

**AKRON-CANTON REGIONAL
AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2002 and 2001

Laura J. MacDonald, CPA, Inc.
3637 Medina Road, Suite F
Medina, Ohio 44256



**Auditor of State
Betty Montgomery**

Board of Trustees
Akron-Canton Regional Airport Authority

We have reviewed the Independent Auditor's Report of the Akron-Canton Regional Airport Authority, Summit County, prepared by Laura J. MacDonald, CPA, Inc. for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 15, 2003

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**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION
Years Ended December 31, 2002 and 2001**

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*Laura J. MacDonald, CPA, Inc.
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Medina, Ohio 44256*

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Akron-Canton Regional Airport Authority
North Canton, Ohio

I have audited the accompanying Balance Sheets of the Akron-Canton Regional Airport Authority as of December 31, 2002 and 2001, and the related Statements of Revenues and Expenses, Changes in Airport Equity and Cash Flows for the years then ended. These financial statements are the responsibility of the Akron-Canton Regional Airport Authority's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits 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 I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Akron-Canton Regional Airport Authority as of December 31, 2002 and 2001, and the results of its operations, changes in its airport equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Akron-Canton Regional Airport Authority changed its method of recording revenues associated with grant funds expended for capitalizable property and equipment, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions (GASB 33), effective for the year ended December 31, 2001.

In accordance with Government Auditing Standards, I have also issued a report dated August 20, 2003 on my consideration of the Akron-Canton Regional Airport Authority's internal control over financial reporting and on my 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 my audits.

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 financial statements. Such information has been subjected to the procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Laura J. MacDonald, CPA, Inc.
August 20, 2003

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AKRON-CANTON REGIONAL AIRPORT AUTHORITY
BALANCE SHEETS
December 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 448 | \$ 448 |
| Investments | 262,703 | 368,906 |
| Accounts receivable: | | |
| Trade | 397,161 | 391,399 |
| Federal funds | 32,408 | - |
| Prepaid expenses and other current assets | 34,464 | 39,860 |
| Current portion of note receivable | 5,137 | - |
| | <u>732,321</u> | <u>800,613</u> |
| TOTAL CURRENT ASSETS | 732,321 | 800,613 |
| ASSETS RESTRICTED FOR AIRPORT IMPROVEMENT PROJECTS | | |
| Cash and cash equivalents | 593,354 | 543,514 |
| Investments | 375,000 | 1,335,762 |
| Passenger facility charges receivable | 185,673 | 280,070 |
| | <u>1,154,027</u> | <u>2,159,346</u> |
| PROPERTY AND EQUIPMENT | | |
| Land and land improvements | 22,216,075 | 22,072,199 |
| Paving | 21,354,537 | 21,162,781 |
| Buildings | 13,894,323 | 14,238,801 |
| Vehicles and equipment | 11,520,307 | 10,375,870 |
| Utility systems | 550,481 | 447,748 |
| | <u>69,535,723</u> | <u>68,297,399</u> |
| Less accumulated depreciation | <u>(27,087,816)</u> | <u>(25,510,016)</u> |
| | 42,447,907 | 42,787,383 |
| OTHER ASSETS | | |
| Airport improvement projects-in-progress | 17,433,983 | 4,619,632 |
| Long-term portion of note receivable | 46,237 | - |
| | <u>17,480,220</u> | <u>4,619,632</u> |
| | <u>\$ 61,814,475</u> | <u>\$ 50,366,974</u> |

