PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003

PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

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

We have audited the accompanying basic financial statements of the Portage County Regional Airport Authority, Portage County, Ohio (the Airport), a component unit of the County of Portage, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portage County Regional Airport Authority, Portage County, Ohio, as of December 31, 2003, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Airport will continue as a going concern. As discussed in Note 12 to the financial statements, the Airport has suffered losses from operations and has projected those losses to continue in the future. These conditions raise substantial doubt about the Airport's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2004, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Managements Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

June 1, 2004

The discussion and analysis of the Portage County Regional Airport Authority's (Airport) financial performance provides an overall review of the Airport's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the Airport's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Airport's financial performance.

Financial Highlights

- Total net assets decreased $55,668 which represents a 1.46 percent decrease from 2002.

- Grant revenues decreased by 94.66 percent from $1,021,801 to $54,551 due to less grant availability during 2003 and a larger grant receivable amount for 2002.

- Total expenses increased by 16.52 percent from $182,281 to $212,390 in 2003 due in large part to higher depreciation expense on the Airport's capital assets and more monies being spent in the contractual services and materials and supplies categories by $7,908 and $1,312 respectively.

- Outstanding debt decreased by 1.41 percent from $425,000 to $419,000 in 2003.

Using this Financial Report

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

Statement of Net Assets and the Statement of Activities

The view of the Airport as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Table 1 provides a summary of the Airport's net assets for 2003 compared to 2002.

Table 1
Net Assets

	2003	2002
Assets		
Current and Other Assets	$308,258	$643,906
Capital Assets	3,864,775	3,609,190
Total Assets	4,173,033	4,253,096
Liabilities		
Noncurrent Liabilities	419,000	425,000
Current Liabilities	8,602	26,997
Total Liabilities	427,602	451,997
Net Assets		
Invested in Capital Assets Net of Related Debt	3,858,775	3,597,190
Unrestricted	(113,344)	203,909
Total Net Assets	$3,745,431	$3,801,099

The Airport's total net assets were down from a year ago. There was a decrease from $3,801,099 to $3,745,431 or a decrease of $55,668. The decrease is due to an overall decrease in revenues and an increase in expenses being generated during the current year.

Current and other assets decreased by $80,063. This decrease is due to the Airport receiving less in grant monies for 2003.

Capital assets for land improvements were added in the amount of $407,923. The increase was offset by depreciation expense in the amount of $152,338.

Table 2 shows the changes in net assets for the year ended December 31, 2003 as well as revenue and expense comparisons to 2002.

Table 2
Revenues and Expenses

	2003	2002
Operating Revenues:		
Charges for Services	$93,039	$50,292
Miscellaneous	8,295	34
Non-Operating Revenues:		
Interest	837	7,458
Operating Grants	54,551	1,021,801
Total Revenues	156,722	1,079,585
Operating Expenses:		
Personal Services	3,293	11,524
Contractual Services	45,284	37,376
Materials and Supplies	11,040	9,728
Depreciation	152,338	122,503
Non-Operating Expenses:		
Interest and Fiscal Charges	435	1,150
Total Expenses	212,390	182,281
Increase (Decrease) in Net Assets	($55,668)	$897,304

Analysis of Overall Financial Position and Results of Operation

The financial position of the Airport did not improve during the past year. The decrease in net assets needs, perhaps, to be explained more fully in order to better understand the financial picture for the year 2003. There were several items that affected the Airport adversely that were beyond the control of management. Items that reflected adversely on the overall operations included the collection of airport user fees that were $19,000 short of expectations, a decrease in operating grants, an increase in depreciation of approximately $30,000 and finally, over $6,000 less in earned interest on money market funds.

Capital Assets

The ending balance of capital assets shows an increase of $255,585 compared to the prior year. This increase is due to the $407,923 runway land improvements addition and the addition being offset by $152,338 in current year depreciation.

