,815
Contract Services	1,397,016	1,402,090
Materials and Supplies	588,096	670,109
Utilities	754,087	774,300
Fuel	94,269	98,227
Insurance	65,238	72,352
Administrative	2,804,067	2,900,626
Depreciation	5,951,805	5,842,120
 Total Operating Expenses	 14,358,226	 14,220,639
 Operating Income / (Loss)	 (2,127,440)	 (3,702,499)
<b>Non-operating Revenues:</b>		
Federal Funds	9,476,640	8,026,720
Passenger Facility Charge Revenue	3,896,529	3,537,808
Interest	10,817	11,216
Gain on Sale of Fixed Assets	13,431	-
 Total Non-operating Revenues	 13,397,417	 11,575,744
 Change in Net Position	 11,269,977	 7,873,245
 Net Position - January 1	 154,724,774	 146,851,529
 <b>Net Position - December 31</b>	 <b>\$ 165,994,751</b>	 <b>\$ 154,724,774</b>

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

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

**STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 12,160,319	\$ 10,281,819
Cash Payments to Suppliers for Goods and Services	(5,314,314)	(5,911,739)
Cash Payments to Employees for Services	(2,577,102)	(2,549,813)
	<b>4,268,903</b>	<b>1,820,267</b>
Net Cash Provided by (Used by) Operations		
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Receipts from Passenger Facility Charge	3,903,703	3,512,411
Grants	9,386,428	8,026,720
State Infrastructure Bank Improvement Funds	2,559,377	-
Acquisition of Construction of Capital Assets	(15,832,452)	(11,004,644)
Debt Principal Paid	(1,619,128)	(1,648,411)
Gain of Sale of Equipment	13,431	-
Interest Paid	(800,302)	(575,734)
	<b>(2,388,943)</b>	<b>(1,689,658)</b>
Net Cash Provided by (Used by) Capital and Related Financing Activities		
<b>Cash Flows from Investing Activities:</b>		
Interest Received	10,817	11,216
	<b>10,817</b>	<b>11,216</b>
Net Cash Provided by (Used by) Investing Activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	1,890,777	141,825
Cash and Cash Equivalents - January 1	11,915,158	11,773,333
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 13,805,935</b>	<b>\$ 11,915,158</b>
<b>Cash Flows from Operating Activities:</b>		
Operating Income / (Loss)	(2,127,440)	(3,702,500)
<b>Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:</b>		
Depreciation	5,951,805	5,842,120
(Increase) Decrease in Accounts Receivable	(110,640)	(268,206)
(Increase) Decrease in Note Receivable	40,173	31,885
(Increase) Decrease in Prepaid Assets	(4,867)	8,743
Increase (Decrease) in Accounts Payable	372,166	(2,777)
Increase (Decrease) in Project Payable	21,160	-
Increase (Decrease) in Accrued Real Estate Taxes	8,793	(3,616)
Increase (Decrease) in Payroll related Liabilities	117,753	(85,382)
	<b>6,396,343</b>	<b>5,522,767</b>
Total Adjustments		
Net Cash Provided by (Used by) Operating Activities	<b>\$ 4,268,903</b>	<b>\$ 1,820,267</b>

The notes to the basic 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, 2012 and 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

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

The Authority'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 Authority 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 Authority itself are included in the financial reporting entity.

**B. BASIS OF ACCOUNTING**

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

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

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

**Enterprise Fund** - A fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The accounting and financial reporting treatment applied to the Authority's fund is determined by their measurement focus. The Authority's fund is an enterprise fund, which uses a flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The Authority uses the accrual basis of accounting, which records revenue when earned and measurable and expenses when the liability is incurred. Revenues subject to accrual are charges for services. In accordance with Statement No. 20 of the Governmental Accounting Standards Board "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*", the Authority has elected not to apply the provisions of the statements and interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. BASIS OF ACCOUNTING (Continued)**

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

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

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

**Compensated Absences** – The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the Statement of Net 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 compensated absences accrual amount.

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

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

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

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

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

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. BASIS OF ACCOUNTING (Continued)**

**Net Position** – Net position represents the difference between assets and liabilities. 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 purposes include resources restricted for 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). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

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

**C. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal 2012, the Authority has implemented Government Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Authority’s fiscal year 2012 financial statements; however, there was no material effect on beginning net position/fund balance.