Please refer to accompanying notes.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|--|---------------------|---------------------|
| OPERATING REVENUES | \$ 5,404,806 | \$ 4,566,104 |
| OPERATING EXPENSES | <u>4,747,894</u> | <u>4,265,527</u> |
| INCOME FROM OPERATIONS BEFORE DEPRECIATION | 656,912 | 300,577 |
| DEPRECIATION | | |
| Assets acquired with airport equity | 531,863 | 437,851 |
| Assets acquired with Passenger Facility Charge Revenues | 328,146 | 310,206 |
| Assets acquired with contributed capital prior to January 1, 2001 (pre-GASB 33) | 808,047 | 961,830 |
| Assets acquired subsequent to January 1, 2001 | <u>210,975</u> | <u>76,999</u> |
| | <u>1,879,031</u> | <u>1,786,886</u> |
| OPERATING LOSS | (1,222,119) | (1,486,309) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Capital grants | 9,016,079 | 5,298,901 |
| Net revenue from Passenger Facility Charges | 1,434,884 | 1,062,075 |
| Interest income | 23,677 | 83,067 |
| Loss on sale of equipment | <u>(9,334)</u> | <u>-</u> |
| | <u>10,465,306</u> | <u>6,444,043</u> |
| NET REVENUES OVER EXPENSES | <u>\$ 9,243,187</u> | <u>\$ 4,957,734</u> |

Please refer to accompanying notes.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CHANGES IN AIRPORT EQUITY
Years Ended December 31, 2002 and 2001**

| | <u>SUMMIT AND STARK COUNTIES</u> | <u>U.S. GOVERNMENT</u> |
|---|--|----------------------------|
| BALANCES AT DECEMBER 31, 2000 | \$ 1,614,624 | \$ 28,116,025 |
| Operating loss | - | - |
| Depreciation of Airport property and equipment purchased with contributed capital | (8,664) | (953,166) |
| Non-operating revenues, net | <u>-</u> | <u>-</u> |
| BALANCES AT DECEMBER 31, 2001 | 1,605,960 | 27,162,859 |
| Operating loss | - | - |
| Depreciation of Airport property and equipment purchased with contributed capital | (8,664) | (799,383) |
| Non-operating revenues, net | <u>-</u> | <u>-</u> |
| BALANCES AT DECEMBER 31, 2002 | <u>\$ 1,597,296</u> | <u>\$ 26,363,476</u> |

Please refer to accompanying notes.

| <u>OTHER CONTRIBUTED FUNDS</u> | <u>TOTAL CONTRIBUTED FUNDS</u> | <u>RETAINED NET REVENUES</u> | <u>TOTAL AIRPORT EQUITY</u> |
|--|--|--------------------------------------|-------------------------------------|
| \$ 210,000 | \$ 29,940,649 | \$ 14,633,067 | \$ 44,573,716 |
| - | - | (1,486,309) | (1,486,309) |
| - | (961,830) | 961,830 | - |
| <u>-</u> | <u>-</u> | <u>6,444,043</u> | <u>6,444,043</u> |
| 210,000 | 28,978,819 | 20,552,631 | 49,531,450 |
| - | - | (1,222,119) | (1,222,119) |
| - | (808,047) | 808,047 | - |
| <u>-</u> | <u>-</u> | <u>10,465,306</u> | <u>10,465,306</u> |
| <u>\$ 210,000</u> | <u>\$ 28,170,772</u> | <u>\$ 30,603,865</u> | <u>\$ 58,774,637</u> |

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2002 and 2001

| | <u>2002</u> | <u>2001</u> |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating loss | \$ (1,222,119) | \$ (1,486,309) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation | 1,879,031 | 1,786,886 |
| (Increase) decrease in assets: | | |
| Accounts receivable | 56,227 | (186,780) |
| Prepaid expenses and other current assets | 5,396 | 3,239 |
| Increase (decrease) in liabilities: | | |
| Trade accounts payable | (60,015) | 37,846 |
| Projects payable | 1,051,976 | (15,000) |
| Accrued payroll expenses | 52,394 | 19,581 |
| Accrued real estate taxes | (9,279) | 1,401 |
| Deferred employee benefits | (7,718) | 25,957 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>1,745,893</u> | <u>186,821</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Receipts from Passenger Facility Charges | 1,434,884 | 1,062,075 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (14,363,240) | (6,899,623) |
| Capital grant proceeds | 9,016,079 | 5,298,901 |
| Proceeds from State Infrastructure Bank Loan | 1,327,612 | - |
| Payments on note receivable, for renovation | (51,374) | - |
| Proceeds from (payments on) line of credit | (150,656) | - |
| Net proceeds from (payments on) line of credit | - | 150,656 |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(4,221,579)</u> | <u>(1,450,066)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for (proceeds from) investments | 1,017,125 | 118,103 |
| Interest income | 23,677 | 83,067 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>1,040,802</u> | <u>201,170</u> |
| NET INCREASE (DECREASE) IN CASH | - | - |
| CASH AT BEGINNING OF YEAR | <u>448</u> | <u>448</u> |
| CASH AT END OF YEAR | <u>\$ 448</u> | <u>\$ 448</u> |