	2003	2002
Land	$1,790,996	$1,790,996
Land Improvements	1,974,855	1,692,006
Equipment	98,924	126,188
Totals	$3,864,775	$3,609,190

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

Debt

The Airport has no bonded indebtedness. The Airport's debt consists of a ten-year due to primary government payable with a balance of $419,000. The Airport has been granted a deferment on this loan until 2011 when they will owe $41,900 in principal on this payable annually. An additional debt amount is a four-year 5.38 percent loan payable with a balance of $6,000. The final $6,000 principal payment is due during 2004. For more information on the Airport's debt, see Note 7 to the basic financial statements.

Current Issues

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

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

North side of the Airport. The newly repaired fuel farm is operating normally with fuel flowage fees directed to the Airport. There is a newly paved runway and a new full-length parallel taxiway. In addition, there are newly paved aircraft parking aprons and more recently a new taxiway extension that provided an FBO with a building site that accommodates 13 new "T" hangars. Already there are negotiations with an FBO to build additional "T" hangars under very favorable conditions should the Airport Authority find the necessary funding.

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

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

Contacting the Portage County Airport Authority's Financial Management

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

Portage County Regional Airport Authority

Statement of Net Assets

December 31, 2003

Assets	
Current Assets	
Cash	$234,193
Accounts Receivable	72,984
Intergovernmental Receivable	1,081
Total Current Assets	308,258
Noncurrent Assets	
Nondepreciable Capital Assets	1,790,996
Depreciable Capital Assets, Net	2,073,779
Total Noncurrent Assets	3,864,775
Total Assets	4,173,033
Liabilities	
Current Liabilities	
Accounts Payable	578
Contracts Payable	1,317
Accrued Wages	189
Intergovernmental Payable	253
Accrued Interest Payable	265
Loans Payable	6,000
Total Current Liabilities	8,602
Noncurrent Liabilities	
Due to Primary Government	419,000
Total Liabilities	427,602
Net Assets	
Invested in capital assets, net of related debt	3,858,775
Unrestricted (Deficit)	(113,344)
Total Net Assets	$3,745,431

See accompanying notes to the basic financial statements

Portage County Regional Airport Authority

Statement of Revenues,
Expenses and Changes in Net Assets
For the Year Ended December 31, 2003

Operating Revenues	
Charges for Services	$93,039
Miscellaneous	8,295
Total Operating Revenues	101,334
Operating Expenses	
Personal Services	3,293
Contractual Services	45,284
Materials and Supplies	11,040
Depreciation	152,338
Total Operating Expenses	211,955
Operating Loss	(110,621)
Non-Operating Revenues (Expenses)	
Interest and Fiscal Charges	(435)
Interest	837
Operating Grants	54,551
Total Non-Operating Revenues (Expenses)	54,953
Change in Net Assets	(55,668)
Net Assets Beginning of Year - Restated Note 10	3,801,099
Net Assets End of Year	$3,745,431

See accompanying notes to the basic financial statements

Portage County Regional Airport Authority

Statement of Cash Flows

For the Year Ended December 31, 2003

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$54,038
Cash Received from Other Operating Sources	8,295
Cash Payments to Employees for Services and Benefits	(8,170)
Cash Payments for Contractual Services	(58,053)
Cash Payments to Suppliers for Materials and Supplies	(11,204)
Net Cash Used for Operating Activities	(15,094)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	399,338
Cash Flows from Capital and Related Financing Activities	
Principal Payment - Loan	(6,000)
Interest and Fiscal Charges	(1,020)
Purchase of Capital Assets	(407,923)
Net Cash Used for Capital and Related Financing Activities	(414,943)
Cash Flows from Investing Activities	
Interest on Investments	858
Net Decrease in Cash and Cash Equivalents	(29,841)
Cash and Cash Equivalents Beginning of Year	264,034
Cash and Cash Equivalents End of Year	$234,193
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	($110,621)
Adjustments	
Depreciation	152,338
Increase in Accounts Receivable	(39,001)
Increase/(Decrease) in Liabilities:	
Accounts Payable	(1,858)
Contracts Payable	(11,075)
Accrued Wages	122
Intergovernmental Payable	(4,999)
Total Adjustments	95,527
Net Cash Used for Operating Activities	($15,094)