**2. CASH AND CASH EQUIVALENTS**

The investment and deposit of Authority 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 Authority 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 Authority 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 Authority 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 Authority is also prohibited from investing in reverse repurchase agreements.

***Deposits with Financial Institutions***

At December 31, 2012 and 2011, the carrying amount of the Authority’s deposits was \$13,805,791 and \$11,914,978, respectively, excluding petty cash deposits of \$144 and \$180, respectively. The bank balance was \$14,193,156 and \$12,282,872 at December 31, 2012 and 2011, respectively. Deposits with financial institutions were covered by federal depository insurance and/or were collateralized by a pool of securities maintained by the Authority’s financial institutions but not in the Authority’s name.

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**2. CASH AND CASH EQUIVALENTS (Continued)**

*Custodial Credit Risk* is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. 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.

**3. LOAN RECEIVABLE**

In February 2002, the Authority entered into a "Concession Agreement" with a Concessionaire of food, beverage and merchandise. As part of this agreement, the Authority has agreed to loan the Concessionaire up to \$300,000 for the purpose of completing concession area renovations. The term of this loan is ten years, with principal and interest at 6.5% per annum, payable monthly. As of December 31, 2012, \$36,281 is outstanding and considered current receivables. As of December 31, 2011, \$76,454 is outstanding with \$37,196 in principal considered current receivables and the remainder considered long-term receivables.

**4. INSURANCE COVERAGES**

As of December 31, 2012 and 2011, the Authority had general liability insurance coverage of \$50,000,000 for each occurrence and in the aggregate; director and officer liability coverage of \$1,000,000 per loss and in the aggregate; vehicle liability coverage with a combined single limit of \$1,000,000; public officials' coverage of \$1,000,000 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 Authority include theft, fire, errors and omissions, and general liability. There has been no reduction in insurance coverage during the year ending December 31, 2012. Settlement costs did not exceeded coverage in the past three years.

**5. VACATION BENEFITS**

Employees hired on or before January 1, 1996 earn two weeks of vacation annually during their first five years of service plus an additional week for every five years thereafter, up to a maximum of six weeks. Employees hired after January 1, 1996 can earn a maximum of five weeks of vacation. Vacation leave may, upon approval, be carried over for up to two years. As of December 31, 2012 and 2011, the accrual for vacation benefits totaled \$273,902 and \$254,787, respectively, and is included in the Accrued Payroll Expense in the accompanying Statement of Net Position.

**6. DEFINED BENEFIT PENSION PLAN**

***Ohio Public Employees Retirement System***

Plan Description – The Authority participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**6. DEFINED BENEFIT PENSION PLAN (Continued)**

The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012 and 2011, member and employer contribution rates were consistent across all three plans.

The 2012 and 2011 member contribution rates were 10.0% of covered payroll. The 2012 and 2011 required employer contribution rates were 14.0% of covered payroll.

The Authority's required contribution for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, 2010 and 2009 were \$358,440, \$338,680, \$350,649, and \$338,682, respectively; which equal the required contributions for those years.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

**7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

***Ohio Public Employees Retirement System***

Plan Description – 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 plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 by GASB Statement 45.

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012 and 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar 2012 and 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar 2012 and 2011. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, 2010, and 2009 were \$102,406, \$96,761, \$107,950, and \$169,341, respectively; 100% percent has been contributed for all years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**8. DEFERRED EMPLOYEE BENEFITS**

Deferred employee benefits consist exclusively of accrued sick leave. Full-time employees accumulate ten hours of sick leave for each completed month in active pay status. Part-time employees accrue sick leave on a proportionate basis. Upon retirement, employees are paid for accrued sick leave, up to a maximum of 960 hours. Employees qualify for this payment upon retirement by having at least five years service with the Authority and being eligible to receive OPERS retirement benefits. There were two eligible employees at the end of fiscal 2012. \$84,672 in expense was recorded in 2012. There was no expense incurred in 2011.

