



**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Portage County Regional Airport Authority  
Portage County  
4039 Nanway Blvd.  
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying general-purpose financial statements of the Portage County Regional Airport Authority, Portage County, Ohio, (the Authority) a component unit of Portage County, as of and for the year ended December 31, 2000. These general-purpose financial statements are the responsibility of the Authority'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 the Portage County Regional Airport Authority, Portage County, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types 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 Authority will continue as a going concern. As discussed in Note 10 to the financial statements, the Authority has suffered recurring losses from operations and has projected those losses to continue in the future. These conditions raise substantial doubt about the Authority's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 10. 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 8, 2001 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. 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.

**Jim Petro**  
Auditor of State

June 8, 2001

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**BALANCE SHEET  
DECEMBER 31, 2000**

**Assets**

Cash and Cash Equivalents	\$ 586,947
Receivables:	
Accounts	7,736
Intergovernmental	249,510
Fixed Assets (Net of Accumulated Depreciation)	2,994,778

**Total Assets**

\$ 3,838,971

**Liabilities**

Accounts Payable	\$ 293,735
Due to Primary Government	300,000
Intergovernmental Payable	464

Total Liabilities

594,199

**Equity**

Contributed Capital	3,243,994
Retained Earnings - Unreserved	778

Total Equity

3,244,772

**Total Liabilities and Equity**

\$ 3,838,971

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

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2000**

<b>Operating Revenues</b>	
Charges for Services	\$ 44,104
Other	15,188
	59,292
 <b>Operating Expenses</b>	
Personal Services	6,527
Contractual Services	1,398,800
Materials and Supplies	2,173
Depreciation	24,766
Other	14,566
	1,446,832
Total Operating Expenses	1,446,832
Operating Loss	(1,387,540)
 <b>Non-Operating Revenues</b>	
Capital Grants	1,539,929
Interest	14,138
Gain on Disposal of Fixed Asset	27,197
	1,581,264
Total Non-Operating Revenues	1,581,264
Net Income	193,724
Retained Earnings Beginning of Year (Restated - See Note 3)	(192,946)
Retained Earnings End of Year	778
Contributed Capital Beginning of Year	1,508,425
Contributions During the Year:	
Capital Grants	1,735,569
Contributed Capital End of Year	3,243,994
<b>Total Fund Equity End of Year</b>	<b>\$ 3,244,772</b>

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



**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2000**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows From Operating Activities**

Cash Received From Customers	\$ 41,848
Cash Payments to Suppliers for Material and Supplies	(2,225)
Cash Payments for Employee Services and Benefits	(6,526)
Cash Payments for Contractual Services	(1,351,462)
Other Operating Revenues	15,188
Other Operating Expenses	<u>(14,566)</u>

Net Cash Used by Operating Activities (1,317,743)

**Cash Flows From Noncapital Financing Activities**

Operating Grants	10,000
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**Cash Flows From Capital and Related Financing Activities**

Proceeds From Sale of Fixed Asset	342,009
Capital Grants	<u>1,324,701</u>

Net Cash Provided by Capital and Related Financing Activities 1,666,710

**Cash Flows From Investing Activities**

Interest	14,138
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Net Increase in Cash and Cash Equivalents 373,105

Cash and Cash Equivalents Beginning of Year 213,842

**Cash and Cash Equivalents End of Year** **\$ 586,947**

**Reconciliation of Operating Loss to Net Cash  
Used for Operating Activities**

Operating Loss \$ (1,387,540)

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

Depreciation	24,766
(Increase) in Assets:	
Accounts Receivable	(2,256)
Increase in Liabilities:	
Accounts Payable	<u>47,287</u>

Total Adjustments 69,797

**Net Cash Used by Operating Activities** **\$ (1,317,743)**

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

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**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000**

**1. DESCRIPTION OF REGIONAL AIRPORT AUTHORITY AND REPORTING ENTITY**

**A. The Airport Authority**

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. Portage County has loaned the Authority monies to continue operations and to aid in the completion of extending the Authority's runway. Since the Authority imposes a financial burden on the County, the Authority is reflected as a component unit of Portage County.

**B. Reporting Entity**

The Authority has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. A reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements of the Authority are not misleading. The stand-alone government consists of all departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which a primary government is financially accountable. The primary government is financially accountable for an organization if the primary government appoints a voting majority of the organization's governing board and (1) the primary government is able to significantly influence the programs or services performed or provided by the organization; or (2) the primary government is legally entitled to or can otherwise access the organization's resources; the primary government is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the primary government is obligated for the debt of the organization.

