



**PORTAGE REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PORTAGE REGIONAL AIRPORT AUTHORITY
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Equity	4
Statement of Cash Flows	5
Notes to the General-Purpose Financial Statements	7
Schedule of Federal Awards Expenditures	13
Notes to Schedule of Federal Awards Expenditures	14
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	17
Schedule of Findings and Questioned Costs	19

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Portage Regional Airport Authority
Portage County
P. O. Box 792
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying general-purpose financial statements of the Portage Regional Airport Authority, Portage County (the Authority), a component unit of Portage County, as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Portage County Regional Airport Authority, as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3, the Authority allocated equity to contributed capital during 1999.

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 8 to the financial statements, the Authority has suffered recurring losses from operations and has projected those recurring losses to continue in the future that raises substantial doubt about its ability to continue as a going concern. Management's plan in regards to these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Authority taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2000 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 9, 2000, except as to the information presented in Note 9, for which the date is August 25, 2000

**PORTAGE REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY
BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 1999**

Assets

Cash and Cash Equivalents in Segregated Accounts	\$219,242
Receivables:	
Accounts	5,480
Intergovernmental	44,282
Fixed Assets (Net of Accumulated Depreciation)	<u>2,098,354</u>

Total Assets **\$2,367,358**

Liabilities

Accounts Payable	\$246,449
Due to Primary Government	300,000
Intergovernmental Payable	463
Deferred Revenue	<u>499,567</u>

Total Liabilities 1,046,479

Equity

Contributed Capital	1,508,425
Retained Earnings:	
Unreserved (Deficit)	<u>(187,546)</u>

Total Equity 1,320,879

Total Liabilities and Equity **\$2,367,358**

The notes to the general-purpose financial statements are an integral part of this statement.

**PORTAGE REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1999**

Operating Revenues	
Charges for Services	\$76,333
Other	24,002
	<hr/>
<i>Total Operating Revenues</i>	<i>100,335</i>
	<hr/>
Operating Expenses	
Personal Services	17,159
Contractual Services	272,083
Materials and Supplies	215,923
Other	17,535
Depreciation	33,391
	<hr/>
<i>Total Operating Expenses</i>	<i>556,091</i>
	<hr/>
<i>Operating Loss</i>	<i>(455,756)</i>
	<hr/>
Non-Operating Revenues	
Operating Grants	10,000
Interest	2,054
	<hr/>
<i>Total Non-Operating Revenues</i>	<i>12,054</i>
	<hr/>
<i>Net Loss</i>	<i>(443,702)</i>
	<hr/>
<i>Retained Earnings Beginning of Year (Restated-See Note 3)</i>	<i>256,156</i>
	<hr/>
<i>Retained Earnings End of Year (Deficit)</i>	<i>(\$187,546)</i>
	<hr/>
<i>Contributed Capital Beginning of Year</i>	<i>1,479,564</i>
	<hr/>
Contributions During the Year:	
Capital Grants	28,861
	<hr/>
<i>Contributed Capital End of Year</i>	<i>1,508,425</i>
	<hr/>
Total Equity End of Year	<u><u>\$1,320,879</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**PORTAGE REGIONAL AIRPORT AUTHORITY
PORTAGE COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows From Operating Activities

Cash Received From Customers	\$70,853
Cash Payments to Suppliers for Materials and Supplies	(238,770)
Cash Payments for Employee Services and Benefits	(16,696)
Other Operating Revenues	24,002
Other Operating Expenses	<u>(17,974)</u>

Net Cash Used by Operating Activities (178,585)

Cash Flows from Noncapital Financing Activities

Operating Grants 10,000

Cash Flows From Capital and Related Financing Activities

Acquisition of Capital Assets	(471,576)
Capital Grants	<u>484,146</u>

Net Cash Provided by Capital and Related Financing Activities 12,570

Cash Flows from Investing Activities

Interest 2,054

Net Decrease in Cash and Cash Equivalents (153,961)

Cash and Cash Equivalents Beginning of Year 373,203

Cash and Cash Equivalents End of Year \$219,242

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating Loss (\$455,756)

Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:

Depreciation	33,391
(Increase)/Decrease in Assets:	
Accounts Receivable	(5,480)
Inventory	12,226
Increase/(Decrease) in Liabilities:	
Accounts Payable	236,571
Intergovernmental Payable	<u>463</u>

Total Adjustments 277,171

Net Cash Used by Operating Activities (\$178,585)

The notes to the general-purpose financial statements are an integral part of this statement.

This page intentionally left blank.

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. DESCRIPTION OF REGIONAL AIRPORT AUTHORITY AND REPORTING ENTITY

The Portage County Regional Airport Authority (the "Authority") was created by resolution of the County Commissioners under the authority of Chapter 308 of the Ohio Revised Code. The Authority is 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. Since the Authority imposes a financial burden on the County, the Authority is reflected as a component unit of Portage County. The Authority has a December 31 year end.