Please refer to accompanying notes.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

The Airport Authority uses fund accounting to segregate activity by program. All funds of the Authority are of the proprietary fund type and are classified as enterprise funds. Enterprise funds are used to account for programs that are operated in a manner similar to private business enterprises and are based on the flow of economic resources measurement focus. The Airport Authority has no component units or joint ventures.

Accounting Basis

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned and measurable, and expenditures are recognized as incurred.

In accordance with Statement Number 20 of the Government Accounting Standards Board, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the Airport Authority has elected not to apply the provisions of the statements and interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue to apply all applicable pronouncements issued by the Governmental Accounting Standards Board.

The following information summarizes the accounting basis:

Property and Equipment

Substantially all of the Airport Authority's grounds and aircraft runways were contributed by the U.S. Government at the time the Airport was founded. These assets were recorded at their estimated fair value as of the date the contributions were made. Property and equipment acquired subsequent to the Airport's inception is carried at cost. Renewals and betterments are capitalized. The costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Compensated Absences

The Airport Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, those accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Airport Authority for years of service are included in the calculation of the compensated absences accrual amount.

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

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

Assets Restricted for Airport Improvement Projects

Cash and cash equivalents, and investments funded by federal grant monies, along with passenger facility charges receivable, are restricted for use in various Airport Improvement Projects. Such deposits, along with Passenger facility charges receivable, are not available for use in the general operations of the Airport Authority.

Statements of Cash Flows

The Statements of Cash Flows are presented in accordance with Government Accounting Standards Board (GASB) Statement No. 9. The Airport Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of certificates of deposit as of December 31, 2002. In accordance with GASB Statement No. 9, the Authority has elected to treat restricted cash equivalents as investments for cash flow reporting purposes.

There were no cash payments for interest or income taxes during each of the years ended December 31, 2002 and 2001.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Accounting and Reporting for Nonexchange Transactions

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

GASB Statement No. 33 was adopted by the Airport Authority as of January 1, 2001. Prior to this time, revenues associated with grant funds and the related depreciation thereon were reported as increases or decreases to contributed capital. In 2002 and 2001, depreciation relating to assets purchased with grant funds received prior to January 1, 2001 (the date the Airport Authority adopted GASB 33) is still reported as a decrease to contributed capital.

Use of Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Federal Income Taxes

No provisions or credit has been made in the accompanying financial statements for federal or state income taxes as the Authority is not subject to taxation.

NOTE 2 – DEPOSITS AND INVESTMENTS

Ohio law requires that cash deposits be placed in eligible banks or domestic savings and loan associations located in Ohio. Any public depositor in which the Airport Authority places deposits must pledge as collateral eligible securities having an aggregate market value equal to the excess of any deposits not insured by the Federal Deposit Insurance Corporation (FDIC).

At December 31, 2002, the Airport Authority's deposit balances (all with banks) were as follows:

| <u>Bank Balance</u> | <u>Book Balance</u> | <u>Market Value</u> |
|----------------------------|----------------------------|----------------------------|
| Cash deposits | <u>\$685,885</u> | <u>\$685,885</u> |

As of December 31, 2002, the bank cash balance consisted of \$153,131 in demand deposits, \$532,306 in certificates of deposit and \$448 in petty cash. Of these amounts, \$101,181 was collateralized by FDIC insurance and the remaining \$584,704 was secured by pooled collateral pledged by various banks.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2002, the Airport Authority’s investment balances (all with banks) were as follows:

| | <u>Category</u> | | <u>Carrying Amount</u> | <u>Fair Value</u> |
|-----------------------|-----------------|------------------|------------------------|-------------------|
| | <u>1</u> | <u>2</u> | | |
| Repurchase Agreements | <u>\$98,819</u> | <u>\$446,801</u> | <u>\$545,620</u> | <u>\$545,620</u> |

In accordance with GASB Statement No. 3 repurchase agreements have been classified as to custodial credit risk in the categories described below:

Category 1 – Insured or registered, with securities held by the Airport/Agent in the Airport Authority’s name.