Under the criteria specified in Statement No. 14, the Authority has no component units. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. The Authority is, however, considered to be a component unit of Portage County ("the County") by virtue of the fact the Authority's Board of Trustees is appointed by the County and the Authority imposes a financial burden on the County. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. 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 and other recognized authoritative sources are generally applicable to the primary government. The Authority also applies Financial Accounting Standards Board Statements and

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

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

Interpretations issued prior to November 30, 1989.

**A. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by 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 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 (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures and 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 used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled service charges are recognized as revenue at year end.

**B. Cash and Cash Equivalents**

The Authority maintains interest bearing accounts. All funds of the Authority are maintained in these accounts. These interest bearing depository accounts are presented in the combined balance sheet as "Cash and Cash Equivalents." The Authority has no investments.

**C. Property, Plant, Equipment and Depreciation**

All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

Donated fixed assets are recorded at their fair market values as of the date donated. The Authority has established a capitalization threshold for fixed assets at \$100 with the exception of land, as all land was listed regardless of cost. 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 is computed using the straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Equipment, Furniture and Fixtures	5 - 10 Years

**D. Contributed Capital**

Contributed capital represents resources provided from developers, Portage County and private industry to the Authority that are not subject to repayment. These assets are recorded at their fair market value on the date contributed.

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

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

**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.

**3. RESTATEMENT OF PRIOR YEAR'S RETAINED EARNINGS**

At December 31, 1999, cash was overstated by \$5,400 causing retained earnings to decrease from (\$187,546) to (\$192,946).

Stale dated checks	\$ 2,000
Certificate of Deposit counted twice	(3,000)
Adjustment to Accounts Receivable	<u>(4,400)</u>
	<u><u>\$(5,400)</u></u>

**4. DEPOSITS AND INVESTMENTS**

Monies held by the Authority are classified by State statute into two categories. Active deposits are public monies determined to be necessary to meet current demands upon the Authority treasury. Active monies 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.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation.

Monies 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 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 obligation of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Authority;

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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.

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 \$586,947 and the bank balance was \$591,110. Of the bank balance:

1. \$200,000 was covered by federal depository insurance.
2. \$391,110 was uncollateralized and uninsured.

**Legal Compliance.**

Contrary to Ohio Revised Code Section 135.18, deposits were not secured in the same manner as county funds are required to be secured.

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**5. RISK MANAGEMENT**

During 2000, the Authority contracted with several companies for various types of insurance as follows:

Company	Type	Coverage
Philadelphia 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% Coinsured	591,350
Aviation Insurance Managers Inc.	Inland Marine 100%	47,100

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 Authority is included in the County's payment to the State Workers' Compensation System. A premium is paid based on a rate per \$100 of salaries.

**6. FIXED ASSETS**

A summary of the Authority's fixed assets at December 31, 2000 follows:

Land and Land Improvements	\$2,833,520
Equipment, Furniture and Fixtures	<u>224,147</u>
Total	3,057,667
Less: Accumulated Depreciation	<u>(62,889)</u>
Net Fixed Assets	<u><u>\$2,994,778</u></u>

**7. DEFINED BENEFIT PENSION PLAN**

**Public Employees Retirement System (PERS)**

All the Authority full-time employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the Authority was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$575, \$1,342, and \$1,357, respectively. The full amount has been contributed for 1999 and 1998. 56.76 percent has been contributed for 2000.

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS**

**Public Employees Retirement System**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. 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 PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS' latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in the total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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.

The number of active contributing participants was 401,339. The Authority's actual contributions for 2000 which were used to fund postemployment benefits were \$247. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

**9. LONG-TERM DEBT**

The Authority has an obligation to the primary government of \$300,000 at December 31, 2000. This obligation is for the implementation of federal grant and matching local funds to extend the Authority's runway during 1998. 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 percentage rate 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, 2000 are as follows:



**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2000  
(Continued)**

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

Year	Due to Primary Government
2001	\$92,280
2002	42,912
2003	41,298
2004	39,684
2005	38,070
2006-2009	136,140
<i>Total</i>	390,384
<i>Less Interest</i>	(90,384)
<i>Principal</i>	\$300,000

**10. OPERATING LOSS**

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.

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 Authority has delayed making any payment on the \$300,000 loan from the Commissioners four times. The Authority requested that the Commissioners forgive the loan, but the response was that the loan is still owed. The 1999 and 2000 loan payments have been extended.

The Authority is in the process of upgrading their computerized record keeping system, which management believes will increase their efficiency and effectiveness.

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.