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**9. LONG-TERM LIABILITIES**

The changes in the Authority's long-term obligations during 2012 were as follows:

<u>Name</u>	<u>Principal Outstanding 12/31/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 12/31/12</u>	<u>Due in One Year</u>
SIB II	\$ 359,527	\$ -	\$ 359,527	\$ -	\$ -
SIB III	3,820,000	-	695,000	3,125,000	725,000
SIB IV	-	2,559,377	-	2,559,377	-
Airport Bonds	17,506,481	-	564,601	16,941,880	593,310
<b>TOTALS</b>	<b>\$ 21,686,008</b>	<b>\$ 2,559,377</b>	<b>\$ 1,619,128</b>	<b>\$ 22,626,257</b>	<b>\$ 1,318,310</b>

The changes in the Authority's long-term obligations during 2011 were as follows:

<u>Name</u>	<u>Principal Outstanding 12/31/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 12/31/11</u>	<u>Due in One Year</u>
SIB II	\$ 694,213	\$ -	\$ 334,686	\$ 359,527	\$ 179,025
SIB III	4,640,206	-	820,206	3,820,000	695,000
Airport Bonds	18,000,000	-	493,519	17,506,481	564,001
<b>TOTALS</b>	<b>\$ 23,334,419</b>	<b>\$ -</b>	<b>\$ 1,648,411</b>	<b>\$ 21,686,008</b>	<b>\$ 1,438,026</b>

**SIB II** - In 2004, the Authority entered into a loan agreement with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Authority a total of \$2,005,000 for the purpose of assisting in the financing of the Gate Concourse Replacement Project. The loan bears interest at a rate of 3% annually. Principal and interest payments are due semiannually. As of December 31, 2011, \$359,527 was outstanding under this loan agreement. This remaining balance was paid off during 2012.

**SIB III** - In 2006, the Authority entered into a loan agreement with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Authority a total of \$6,845,000 for the purpose of assisting in the financing of the Gate Expansion Project. As of December 31, 2012 and 2011, \$3,125,000 and \$3,820,000, respectively, was outstanding under this loan agreement. The loan bears interest at a rate between 4.25% and 5.00% annually.

Principal and interest payments for the SIB III loan are due semiannually, as follows:

<u>Year Ending December 31,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
2013	725,000	156,250
2014	760,000	120,000
2015	800,000	82,000
2016	840,000	42,000
Total	<u>\$ 3,125,000</u>	<u>\$ 400,250</u>

**SIB IV** - In 2012, the Authority entered into a loan agreement with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Authority a total of \$3,108,000 for the purpose of assisting in the financing of a parking lot project.

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**9. LONG-TERM LIABILITIES (Continued)**

**SIB IV (continued)** - As of December 31, 2012, the Authority has received \$2,559,377 in loan proceeds. The loan bears interest at a rate between 3% and payments are due semi-annually. Principal payments begin in 2014 and continue through 2022.

**Airport Bonds** - During 2010, the Authority along with Huntington Bank reissued the 2007 Airport Revenue Bonds. The Bonds bear interest at a variable rate and mature on January 1, 2031. Payments are due monthly. Principal payments are due as follows. Interest payments are estimated based on the current rate.

**AIRPORT FACILITY REVENUE BONDS**

Year Ending December 31,	Principal Payment	Interest Payment
2013	\$ 593,310	828,617
2014	623,479	798,448
2015	655,181	766,746
2016	688,495	733,432
2017	723,504	698,423
2018-2022	4,207,945	2,901,690
2023-2027	5,392,772	1,716,863
2028-2031	4,057,194	208,587
Total	\$ 16,941,880	\$ 8,652,806

**10. NONCANCELLABLE LEASES**

The Authority leases space, hangars, counters, gates, etc. to various entities under noncancellable operating lease agreements. Future minimum rentals as of December 31, 2012 under such agreements are as follows:

Year Ending December 31,	Amount
2013	\$ 5,791,477
2014	5,228,767
Thereafter	32,187,080
Total Payments	\$ 43,207,324

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

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

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**11. AIRPORT IMPROVEMENT PROJECTS-IN-PROGRESS (Continued)**

Airport Improvement Projects-in-Progress consist of the following at December 31, 2012:

<u>Description of Project</u>	<u>Federal Grants</u>	<u>State/Local</u>	<u>Total Cost of Projects- In-Progress</u>
AIP #39	\$ 2,856,587	\$ 150,347	\$ 3,006,934
AIP #44	681,539	35,871	717,410
AIP #46	1,095,646	57,666	1,153,312
AIP #48	628,566	33,083	661,649
AIP #50	12,186,068	641,373	12,827,441
AIP #52	16,475,931	867,155	17,343,086
AIP #55	7,132,915	738,279	7,871,194
AIP #56	718,684	37,826	756,510
AIP #57	2,093,096	232,567	2,325,663
AIP #58	24,841	2,761	27,602
AIP #59	2,608	291	2,899
Various Projects	-	5,133,241	5,133,241
Total	<u>\$ 43,896,481</u>	<u>\$ 7,930,460</u>	<u>\$ 51,826,941</u>

Airport Improvement Projects-in-Progress consist of the following at December 31, 2011:

<u>Description of Project</u>	<u>Source of Funding</u>		<u>Total Cost of Projects- In-Progress</u>
	<u>Federal Grants</u>	<u>State/Local</u>	
AIP #39	\$ 2,856,587	\$ 150,347	\$ 3,006,934
AIP #44	681,539	35,871	717,410
AIP #46	1,095,646	57,666	1,153,312
AIP #48	1,240,587	65,295	1,305,882
AIP #50	11,971,907	630,101	12,602,008
AIP #52	15,999,474	842,078	16,841,552
AIP #54	179,088	9,426	188,514
AIP #55	2,303,571	170,122	2,473,693
AIP #56	33,814	1,780	35,594
Various Projects	-	2,416,116	2,416,116
Total	<u>\$ 36,362,213</u>	<u>\$ 4,378,802</u>	<u>\$ 40,741,015</u>

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**12. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012:

	12/31/2011	12/31/2012		
	Balance	Additions	Deletions	Balance
Capital assets non-depreciable:				
Airport Improvement Projects in Progress	\$ 40,741,015	\$ 13,025,602	\$ (1,939,676)	\$ 51,826,941
Land	12,542,983	-	-	12,542,983
Land Improvements	40,214,192	67,185	-	40,281,377
Total non-depreciable capital assets	93,498,190	13,092,787	(1,939,676)	104,651,301
Capital assets being depreciated:				
Buildings	68,133,375	3,748,955	-	71,882,330
Paving	51,146,560	985,394	-	52,131,954
Vehicles and Equipment	19,349,143	161,638	(70,050)	19,440,731
Utility Systems	553,929	-	-	553,929
Total capital assets being depreciated	139,183,007	4,895,987	(70,050)	144,008,944
Less accumulated depreciation:				
Buildings	(26,598,913)	(3,108,918)	-	(29,707,831)
Paving	(27,439,055)	(1,994,934)	-	(29,433,989)
Vehicles and Equipment	(13,357,065)	(824,234)	64,695	(14,116,604)
Utility Systems	(454,852)	(21,041)	-	(475,893)
Total accumulated depreciation	(67,849,885)	(5,949,127)	64,695	(73,734,317)
Capital assets, net of depreciation	<u>\$ 164,831,312</u>	<u>\$ 12,039,647</u>	<u>\$ (1,945,031)</u>	<u>\$ 174,925,928</u>

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Notes to the Basic Financial Statements  
For the Years Ended December 31, 2012 and 2011**

**12. CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended December 31, 2011:

	12/31/2010	12/31/2011		
	Balance	Additions	Deletions	Balance
Capital assets non-depreciable:				
Airport Improvement Projects in Progress	\$ 29,740,663	\$ 11,418,153	\$ (417,801)	\$ 40,741,015
Land	12,542,983	-	-	12,542,983
Land Improvements	40,214,192	-	-	40,214,192
Total non-depreciable capital assets	82,497,838	11,418,153	(417,801)	93,498,190
Capital assets being depreciated:				
Buildings	67,224,143	909,232	-	68,133,375
Paving	51,146,560	-	-	51,146,560
Vehicles and Equipment	18,882,189	477,812	(10,858)	19,349,143
Utility Systems	542,779	11,150	-	553,929
Total capital assets being depreciated	137,795,671	1,398,194	(10,858)	139,183,007
Less accumulated depreciation:				
Buildings	(23,400,794)	(3,198,119)	-	(26,598,913)
Paving	(25,656,839)	(1,782,216)	-	(27,439,055)
Vehicles and Equipment	(12,531,284)	(836,639)	10,858	(13,357,065)
Utility Systems	(429,705)	(25,147)	-	(454,852)
Total accumulated depreciation	(62,018,622)	(5,842,121)	10,858	(67,849,885)
Capital assets, net of depreciation	<u>\$ 158,274,887</u>	<u>\$ 6,974,226</u>	<u>\$ (417,801)</u>	<u>\$ 164,831,312</u>