Category 2 – Uninsured and unregistered, with securities held by an Agent in the Airport Authority’s name.

NOTE 3 – NOTE RECEIVABLE

In February, 2002, the Airport Authority entered into a “Concession Agreement” with a Concessionaire of food, beverages and merchandise. As a part of this agreement, the Airport Authority has agreed to loan the Concessionaire up to \$300,000 for the purpose of completing concession area renovations. The term of this loan is ten years, with principal and interest, at 6.5% per annum, payable monthly. As of December 31, 2002, the renovation work had not yet been completed and additional borrowings were expected on this note. The balance outstanding on this note totaled \$51,374 as of December 31, 2002.

NOTE 4 – INSURANCE COVERAGES

As of December 31, 2002, the Airport Authority had general liability insurance coverage of \$50,000,000 for each occurrence and in the aggregate; director and officer liability coverage of \$1,000,000 per loss and in the aggregate; vehicle liability coverage with a combined single limit of \$1,000,000; and public officials’ coverage of \$1,000,000 for each loss and in the aggregate. The risks of loss to which the Airport Authority is exposed include theft, fire, errors and omissions, and general liability. There has been no reduction in insurance coverage during the period from January 1, 2002 through December 31, 2002. Settlement costs have not exceeded coverage limits during each of the years ended December 31, 2000, 2001 and 2002.

NOTE 5 – AIRPORT IMPROVEMENT PROJECTS-IN-PROGRESS

Airport Improvement Projects-in-Progress consist of expenditures for capitalizable improvements or additions to the Airport Authority’s facilities. The cost of completed projects is transferred to property and equipment accounts and depreciated over the estimated useful lives of the projects as of the date of completion. Airport Improvement Projects-in-Progress consist of the following at December 31, 2002 and 2001:

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 5 – AIRPORT IMPROVEMENT PROJECTS-IN-PROGRESS (Continued)

Airport Improvement Projects in Progress at December 31, 2002:

| <u>Description of Project</u> | <u>Source of Funding</u> | | Total Cost of Projects- In-Progress |
|---|---------------------------|--------------------------------|--|
| | Federal Grants | State/Local Funding | |
| AIP #28 – Relocate access roads, extend and improve runways, acquire land for development, improve drainage and acquire equipment | \$6,402,467 | \$711,377 | \$7,113,844 |
| AIP #29 – Shift/Extend Runway | 519,168 | 57,685 | 576,853 |
| AIP #31 – Shift/Extend Runway | 6,221,825 | 691,314 | 6,913,139 |
| Airport Improvement Project Awaiting State/Local Funding: | | | |
| - Baggage Claim Expansion | - | 2,675,867 | 2,675,867 |
| Various Other Projects | <u>-</u> | <u>154,280</u> | <u>154,280</u> |
| | <u>\$13,143,460</u> | <u>\$4,290,523</u> | <u>\$17,433,983</u> |

Airport Improvement Projects in Progress at December 31, 2001:

| <u>Description of Project</u> | <u>Source of Funding</u> | | Total Cost of Projects- In-Progress |
|---|---------------------------|------------------------------|--|
| | Federal Grants | Authority Dollars | |
| AIP #28 – Relocate access roads, extend and improve runways, acquire land for development, improve drainage and acquire equipment | \$3,852,772 | \$473,166 | \$4,325,938 |
| AIP #29 – Shift/Extend Runway | 36,765 | 4,085 | 40,850 |
| Airport Improvement Project Awaiting Federal Funding: | | | |
| - Baggage Claim Expansion | - | 161,975 | 161,975 |
| Various Other Projects | <u>-</u> | <u>90,869</u> | <u>90,869</u> |
| | <u>\$3,889,537</u> | <u>\$730,095</u> | <u>\$4,619,632</u> |