**11. SUBSEQUENT EVENTS**

On April 16, 2001, the Authority received a tentative allocation offer for Airport Improvement Program Number 13 from the Federal Aviation Administration for a capital grant of \$400,000 for acquiring land for approaches to the airport and removal of obstructions.

During May 2001, the County of Portage agreed to loan the Authority \$70,000 for the repair of the fuel farm.

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Catalog of Federal Domestic Assistance Number	Grant Program Year Number	Disbursements
<b>US DEPARTMENT OF TRANSPORTATION</b>			
<i>Direct</i>			
Airport Improvement Program	20.106	98-1-3-39-0099-0998	\$11,631
		3-39-0099-1199	508,215
		3-39-0099-1200	583,791
Total			<u><u>\$1,103,637</u></u>

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

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2000**

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. MATCHING REQUIREMENTS**

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

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

Portage County Regional Airport Authority  
Portage County  
4039 Nanway Blvd.  
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying general purpose financial statements of the Portage County Regional Airport Authority, Portage County, Ohio (the Authority), a component unit of Portage County, as of and for the year ended December 31, 2000, and have issued our report thereon dated June 8, 2001, in which we noted certain conditions which raise substantial doubt about the Authority'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 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2000-61167-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Authority in a separate letter dated June 8, 2001.

**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 certain matters involving the internal control over financial reporting 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 financial reporting that, in our judgement, 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. Reportable conditions are described in the accompanying schedule of findings as items 2000-61167-002, and 2000-61167-003.

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 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 none of the reportable conditions described above is 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 the management of the Authority in a separate letter dated June 8, 2001.

This report is intended for the information and use of the audit committee, management, and Board of Trustees, 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.

**Jim Petro**  
Auditor of State

June 8, 2001



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

Portage County Regional Airport Authority  
Portage County  
4039 Nanway Blvd.  
Ravenna, Ohio 44266

To the Board of Trustees:

**Compliance**

We have audited the compliance of the Portage County Regional Airport Authority (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 of its major federal program for the year ended December 31, 2000. The Authority'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 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 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 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.

In our opinion, 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, 2000.

**Internal Control over Compliance**

The management of the Authority is responsible for establishing and maintaining effective 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 a certain matter involving the internal control over compliance 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 compliance that, in our judgement, could adversely affect the Authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2000-61167-004.

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 material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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 8, 2001



**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2000**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	2000-61167-001
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Noncompliance citation

Ohio Revised Code 308.12 requires the Authority to follow Ohio Revised Code 135.18. Money received by the Authority's Treasurer shall be deposited by him to the account of the Authority in one

**FINDING NUMBER 2000-61167-001**  
**(Continued)**

or more such depositories as are qualified to receive deposits of county funds, which deposits shall be secured in the same manner as county funds are required to be secured.

The Treasurer shall require the institution designated as a public depository to pledge to and deposit with him, as security for the repayment of all public monies to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above such portion or amount of such moneys as is at such time insured by the federal deposit insurance corporation.

During 2000, demand deposits of \$43,528 and money market accounts (i.e., savings accounts) equal to \$347,583 were not insured or collateralized. In addition, the Authority did not enter into depository agreements with the Huntington Banks.

We recommend the Board enter into depository agreements with their designated financial institutions at the earliest possible date. We also recommend all monies above the Federal Deposit Insurance Corporation's (FDIC) threshold of \$ 100,000 be secured by the institution designated as the Authority's public depository. In addition, we recommend the Board make certain their deposits over the \$100,000 threshold for FDIC insurance are collateralized as public deposits.

<b>Finding Number</b>	2000-61167-002
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Adequate Documentation for Receipting, Depositing and Recording Transactions

The following conditions were noted during our review of receipt collection, recording and deposits:

- A. Review of deposits yielded no detection of any receipts issued by the Authority during the entire audit period;
- B. No remittance advice for state funding of grants was detected during our review of receipts.;
- C. Other deposits in the Authority's general checking account had no remittance advice to support its source;
- D. No apparent monitoring of the receipting process as records are in disarray and very difficult to follow; and
- E. The following chart indicates the internal control weaknesses noted during our review of receipts collections for the Authority:

Regional Airport Authority's Bank Accounts

Condition Noted:	General Fund Checking	Maintenance Fund Checking	FAA AIP Fund Checking	General Money Market	Maintenance Money Market	FAA AIP Money Market
No receipts issued	40 of 40	2 of 2	15 of 15	5 of 5	7 of 7	13 of 13
No Deposit Ticket Detected	11 of 40	0 of 2	6 of 15	0 of 5	1 of 7	0 of 13
No Deposit Slip Detected	9 of 40	0 of 2	5 of 15	0 of 5	1 of 7	0 of 13

**FINDING NUMBER 2000-61167-002**  
**(Continued)**

Condition Noted:	General Fund Checking	Maintenance Fund Checking	FAA AIP Fund Checking	General Money Market	Maintenance Money Market	FAA AIP Money Market
No Remittance Advice Detected	11 of 40	0 of 2	6 of 15	0 of 5	1 of 7	0 of 13

These conditions do not demonstrate proper stewardship over the receipt collection, recording and depositing process. Testing indicated these conditions have worsened since the prior audit. Additionally, as a result of these conditions additional audit costs were incurred by the Authority.