**13. 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 Authority.

**14. SUBSEQUENT EVENTS**

Management has considered all subsequent events through April 25, 2013, the date the financial statements were available to be issued. No events have occurred that would require adjustment or disclosure in the financial statement.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY  
STARK AND SUMMIT COUNTIES  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Direct Funding:</i>				
Airport Improvement Program:				
Airport Improvement Project No. 50	3-39-000-5009	20.106	\$ 73,069	\$ 225,433
Airport Improvement Project No. 52	3-39-000-5210	20.106	476,458	501,534
Airport Improvement Project No. 55	3-39-000-5511	20.106	6,771,334	7,148,964
Airport Improvement Project No. 56	3-39-000-5611	20.106	633,855	720,915
Airport Improvement Project No. 57	3-39-000-5712	20.106	2,093,096	2,325,663
Airport Improvement Project No. 58	3-39-000-5812	20.106	15,162	27,602
Airport Improvement Project No. 59	3-39-000-5913	20.106	-	2,899
<b>Total -- U.S. Department of Transportation</b>			<b>10,062,974</b>	<b>10,953,010</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 10,062,974</b>	<b>\$ 10,953,010</b>

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

**Akron-Canton Regional Airport Authority**  
**Stark and Summit Counties**  
**Schedule of Expenditures of Passenger Facility Charges**  
**For the Year Ended December 31, 2012**