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 6 – VACATION BENEFITS

Employees hired on or before January 1, 1996 earn two weeks of vacation annually during their first five years of service plus an additional week for every five years thereafter, up to a maximum of six weeks. Employees hired after January 1, 1996 can earn a maximum of five weeks of vacation. Vacation leave may, upon approval, be carried over for up to two years. As of December 31, 2002 and 2001, the accrual for vacation benefits totaled \$194,222 and \$180,160, respectively, and has been included in accrued payroll expenses in the accompanying Balance Sheet. The expense associated with vacation benefits totaled \$102,075 for the year ended December 31, 2002 and \$85,396 for the year ended December 31, 2001, and has been included in “salaries and labor” in the accompanying Supplementary Schedule of Operating Expenses.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

All employees of the Airport Authority participate in the Public Employees Retirement System of Ohio (PERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides for retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report 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 and the Airport Authority is required to contribute 13.55 percent. The portion of this amount used to fund pension obligations for 2002 was 8.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Airport Authority’s contributions to PERS for the years ended December 31, 2002, 2001 and 2000 were \$219,467, \$199,872, and \$184,579, respectively. For each of these years, the Airport Authority’s contribution amounts were equal to the total dollar amount billed to the Authority by PERS.

NOTE 8 – POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio 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 and primary survivor recipients is available. The health care coverage provided by PERS is considered an “Other Postemployment Benefit” (OPEB) as described in GASB Statement No. 12, “Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers.” 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 employer contribution rate for 2002 was 13.55 percent of covered payroll; 5.0 percent was the portion used to fund health care.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001**

NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance funded using the entry age normal actuarial cost method of valuation. In 2001, PERS returned to an actuarially pre-funded disclosure because this provides a better presentation of the actual funding methodology. In prior years, the disclosure was based on a pay-as-you-go basis. Significant actuarial assumptions include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually, and an additional increase in total payroll of 0.5 percent to 6.30 percent based on additional pay increases. Health care premiums were assumed to increase 4.0 percent annually.

Other Postemployment Benefits are financed through employer contributions and investment earnings. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation.

As of December 31, 2001, the total number of active contributing participants statewide was 402,041. As of December 31, 2001, the actuarial value of net assets available for future OPEB payments was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial liability was \$16.4 billion and \$4.8 billion, respectively. The Airport Authority’s contribution for 2002 which was used to fund OPEB was \$80,983.

NOTE 9 – DEFERRED EMPLOYEE BENEFITS

Deferred employee benefits consist exclusively of accrued sick leave. Full-time employees accumulate ten hours of sick leave for each completed month in active pay status. Part-time employees accrue sick leave on a proportionate basis. Upon retirement, Airport Authority employees are paid for accrued sick leave, up to a maximum of 960 hours. As of December 31, 2002, the accrual for sick leave totaled \$73,152 and has been reported as “deferred employee benefits” in the accompanying Balance Sheet. The expense for sick leave totaled \$37,767 for the year ended December 31, 2002 and has been included in “salaries and labor” in the accompanying Supplementary Schedule of Operating Expenses.

In addition to accruing sick leave, all full-time Airport Authority employees are given the opportunity to become members of the Ohio Deferred Compensation Plan.

NOTE 10 – NONCANCELLABLE LEASES

The Airport Authority leases space, hangars, counters, gates, etc. to various entities under noncancellable operating lease agreements. Future minimum rentals as of December 31, 2002 under such agreements were as follows:

| <u>Year Ended December 31,</u> | <u>Amount</u> |
|--------------------------------|---------------|
| 2003 | \$ 1,525,036 |
| 2004 | 1,097,665 |
| 2005 | 559,987 |
| 2006 | 332,416 |
| 2007 | 299,490 |
| Thereafter | \$16,794,972 |

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 11 – LINE OF CREDIT

As of December 31, 2002, the Airport Authority had an unused line of credit available from a bank for \$1,500,000. This line of credit is payable on demand and bears interest at a variable rate adjusted quarterly, based on a predetermined index. The line of credit is secured by balances in certain bank accounts.