We recommend when money is received by the Authority, a receipt be executed. Receipts should be pre-numbered consecutively and all monies should be receipted into one receipt book. The following information is the minimum which should be included on the receipt:

- Payor
- Date
- Amount
- Brief description of the receipt
- Initials of the Authority employee
- Indication of payment method (cash, credit card or check number)
- Any other required information that should be entered on the receipt form or that the Board considers necessary

The receipt should be made in duplicate with the original given to the person making payment, if it is practical. If the receipt is from a source such as the FAA, State, or County, then the original receipt should be left intact in the receipt book. The duplicate receipt should remain in the binding and be used as a posting source for the cash journal/receipts ledger. The duplicate receipt should show signs it has been posted, such as a check mark.

When making a deposit, the deposit ticket (the retained yellow copy) should reflect internal receipt numbers which make up the deposit. The deposit ticket should list each individual source by amount. The deposit ticket should have the following attached:

- Remittance advice (i.e., copy of check or letter or advice from source)
- Deposit Slip from the financial institution

Implementing the recommendation would allow the Authority's Board to reconcile its income sources much quicker and would allow for more timely decision making. Board members would have access to information to determine if income they had been expecting had arrived.

The prior years recommendation stated that "much quicker Implementation of this may lead to greater control over the receipting process, may help ensure all receipts have been posted, and may aid in keeping better records." The conditions which existed during the last audit have deteriorated to the point where no internal receipts were written at all in the year 2000. The Authority started issuing internal receipts again in 2001.

It is important the Board be more cognizant of it's control environment. Lack of controls may lead to errors or irregularities taking place that would not be detected in a timely manner or may remain undetected.

<b>Finding Number</b>	2000-61167-003
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File Organization

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

- None of the grant applications (Standard Form 424) and accepted grant agreements for the grants undertaken during 2000, were located in the airport's files, they were brought in by the consultant;
- None 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 Authority's files, they were brought in by the consultant;
- The consultant(s) had to be contacted several times to get information in order to construct records and provide the needed financial information;
- The Board had to contract for accounting services in order to reconstruct (assigned disbursements to the proper grant year accounts, develop the Schedule of Federal Awards) its accounting records;
- 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;
- Only 8 of 15 grant reimbursements were properly coded to the correct Airport Improvement Grant project in the ledgers of the Authority; and
- 24 of 57 disbursements tested were incorrectly coded in the ledgers of the Authority.

We recommend the Authority implement the following suggestions for improvement:

- All grant applications (Standard Form 424) and grant agreements should be maintained in the files at the Airport in Shalersville by the AIP number;
- 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;
- A pending file should be maintained where all unpaid bills are located so any Board member can go to the file and determine which bills need paid; and
- After the Board has approved payment to vendor and the disbursement information has been entered into the accounting system, the finance chairperson should periodically compare on a test basis, entries in the ledger to the support and canceled checks to determine if the information reflected in the ledger and the memo part of the check agrees to the invoices which was approved to be paid by the Board before payment is sent to the vendor.

Implementation of these recommendations will allow for easier accountability and aid in the flow of information from the Secretary/Treasurer to the Board. Additionally, better organized records will help prevent them from becoming lost or misplaced, which would be a violation of Ohio Revised Code 149.43(B), for failure to provide public records. In addition, recording information accurately, and in a timely fashion, will aid the Board in determining its book balance at any given point during the year.

3. FINDING FOR FEDERAL AWARDS

File Organization

Finding Number	2000-61167-004
CFDA Title and Number	20.106 Airport Improvement Program
Federal Award Number / Year	98-1-3-39-0099-0998 99-1-3-39-0099-1199 00-1-3-39-0099-1200
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	None

Reportable condition

See Finding Number 2000-61167-003.

**PORTAGE COUNTY REGIONAL AIRPORT AUTHORITY  
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-61167-002	File Organization	No	Partially corrected.
1999-61167-003	No Matching Contributions Made during 1999	Yes	



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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 12, 2001**