See accompanying notes to the basic financial statements

Note 1 - Reporting Entity

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

The Airport uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

D. Investments

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

E. Capital Assets

Capital assets utilized by the Airport are reported on the statement of net assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Airport maintains a capitalization threshold of one hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

The Airport's policy is to capitalize net interest on the enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2003, no material interest costs were incurred on construction projects for the Airport.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Airport or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Airport applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Airport did not have any restricted net assets for 2003.

G. Operating Revenues and Expenses

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

H. Estimates

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

Note 3 – Deposits and Investments

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Airport Treasury or in money market deposit accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal

Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Airport;

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

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

9. High grade commercial paper in an amount not to exceed five percent of the Airport’s total average portfolio;

10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Airport’s total average portfolio.

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

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

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

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

Deposits. At year-end, the carrying amount of the Airport's deposits was $234,193 and the bank balance was $234,219. Of the bank balance, $100,000 was covered by federal depository insurance, and $134,219 was covered by Ohio Public Entities Pooled Collateral.

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

Note 4 - Accounts Receivable

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

Note 5 – Risk Management

During 2003 the Authority contracted with several companies for various types of insurance as follows:

Company	Type	Coverage
General Star Indemnity	Professional Liability Insurance	$1,000,000
XL Specialty Insurance Company	Bodily Injury and Property Damage	2,000,000
USF&G/St. Paul	Commercial Property 80%	591,350
Aviation Insurance Managers, Inc.	Inland Marine 100% Coinsured	47,100
Aviation Insurance Managers, Inc	Public Officials Bond	18,000

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

The Airport pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2003was as follows:

	Balance 1/1/2003	Additions	Deletions	Balance 12/31/2003
Capital Assets, not being depreciated:				
Land	$1,790,996	$0	$0	$1,790,996
Capital Assets, being depreciated				
Land Improvements	1,876,111	407,923	0	2,284,034
Equipment	248,209	0	0	248,209
Total Capital Assets being depreciated	2,124,320	407,923	0	2,532,243
Less Accumulated Depreciation:				
Land Improvements	(184,105)	(125,074)	0	(309,179)
Equipment	(122,021)	(27,264)	0	(149,285)
Total Accumulated Depreciation	(306,126)	(152,338)	0	(458,464)
Total Capital Assets being depreciated, net	1,818,194	255,585	0	2,073,779
Capital Assets, net	$3,609,190	$255,585	$0	$3,864,775

Note 7 - Long-Term Obligations

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

	Principal Outstanding 1/1/2003	Additions	Reductions	Principal Outstanding 12/31/2003	Amounts Due in One Year
1998 $24,000 5.38% Loans Payable	$12,000	$0	($6,000)	$6,000	$6,000
2001 $419,000 Due to Primary Government	419,000	0	0	419,000	0
Total Business-Type Activities Long-Term Liabilities	$431,000	$0	($6,000)	$425,000	$6,000

The Airport has an obligation to the primary government of $419,000 at December 31, 2003 for a loan to continue the operations of the Airport. Payment on this loan has been deferred until 2011. The principal payment has been determined at $41,900 payable annually on this loan for ten years. Interest payments have not been determined for this loan as of December 31, 2003 due to the extended deferment. The Airport also incurred a long-term obligation during 2001 for the purchase of a piece of equipment. There is $6,000 in principal and $450 in interest payments due on this obligation as of December 31, 2003.