Project Number	Project Name	Approved Project Budget	Cumulative				Total 2012 Expenditures	Cumulative Expenditures at 12/31/12	
			Expenditures at 12/31/11	1st Qtr. 2012 Expenditures	2nd Qtr. 2012 Expenditures	3rd Qtr. 2012 Expenditures			4th Qtr. 2012 Expenditures
PFC4-01	SRE: Spreader Truck(A)	\$ 25,838	\$ 25,838	\$ -	\$ -	\$ -	\$ -	\$ 25,838	
PFC4-02	Ground Runup Noise Study	2,722	2,722	-	-	-	-	2,722	
PFC4-03	Storm Water Drainage Improvements	21,380	21,380	-	-	-	-	21,380	
PFC4-04	Passenger Loading Bridge	25,531	25,531	-	-	-	-	25,531	
PFC4-05	Storm Water Pollution Prevention Plan	2,212	2,212	-	-	-	-	2,212	
PFC4-06	SRE: Spreader Truck(B)	25,703	25,703	-	-	-	-	25,703	
PFC4-07	E/A:R/W 1 Extension Phase II	83,036	83,036	-	-	-	-	83,036	
PFC4-08	Benefit Cost Analysis R/W 1 Extension	9,385	9,385	-	-	-	-	9,385	
PFC4-09	Part 107 Access control System Upgrade	8,799	8,799	-	-	-	-	8,799	
PFC4-10	Terminal Master Plan	276,060	276,060	-	-	-	-	276,060	
PFC4-11	Airport Entrance Road Signage Design	44,500	44,500	-	-	-	-	44,500	
PFC4-12	Property Acquisition - Dailey	208,353	208,353	-	-	-	-	208,353	
PFC4-13	Airport Layout Plan Update	-	-	-	-	-	-	-	
PFC4-14	Property Acquisition - Kuhar	961,201	961,201	-	-	-	-	961,201	
PFC4-15	Airport Entrance Road Signage Build	39,095	39,095	-	-	-	-	39,095	
PFC4-16	Storm Water Drainage Control	15,774	15,774	-	-	-	-	15,774	
PFC5-01	Property Acquisition- Nickison	12,911	12,911	-	-	-	-	12,911	
PFC5-02	Property Acquisition- Lockhart	456,000	456,000	-	-	-	-	456,000	
PFC5-03	Property Acquisition- Tucker	346,000	346,000	-	-	-	-	346,000	
PFC5-04	SRE - Snow Blower	33,477	33,477	-	-	-	-	33,477	
PFC5-05	Passenger Loading Bridge - Commuter Aircraft	23,930	23,930	-	-	-	-	23,930	
PFC5-06	Engine Generator - Backup Power	121,472	121,472	-	-	-	-	121,472	
PFC5-07	Runway 5/23 Overlay	290,913	290,913	-	-	-	-	290,913	
PFC5-08	Entrance Road Overlay	25,111	25,111	-	-	-	-	25,111	
PFC5-09	SRE - High Speed Rotary Broom	32,059	32,059	-	-	-	-	32,059	
PFC5-10	Terminal Baggage Claim Expansion	6,363,000	6,363,000	-	-	-	-	6,363,000	
PFC5-14	Terminal Expansion - 1990 (AIP 9 & 12)	1,496,000	1,496,043	-	-	-	-	1,496,043	
PFC5-15	Shift Extension Runway 1/19 Phase II- Fill 19 End	49,290	49,290	-	-	-	-	49,290	
PFC5-16	Property Acquisition - Peters	98,172	98,172	-	-	-	-	98,172	
PFC5-18	Passenger Loading Bridge II	317,519	317,519	-	-	-	-	317,519	
PFC5-11	Relocate Mt Pleasant & Frank Rds	306,625	324,931	-	-	-	-	324,931	
PFC5-12	Runway 1 Extension	1,060,000	682,349	-	-	-	-	682,349	
PFC5-13	Runway 19 Threshold Relocation	400,000	342,651	-	-	-	-	342,651	
PFC6-01	Property Acquisition- Ketron	128,169	128,169	-	-	-	-	128,169	
PFC6-02	Property Acquisition- Goodyear	246,802	246,802	-	-	-	-	246,802	
PFC6-03	Property Acquisition- Fouts	163,810	163,810	-	-	-	-	163,810	
PFC6-04	Property Acquisition- Frayer	97,567	97,567	-	-	-	-	97,567	
PFC6-05	Property Acquisition- Salmons	120,831	120,831	-	-	-	-	120,831	
PFC6-06	Property Acquisition- Maynley	-	-	-	-	-	-	-	
PFC6-07	Security Enhancements (AIP 32)	-	-	-	-	-	-	-	
PFC6-08	Glycol Recovery Study	134,689	134,689	-	-	-	-	134,689	
PFC6-09	Glycol Recovery Design	1,457,092	1,457,092	-	-	-	-	1,457,092	
PFC6-10	SRE - High Speed Rotary Broom	335,681	335,681	-	-	-	-	335,681	
PFC6-11	SRE - High Speed Rotary Broom	395,000	395,000	-	-	-	-	395,000	
PFC6-12	SRE - Runway De-Icing Truck	201,172	201,172	-	-	-	-	201,172	
PFC6-13	Aircraft Apron Rehabilitation	-	-	-	-	-	-	-	
PFC6-14	Terminal Rehabilitation	24,419,714	11,710,637	285,502	189,333	-	978,745	13,164,216	
PFC6-15	RNWX 14/32 Closure Conversion to Taxiway K	36,558	36,558	-	-	-	-	36,558	
PFC7-01	De-Icing North Pad Construction	92,431	92,431	-	-	-	-	92,431	
PFC7-02	De-Icing South Pad Construction	262,807	262,807	-	-	-	-	262,807	
PFC7-03	De-Icing Treatment Plant	897,792	897,792	-	-	-	-	897,792	
PFC7-04	Domestic Water Service	568,116	568,116	-	-	-	-	568,116	
PFC7-05	CTX Design and Installation	1,578,857	-	-	-	-	-	-	
PFC7-06	Landside Planning Effort Study	94,856	94,856	-	-	-	-	94,856	
PFC7-07	Runway 5 and 23 Environmental Assessment Study	41,474	41,474	-	-	-	-	41,474	
PFC7-08	Runway 5 and 23 Runway Safety Area Fix	3,000,000	441,759	-	-	-	1,947,983	2,389,742	
PFC7-09	Wildlife Habitat Removal	133,264	133,264	-	-	-	-	133,264	
PFC7-10	ARFF, Snow Removal Equipment Storage Facility Design	30,391	-	-	-	-	30,391	30,391	
PFC7-11	ARFF, Snow Removal Equipment Storage Facility Constr.	395,000	-	-	-	-	395,000	395,000	
PFC7-12	Aircraft Rescue and Firefighting Vehicle A	34,659	-	-	-	-	34,659	34,659	
PFC7-13	Aircraft Rescue and Firefighting Vehicle B	34,659	-	-	-	-	34,659	34,659	
PFC7-14	Federal Inspection Facility Study	57,308	-	-	-	-	57,308	57,308	
Grand Totals		\$ 48,140,767	\$ 30,325,922	\$ 285,502	\$ 189,333	\$ -	\$ 3,478,745	\$ 3,953,580	\$ 34,279,502