Reporting Entity

Under the criteria specified in Governmental Accounting Standards Board Statement No. 14, the Authority has no component units. The Authority is, however, considered to be a component unit of Portage County ("the County") since the Authority's Board of Trustees is appointed by the County and the Authority imposes a financial burden on the County. The Authority is not financially accountable for any other organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board. The Authority also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to its proprietary activities.

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus. All proprietary activity is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes by the Authority. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

B. Cash and Cash Equivalents

The Authority maintains one interest bearing depository account, two non-interest bearing depository accounts and one certificate of deposit. All funds of the Authority are maintained in these accounts. These depository accounts are presented in the balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the County treasury. The Authority has no investments.

**PORTAGE REGIONAL AIRPORT AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the operating fund during 1999 amounted to \$2,054.

For purposes of the Statement of Cash Flows and for presentation of the Balance Sheet, all of the Authority's accounts are considered to be cash and cash equivalents in segregated accounts.

C. Inventory

There were no inventories of proprietary funds at December 31, 1999.

D. Property, Plant, Equipment and Depreciation

Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund fixed assets.

Depreciation in the enterprise fund is computed using the straight-line basis over the following estimated useful lives:

Description	Estimated Life
Buildings	40 Years
Equipment, Furniture and Fixtures	5 - 10 Years

E. Estimates

The preparation of 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 could differ from those estimates.

F. Contributed Capital

Contributed capital represents resources from other governments that are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

G. Deferred Revenue

The Authority recognizes intergovernmental revenue when all significant compliance requirements are met. Deferred revenue represent federal receipts for which material requirements have not yet been met.

3. RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

In prior years, the Authority had not identified their contributed capital. At December 31, 1998, retained earnings was restated from \$1,735,720 to \$256,156 due to the reporting of contributed capital.

PORTAGE REGIONAL AIRPORT AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

4. DEPOSITS

Moneys held by the Authority are classified by State statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the Authority treasury. Active moneys must be maintained either as cash in the Authority treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Moneys held by the Authority 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 and 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 obligation of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Authority;
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 Authority 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 Authority'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 Authority'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 Authority, 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.

PORTAGE REGIONAL AIRPORT AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

4. DEPOSITS (Continued)

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

Deposits. At year-end, the carrying amount of the Authority's deposits was \$219,242 and the bank balance was \$349,739. Of the bank balance:

1. \$200,000 was covered by federal depository insurance.
2. \$149,739 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the Authority's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC.

5. RISK MANAGEMENT

During 1999, the Authority contracted with several companies for insurance as follows:

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

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.

6. FIXED ASSETS

A summary of the Authority's fixed assets at December 31, 1999 follows:

Land and Land Improvements	\$1,597,518
Buildings	345,000
Equipment, Furniture and Fixtures	<u>224,147</u>
Total	2,166,665
Less: Accumulated Depreciation	<u>(68,311)</u>
Net Fixed Assets	<u><u>\$2,098,354</u></u>

PORTAGE REGIONAL AIRPORT AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

7. LONG-TERM OBLIGATION

The Authority received a long-term obligation from the primary government in 1998 of \$300,000. This obligation is for the administration and implementation of federal grant and matching local funds for the Airport Improvement Project (AIP) Number 8. The loan from the County shall be paid back to the County at a rate of thirty thousand dollars (\$30,000) per year plus interest at a rate based upon the annual investment earnings of the County. The interest rate presently used in the calculations is 5.38 percent. Principal and interest payments due on this obligation as of December 31, 1999 are as follows:

Year	Due to Primary Government
2000	\$92,280
2001	42,912
2002	41,298
2003	39,684
2004	38,070
2005-2008	136,140
<i>Total</i>	390,384
<i>Less Interest</i>	(90,384)
<i>Principal</i>	\$300,000

The Authority was unable to meet its scheduled 1999 payment to the County. See Note 8.

8. GOING CONCERN

The Authority has suffered recurring losses from operations and projects those recurring losses to continue in the future. The Authority has a limited (fixed) revenue base which is insufficient to cover operating expenses. Additionally, vendors have not been paid timely.

The Authority has asked the Portage County Commissioners (Commissioners) to increase their annual operating subsidy from \$10,000 per year to at least \$25,000 per year for the next five to seven years. Additionally, the Authority has asked the Commissioners to commit up to \$800,000 as local match monies to Federal Aviation Administration and Ohio Department of Transportation grants. The Commissioners are considering both these requests, but, as of June 9, 2000, have not committed any additional monies to the Authority.