Note 8 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

All Airport full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Airport's contribution rate for pension benefits for 2003 was 8.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Airport's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were $563, $437 and $699 respectively; 92.63 percent has been contributed for 2003 and 100 percent for 2002 and 2001. The Airport employees made no contributions to the member-directed plan for 2003.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12.* A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were $329. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were $10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $18.7 billion and $8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Note 10 – Restatement of Prior Year Net Assets

At December 31, 2002, intergovernmental receivable was overstated and capital assets were understated. The effect of this change on net assets is a $90,130 decrease from $3,891,229 to $3,801,099. The restatement changed the change in net assets from $562,935 to $472,805.

Note 11 – Pending Litigation

During 2002 the Airport filed a civil complaint lawsuit against Thickstun Bros Inc. for breach of contract and negligence in the installation of the fuel farm system on airport property. This case was filed on February 12, 2002. This case is still pending as of the date of these financial statements.

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

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

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

During 2002 the Airport filed a civil complaint lawsuit against Crane Creek Industrial Campus, LLC. This is an action for appropriation/eminent domain, filed by Airport for approximately 10 acres of land located east of the Regional Airport, in an area often referred to as in the "clear zone" near the airport. The Airport appraisers have determined the value of the land to be $64,000; however the Defendant's appraisers have valued the same property at $320,000. At the present time, it is not possible to determine the exact value.

Note 12 – Operating Losses

The Airport has suffered recurring losses from operations and projects. Those recurring losses will continue in the future without additional subsidies from the County. The Airport has a limited (fixed) revenue base which is insufficient to cover operating expenses.

The Airport has delayed making payment on the $419,000 loan from the Commissioners for six consecutive years. The Airport requested that the Commissioners forgive the loan, but the response was that the loan is still owed. The 1999 through 2003 loan payments have been extended until calendar year 2011 when the Airport must make its first payment on the loan totaling $419,000, plus interest. The loan schedule will be paid in annual installments of $41,900, plus interest to be determined during 2011.

The Airport believes that additional operating subsidies received this year in the amount of $10,000 helped operating conditions. The Airport also believes that if the Commissioners were to continue to provide the additional $10,000 to $15,000 in operating subsidies they would be able to meet their obligations in a timelier manner. The Commissioners have continued to provide matching monies on Federal and State Grants.

At present, the Airport has filed two law suits against users of the airfield for fees associated with use of airport facilities. The outcome of the law suits will have an effect on the operating condition of the airport because the monies will be used to fund current operations if the Court allows the fee to be placed on users of the airport. The outcome of the litigation is presently undeterminable. Providing the airports fee policy is sustained the estimated amount being sought is $85,718 in total. The estimates are as follows: Due from Calendar 2002 is estimated to be $24,124; Due from Calendar 2003 is estimated to be $30,094; Due from Calendar 2004 is estimated to be $31,500.

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PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

SCHEDULE OF FEDERAL AWARES EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number		Disbursements
US Department of Transportation				
Direct	01-1-3-39-0099-1301	20.106	$	3,250.00
Airport Improvement Program	02-1-3-39-0099-1402			381,673.00
	03-1-3-39-0099-1503			23,000.00
Total US Department of Transportation			$	407,923.00

The accompanying notes to this schdule are an intregal part of this schedule.

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- MATCHING REQUIREMENTS

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

Auditor of State
Betty Montgomery

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

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

We have audited the financial statements of the Portage County Regional Airport Authority (the Airport), a component unit of the County of Portage, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 1, 2004 in which we noted certain conditions which raise substantial doubt about the Airport's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Betty Montgomery
Auditor of State

June 1, 2004

Auditor of State
Betty Montgomery

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

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

Compliance

We have audited the compliance of Portage County Regional Airport Authority (the Airport) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The Airport's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Airport's compliance with those requirements.

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Airport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Airport's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Betty Montgomery
Auditor of State

June 1, 2004

PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY
DECEMBER 31, 2003

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

1. SUMMARY OF AUDITOR'S RESULTS

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

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PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 8, 2004