PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

Auditor of State
Betty Montgomery

PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Portage County Regional Airport Authority, Portage County (the Airport), a component unit of the County of Portage as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portage County Regional Airport Authority as of December 31, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2006, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management 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, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the Airport's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information 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 14, 2006

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, 2005. The intent of this discussion and analysis is to look at the Airport's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Airport's financial performance.

Financial Highlights

- Total net assets increased $193,532 which represents a 5.46 percent increase from 2004.

- Capital grants increased from $343,529 in 2004 to $442,287 in 2005 due to the Airport receiving new grant monies from the Federal Aviation Administration. The majority of the grant monies will be used to maintain and construct new taxiways for the Airport.

- Total expenses decreased from $641,661 in 2004 to $329,354 in 2005 due in large part to a decrease of $324,509 in contractual services. In 2005, the Airport had a significant increase in capitalized expenditures.

- There was no change in outstanding debt.

Using this Financial Report

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

Statement of Net Assets and the Statement of Activities

The view of the Airport looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

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

Table 1 provides a summary of the Airport's net assets for 2005 compared to 2004.

Table 1
Net Assets

	2005	2004
Assets		
Current and Other Assets	$130,068	$357,493
Capital Assets	4,039,262	3,682,121
Total Assets	4,169,330	4,039,614
Liabilities		
Noncurrent Liabilities	419,000	419,000
Current Liabilities	12,356	76,172
Total Liabilities	431,356	495,172
Net Assets		
Invested in Capital Assets Net of Related Debt	4,039,262	3,682,121
Unrestricted	(301,288)	(137,679)
Total Net Assets	$3,737,974	$3,544,442

The Airport's total net assets were up from a year ago. There was an increase from $3,544,442 to $3,737,974 or an increase of $193,532. The increase is due to a net increase on the Airport's capital assets of $357,141 offset by a decrease in cash of $212,697.

Current liabilities decreased by $63,816. This decrease is due to a decrease in contracts payable of $66,244.

Capital assets increased $357,141 in 2005. The Airport purchased land in the amount of $225,000 and apron and taxiway construction and improvements of $320,568. These additions were offset by $188,427 in current year depreciation.

Table 2 shows the changes in net assets for the year ended December 31, 2005 as well as revenue and expense comparisons to 2004.

Table 2
Revenues and Expenses

	2005	2004
Operating Revenues:		
Charges for Services	$72,726	$85,910
Miscellaneous	7,151	7,030
Non-Operating Revenues:		
Interest	722	1,058
Capital Grants	442,287	343,529
Gain on Sale of Capital Assets	0	3,145
Total Revenues	522,886	440,672
Operating Expenses:		
Personal Services	11,498	11,133
Contractual Services	126,557	451,066
Materials and Supplies	1,271	5,663
Depreciation	188,427	172,449
Non-Operating Expenses:		
Interest and Fiscal Charges	1,601	1,350
Total Expenses	329,354	641,661
Increase (Decrease) in Net Assets	193,532	(200,989)
Net Assets Beginning of Year	3,544,442	3,745,431
Net Assets End of Year	$3,737,974	$3,544,442

Analysis of Overall Financial Position and Results of Operation

The financial position of the Airport improved during the past year.

A $10,000 unrestricted subsidy was the only funding received from the County. The sources of revenue are land and building leases, a percentage of fuel sales from the fixed base operator, and user fees.

The Airport Board of Trustees is concerned about the low collection rate of user fees, which were initiated in 2002. The $11,394 collected from private operators was less than 50 percent of the amount billed for 2005. Additionally, $34,000 is owed from the three prior years plus $14,000 from support operators. No steps have been taken to collect the unpaid fees other than sending statements and including the prior years' unpaid balances (plus interest) on the 2005 invoices.

The cash balance of $63,898 is primarily due to the unrestricted allocation of $49,000 in a FAA grant.

Capital Assets

FAA and ODOT grants enabled the Airport to purchase ten acres east of the airport in the amount of $225,000 for a Runway Protection Zone and to make infrastructure improvements in excess of $300,000.

	2005	2004
Land	$2,015,996	$1,790,996
Land Improvements	1,974,857	1,822,586
Equipment	48,409	68,539
Totals	$4,039,262	$3,682,121

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

Debt

The Airport has no bonded indebtedness. The Airport's debt consists of a due to primary government payable with a balance of $419,000. The Airport has been granted a deferment on this loan until 2011 when they contracted to pay $41,900 in principal on this payable annually. For more information on the Airport's debt, see Note 8 to the basic financial statements.