The Authority has delayed making any payment on the \$300,000 loan from the Commissioners three times. The Authority requested that the Commissioners forgive the loan, but the response was the loan is still owed. If the loan is not forgiven by the Commissioners, the Authority plans to sell off assets in order to pay the loan.

The Authority is setting up a computerized record keeping system, which management believes will increase the efficiency and effectiveness of paying vendors timely.

The Authority believes that with the additional operating subsidies, matching monies, forgiveness of the loan (or the selling off of assets to pay the loan) and the computerized record system, it will be able to adequately finance future operations and return to a positive cash flow position.

PORTAGE REGIONAL AIRPORT AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

9. SUBSEQUENT EVENTS

On August 1, 2000 the Airport sold the MPI building to the fixed based operator for \$345,000.

On August 15, 2000 the Airport signed Airport Improvement Project (AIP) Number 12 with the Federal Aviation Administration for a capital grant of \$878,462 for construction of a parallel taxiway.

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Direct</i>			
Airport Improvement Program	20.106	94-1-3-39-0099-0594	\$106,547
		94-1-3-39-0099-0897	16,008
		94-1-3-39-0099-0998	207,824
		94-1-3-39-0099-1099	209,444
		94-1-3-39-0099-1199	40,200
Total			<u>\$580,023</u>

The notes to the schedule of federal awards expenditures is an integral part of this statement.

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

The Airport Improvement Program requires that the Authority contribute non-federal funds (matching funds) to support the Federally-funded program. The Authority has not complied with the matching requirements. (See Schedule of Findings #1999-61167-001). The expenditure of non-federal matching funds is not included on the Schedule. The balance sheet presents a liability for unmatched federal funding.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

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

Portage Regional Airport Authority
Portage County
P. O. Box 792
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the financial statements of the Portage Regional Airport Authority, a component unit of Portage County, (the Authority) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 9, 2000, which contained a going concern explanatory paragraph, and also noted the Authority changed its method of reporting contributed capital. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 1999-61167-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated June 9, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 1999-61167-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated June 9, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 9, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

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

Portage Regional Airport Authority
Portage County
P. O. Box 792
Ravenna, Ohio 44266

To the Board of Trustees:

Compliance

We have audited the compliance of the Portage Regional Airport Authority, Portage County, (the Authority) 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, 1999. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Authority'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 Authority's compliance with those requirements.

As described in item 1999-61167-003 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding matching that are applicable to its Airport Improvement Program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority 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, 1999. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the Authority in a separate letter dated June 9, 2000.

Internal Control Over Compliance

The management of the Authority 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 Authority'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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1999-61167-003 and 1999-61167-002.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated June 9, 2000.

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



Jim Petro
Auditor of State

June 9, 2000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	20.106 Airport Improvement Program
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number	1999-61167-001
-----------------------	-----------------------

Noncompliance

See findings and questioned costs for federal awards (finding number 1999-61167-003) for no matching contributions made during 1999.

Finding Number	1999-61167-002
-----------------------	-----------------------

File Organization

The Authority does not maintain all documentation necessary to conduct an efficient review of the records in a central location. Records are maintained by the Board, Secretary/Treasurer, Grant Consultant, Grant Engineer, and at the airport. The following deficiencies were noted from the review of the records filed at the airport:

1. We could only locate 33 percent of the grant applications (Standard Form 424) and accepted grant agreements for the grants undertaken during 1999,
2. Only 80 percent of the bills presented for audit were signed off on by the grant consultant and/or the grant engineer,
3. Only 67 percent of the reports submitted to obtain federal assistance, "Outlay Report and Request for Reimbursement for Construction Programs" (FAA Form 5100-60), were located in the airport's files, with the remainder coming from the consultant,
4. Only 33 percent of the FAA Form 5100-60's contained the signature of the Board President,
5. The consultant and the engineer had to be contacted several times to get information in order to construct records and provide the needed financial information,
6. The federal schedule had to be compiled by the auditors by combing through the records and had to be adjusted three times due to unorganized records,
7. One bill was paid twice as the original invoice was not clearly marked as being paid. The vendor remitted the overpayment to the Authority in February 2000,
8. A few vendors have monies still owed them for services already provided. There is no pending file where these items can be stored until they are paid, and
9. Only 60 percent of the grant reimbursements were properly coded to the correct Airport Improvement Grant project.

We recommend the Authority implement the following suggestions for improvement:

1. All grant applications (Standard Form 424) and grant agreements should be maintained in the files by the AIP number,
2. All bills paid should be signed off on "ok to pay" with the date and initials of the authorizer,
3. All of the reports submitted to obtain federal assistance, FAA Form 5100-60, should be located in the airport's files, in an orderly fashion and should be signed by the President of the Board of Trustees,
4. Paid bills should be clearly marked as such with the check number, the date, the amount, and the grant fund clearly identified,
5. A pending file where all unpaid bills are located so any Board member can go to the file and determine which bills need paid, and
6. Maintain remittance information from grantors and deposit slips together so receipt postings can be verified as to proper grant number.