See accompanying notes to the federal awards receipts and expenditures schedule and schedule of expenditures of passenger facility charges.

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties  
Notes to the Federal Awards Receipts and Expenditures Schedule and  
the Schedule of Expenditures of Passenger Facility Charges  
For the Year Ended December 31, 2012**

**Note A – Significant Accounting Policies**

The accompanying Federal Awards Receipts and Expenditures Schedule and the Schedule of Expenditures of Passenger Facility Charges present the activity of all federal assistance programs of the Authority. The Federal Awards Receipts and Expenditures Schedule has been prepared on the accrual basis of accounting. 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 B – Matching Requirements**

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

***Perry & Associates***  
Certified Public Accountants, A.C.

[www.perrycpas.com](http://www.perrycpas.com)

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE  
121 E. Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

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

April 25, 2013

Akron-Canton Regional Airport Authority  
5400 Lauby Road Box 23  
North Canton, Ohio 44720

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the **Akron-Canton Regional Airport Authority** (the Authority), Stark and Summit Counties, Ohio, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report dated April 25, 2013, wherein we noted the Authority has adopted Governmental Accounting Standards Board Statement No. 63.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Authority'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 Authority's internal control. Accordingly, we have not opined on it.

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 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 Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

### **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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.

***Perry & Associates***  
Certified Public Accountants, A.C.

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St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND THE PASSENGER FACILITY  
CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

April 25, 2013

Akron-Canton Regional Airport Authority  
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 Regional Airport Authority's** (the Authority), Stark and Summit Counties, Ohio, compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Authority's major federal program and the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for the Authority's Passenger Facility Charge ("PFC") Program for the year ended December 31, 2012. The Summary of Auditor's Results section of the accompanying Schedule of Audit Findings identifies the Authority's major federal program.

**Management's Responsibility**

The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program and PFC program.

**Auditor's Responsibility**

Our responsibility is to opine on the Authority's compliance for the Authority'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*; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Guide. These standards, OMB Circular A-133 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 Authority'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 Authority's major federal program and the Passenger Facility Charge Program. However, our audit does not provide a legal determination of the Authority's compliance.

### **Opinion on the Major Federal Program and the Passenger Facility Charge Program**

In our opinion, the 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, 2012.

### **Report on Internal Control Over Compliance**

The Authority'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 Authority's internal control over compliance with the applicable requirements that could directly and materially affect the major federal program or the Passenger Facility Charge Program, to determine our auditing procedures appropriate for opining on the major federal program's and the Passenger Facility Charge Program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Guide, 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 Authority'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 compliance tests and the results of this testing based on OMB Circular A-133 and the Guide's requirements. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C

**Akron-Canton Regional Airport Authority  
Stark and Summit Counties**

**Schedule of Audit Findings  
OMB CIRCULAR A -133 § .505  
December 31, 2012 and 2011**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<i>(d)(I)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(I)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(I)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(I)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(I)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(I)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(I)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(I)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(I)(vii)</i>	<b>Major Programs (list):</b>	Airport Improvement Programs CFDA# 20.106
<i>(d)(I)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 328,590 Type B: all others
<i>(d)(I)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None



# Dave Yost • Auditor of State

**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  
JUNE 18, 2013**