Current Issues

In 1999 the Airport entered into a 50 year land lease with Portage Flight Center, the fixed base operator, which furnishes aircraft maintenance and repair, flight training, aircraft rental and 24-hour automated fuel sales. Long-term land leases with FBO Hangars LLC and Chinn Aviation provide income for the Airport and hangar rental for users. A building lease contract with Jeff Cales Custom Aviation (located on property to the north of the Airport) provides additional operating revenue to the Airport and painting services for users. Additional services offered by support operators in hangars to the north are aircraft maintenance, upholstery and hangar rental. Building sites, some of which have direct runway access, are available for light industrial use.

FAA and ODOT grants funded removing the old fuel island and repaving the area; preparing site work plans for future hangar development; grading the runway safety area, construction of taxiway streets, and apron reconstruction.

In response to a case filed by an airport user against fees charged by the Airport, in 2005 the Portage County Common Pleas Court upheld that fees are valid under Ohio law. As a result of this decision, the Board of Trustees will determine whether legal steps should be taken to improve user fee collection.

The five-year airport capital improvement plan (which is based upon anticipated FAA funding) includes runway extension, land acquisition, security fencing and reconstruction of the access road. Efforts will also be made to acquire ODOT funding.

With continued FAA and State funded programs to improve the facility, the goal of the Airport Board of Trustees is to increase airport traffic and attract businesses to locate on the property thereby enabling the Airport to increase operations revenue, make payments on the County loan, and enhance the economy of Portage County.

Contacting the Portage County Airport Authority's Financial Management

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

Portage County Regional Airport Authority

Statement of Net Assets

December 31, 2005

Assets	
Current Assets	
Cash	$63,898
Accounts Receivable	66,170
Total Current Assets	130,068
Noncurrent Assets	
Nondepreciable Capital Assets	2,015,996
Depreciable Capital Assets, Net	2,023,266
Total Noncurrent Assets	4,039,262
Total Assets	4,169,330
Liabilities	
Current Liabilities	
Accounts Payable	11,452
Accrued Wages	480
Intergovernmental Payable	424
Total Current Liabilities	12,356
Noncurrent Liabilities	
Due to Primary Government	419,000
Total Liabilities	431,356
Net Assets	
Invested in capital assets	4,039,262
Unrestricted (Deficit)	(301,288)
Total Net Assets	$3,737,974

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, 2005

Operating Revenues	
Charges for Services	$72,726
Miscellaneous	7,151
Total Operating Revenues	79,877
Operating Expenses	
Personal Services	11,498
Contractual Services	126,557
Materials and Supplies	1,271
Depreciation	188,427
Total Operating Expenses	327,753
Operating Loss	(247,876)
Non-Operating Revenues (Expenses)	
Interest and Fiscal Charges	(1,601)
Interest	722
Capital Grants	442,287
Total Non-Operating Revenues (Expenses)	441,408
Change in Net Assets	193,532
Net Assets Beginning of Year	3,544,442
Net Assets End of Year	$3,737,974

See accompanying notes to the basic financial statements

Portage County Regional Airport Authority

Statement of Cash Flows

For the Year Ended December 31, 2005

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$87,454
Cash Received from Other Operating Sources	7,151
Cash Payments to Employees for Services and Benefits	(11,301)
Cash Payments for Contractual Services	(189,905)
Cash Payments to Suppliers for Materials and Supplies	(1,936)
Net Cash Used for Operating Activities	(108,537)
Cash Flows from Capital and Related Financing Activities	
Capital Grants Received	442,287
Interest and Fiscal Charges	(1,601)
Purchase of Capital Assets	(545,568)
Net Cash Used for Capital and Related Financing Activities	(104,882)
Cash Flows from Investing Activities	
Interest on Investments	722
Net Decrease in Cash and Cash Equivalents	(212,697)
Cash and Cash Equivalents Beginning of Year	276,595
Cash and Cash Equivalents End of Year	$63,898
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	($247,876)
Adjustments	
Depreciation	188,427
Decrease in Accounts Receivable	14,728
Increase (Decrease) in Liabilities:	
Accounts Payable	2,231
Contracts Payable	(66,244)
Accrued Wages	139
Intergovernmental Payable	58
Total Adjustments	139,339
Net Cash Used for Operating Activities	($108,537)

See accompanying notes to the basic financial statements

Note 1 - Reporting Entity

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Nonexchange transactions, in which the Airport receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations 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. The Airport was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The Airport maintains a capitalization threshold of one hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

The Airport's policy is to capitalize net interest on the enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2005, no material interest costs were incurred on construction projects for the Airport.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Airport applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Airport did not have any restricted net assets for 2005.