Implementation of this may allow for easier accountability and may aid in the flow of information from the Secretary/Treasurer to the Board. Additionally, better organized records may help prevent them from becoming lost or misplaced, which would result in a citation of Ohio Revised Code 149.43(B), for failure to provide public records.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No Matching Contributions Made During 1999

Finding Number	1999-61167-003
CFDA Title and Number	Airport Improvement Program 20.106
Federal Award Number / Year	98-1-3-39-0099-0998 99-1-3-39-0099-1099 99-1-3-39-0099-1199
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	None

Reportable condition and noncompliance finding

Airport Improvement Program’s (AIP) grant agreements stipulate that the allowable cost to the federal government is 90 percent of the project cost. Therefore, grant recipients need to match every nine dollars in Federal funding with one dollar of its own resources, which can come from local or state sources.

49 CFR 18.24 provides in part that amounts claimed to meet a matching requirement should be verifiable from the non-Federal entity’s records, are not included as contributions for any other federally assisted project or program unless specifically allowed by the Federal program laws and regulations, and are provided for in the approved budget when required by the Federal awarding agency.

Grant Agreement Co-Sponsors Assurances Section C 13 a, stipulates the sponsor shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of the grant, the total cost of the project in connection with which the grant is given or used, and the amount or nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project.

The AIP 9 project requires a local match of \$22,222 and a federal contribution of \$200,000 for a total project of \$222,222. Actual disbursements during 1999 have totaled \$207,824 without any local match money’s contributed. The Authority is paying vendors from the FAA account without the applicable match portion being contributed. Thus, it appears AIP money that has been designated for other projects is supplementing these projects until the local match contributions are made.

The AIP 10 project requires a local match of \$15,011, a state match of \$15,011, and a federal contribution of \$270,200 for a total project of \$300,222. Actual disbursements during 1999 have totaled \$209,444 without any local match money’s contributed.

The AIP 11 project requires a local match of \$55,122, a state match of \$55,121, and a federal contribution of \$992,183 for a total project of \$1,102,425. Actual disbursements during 1999 have totaled \$40,200 without any local match money's contributed.

Based on the program's required matching percentage and the amount of federal assistance to be received under the above AIP projects, the Authority is required to provide a matching contribution of not less than \$92,355 from local sources (Portage County) and \$70,132 from state sources (Ohio Department of Transportation) to provide a match for the federal share of \$1,462,383 for the three projects above. For 1999, the Authority did not receive any matching contributions.

We recommend that the Authority contribute the required match contributions throughout the project as money's are expended and not after the project has been substantially completed. The report submitted to obtain federal assistance, "Outlay Report and Request for Reimbursement for Construction Programs" (FAA Form 5100-60), documents cumulative to date and then a separate line titled federal share to date which is ninety percent of the cumulative, the Authority may wish to consider setting up a ledger which would document the federal portion, the state portion, and the local portion of each disbursement. The Authority may wish to contribute the match money's as the federal money is received.

Implementation of this recommendation may help ensure compliance with 49 CFR 18.24, may help the Authority avoid supplementing one project with another, and may help provide supporting documentation that the matching contribution has been made.

On June 26, 2000 the Airport received matching funds from the Ohio Department of Transportation of \$10,472 for AIP 10 and \$2,010 for AIP 11.

Calculation of questioned cost for lack of matching (based on expenditures).

<u>Expenses</u> <u>as of 12/31/99</u>		<u>5% Match Allowed</u> <u>Received 6/26/00</u>	
AIP 9	\$ 207,824		\$ 0
AIP 10	209,444		10,472
AIP 11	<u>40,200</u>		<u>2,010</u>
Total	457,468		
Match %	<u>10%</u>		
Required Match	\$45,747	less	12,482 = \$33,265

Accordingly, we consider \$33,265 of the \$457,468 spent on the three AIP projects above to be questioned costs as discussed in OMB Circular No. A-133, since the Authority did not make any matching contributions during 1999.

File Organization

<u>Finding Number</u>	<u>1999-61167-002</u>
<u>CFDA Title and Number</u>	<u>Airport Improvement Program 20.106</u>
<u>Federal Award Number / Year</u>	<u>98-1-3-39-0099-0998</u> <u>99-1-3-39-0099-1099</u> <u>99-1-3-39-0099-1199</u>
<u>Federal Agency</u>	<u>U.S. Department of Transportation</u>
<u>Pass-Through Agency</u>	<u>None</u>

Reportable condition

See finding related to the financial statements required to be reported in accordance with GAGAS (finding number 1999-61167-002) for file organization



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

PORTAGE 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
SEPTEMBER 26, 2000**