G. Operating Revenues and Expenses

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

H. Estimates

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

Note 3 – Changes in Accounting Principle

For 2005, the Airport has implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 42 did not affect the presentation of the financial statements of the Airport.

Note 4 - Deposits and Investments

Monies held by the Airport are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Airport has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the Airport can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in securities listed above;

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

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

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

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

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

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

Note 5 - 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 6 – Risk Management

During 2005 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 Insurance	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 7 – Capital Assets

Capital asset activity for the fiscal year ended December 31, 2005 was as follows:

	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
Capital Assets, not being depreciated:				
Land	$1,790,996	$225,000	$0	$2,015,996
Capital Assets, being depreciated				
Land Improvements	2,284,034	320,568	0	2,604,602
Equipment	221,721	0	0	221,721
Total Capital Assets being depreciated	2,505,755	320,568	0	2,826,323
Less Accumulated Depreciation:				
Land Improvements	(461,448)	(168,297)	0	(629,745)
Equipment	(153,182)	(20,130)	0	(173,312)
Total Accumulated Depreciation	(614,630)	(188,427)	0	(803,057)
Total Capital Assets being depreciated, net	1,891,125	132,141	0	2,023,266
Capital Assets, net	$3,682,121	$357,141	$0	$4,039,262

Note 8 - Long-Term Obligations

The Airport has an obligation to the primary government of $419,000 at December 31, 2005 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, 2005 due to the extended deferment.

Note 9 - Defined Benefit Pension Plan

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The employer's contribution rate for pension benefits for 2005 was 9.55 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, 2005, 2004, and 2003 were $899, $858, and $563 respectively; 94.36 percent has been contributed for 2005 and 100 percent for 2004 and 2003. The Airport employees made no contributions to the member-directed plan for 2005.

Note 10 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 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, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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 376,109. Actual Airport contributions for 2005 which were used to fund postemployment benefits were $377. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.5 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 11 – Operating Leases

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

The lease and purchase agreement with Portage Flight Center for the 13,920 square feet of land on which the building is located began on August 1, 1999 and ends on July 31, 2049. The monthly lease payment for 2005 was $377.89.

The Airport Fixed Base Operator agreement with Portage Flight Center began on July 17, 1999 for a 50 year period to run concurrent with the lease and purchase agreement. The following are the amounts owed to the Airport: a rental of $1 per annum for the ramps; annual percentage of fuel sales (20 cents per gallon on the first 150,000 gallons; 15 cents per gallon on the next 100,000 gallons; 10 cents per gallon thereafter) and one percent of Portage Flight Center annual gross sales.

The long-term land lease agreement for Area (C) with FBO Hangers LLC was entered into on September 9, 2003 for a 50 year period. The rental payment is $5,120 per annum.

The lease with Chinn Aviation is a forty year lease which began in 2000 and will expire in 2040, with Chinn Aviation making monthly principal only payments of $449. The leased land has a total value of $89,550 at December 31, 2005.

The lease agreement for Castle Hangers with Jeff Cales Custom Aviation LLC began on October 1, 2004 and continues through September 30, 2006. The contract specifies rent payments of $1,000 per month for the leased premises and maintenance fee payments of $800 per month for the upkeep of the buildings and the Airport facilities.

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PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
For the Year ended December 31, 2005

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number		Disbursements
US Department of Transportation				
Direct	3-39-0099-1301	20.106	$	365,235.00
Airport Improvement Program	3-39-0099-1503			40,811.00
	3-39-0099-1604			52,132.00
	3-39-0099-1705			115,773.00
Total US Department of Transportation			$	573,951.00

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

PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

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, 2005 and have issued our report thereon dated June 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Airport's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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We intend this report solely for the information and use of the audit committee, Board of Trustees and federal awarding agencies. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

June 14, 2006

Auditor of State
Betty Montgomery

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

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

To the Board of Trustees:

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 apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Airport's major federal program. The Airport's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Portage County Regional Airport Authority complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The Airport's management 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 directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Board of Trustees and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

June 14, 2006

PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

YEAR ENDING DECEMBER 31, 2005

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 noncompliance 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: > $ 500,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

Auditor of State
Betty Montgomery

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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
NOVEMBER 9, 2006