NOTE 12 – STATE INFRASTRUCTURE BANK LOAN

In September of 2002, the Airport Authority entered into a loan agreement with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Airport Authority a total of \$5,010,000 for the purpose of assisting in the financing of the Airport Authority's Baggage Claim Expansion Project. As of December 31, 2002, \$1,327,612 was outstanding under this loan agreement. This loan is non-interest bearing, through September of 2003. From October, 2003 through the maturity date (of October 21, 2010) the loan bears interest at a rate of 3% per annum. Payments of \$473,200 (including interest) are due semiannually, beginning in April of 2004.

SUPPLEMENTARY INFORMATION

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To The Board of Trustees
Akron-Canton Regional Airport Authority
North Canton, Ohio

My report on my audits of the basic financial statements of the Akron-Canton Regional Airport Authority as of and for the years ended December 31, 2002 and 2001, appears on page 1 of this report. I conducted my audits 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, for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the accompanying Schedules of Operating Revenues and Operating Expenses is presented only for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Laura J. MacDonald, CPA, Inc.
August 20, 2003

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
SCHEDULE OF OPERATING REVENUES
Years Ended December 31, 2002 and 2001

| | 2002 | | 2001 | |
|------------------------------|---------------------|-------------|---------------------|-------------|
| | Amount | % | Amount | % |
| LANDING AREA | | | | |
| Landing fees - scheduled | \$ 610,258 | 11.3% | \$ 510,729 | 11.5% |
| Landing fees - itinerant | 56,266 | 1.0% | 42,016 | 0.9% |
| | 666,524 | 12.3% | 552,745 | 12.4% |
| TERMINAL AREA | | | | |
| Auto parking facility | 2,194,305 | 40.8% | 1,678,997 | 37.7% |
| Auto rental agencies | 880,105 | 16.3% | 783,538 | 17.6% |
| Airline leased areas | 361,743 | 6.7% | 353,425 | 7.9% |
| Freight and cargo operations | 18,147 | 0.3% | 39,692 | 0.9% |
| Food and beverage facility | 104,724 | 1.9% | 77,976 | 1.8% |
| U.S. government leased area | 51,505 | 1.0% | 53,493 | 1.2% |
| Other service facilities | 314,770 | 5.8% | 88,439 | 2.0% |
| | 3,925,299 | 72.8% | 3,075,560 | 69.1% |
| HANGAR AREA | | | | |
| Corporate flight operations | 217,667 | 4.0% | 225,912 | 5.1% |
| Fixed base operations | 175,421 | 3.2% | 156,757 | 3.4% |
| Ohio National Guard | 35,000 | 0.6% | 35,000 | 0.8% |
| Private hangars | 72,581 | 1.3% | 78,352 | 1.8% |
| Aviation fuel facility | 3,091 | 0.1% | 3,024 | 0.1% |
| | 503,760 | 9.2% | 499,045 | 11.2% |
| OTHER | 309,223 | 5.7% | 324,311 | 7.3% |
| | <u>\$ 5,404,806</u> | <u>100%</u> | <u>\$ 4,451,661</u> | <u>100%</u> |

Please refer to auditor's report on supplementary information.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
SCHEDULE OF OPERATING EXPENSES
Years Ended December 31, 2002 and 2001

| | 2002 | | 2001 | |
|-------------------------|----------------------------|----------------------|----------------------------|----------------------|
| | Amount | % | Amount | % |
| LANDING AREA | | | | |
| Materials and supplies | \$ 87,337 | 1.8% | \$ 102,923 | 2.4% |
| Salaries and labor | 206,922 | 4.4% | 196,454 | 4.6% |
| Employee benefits | 78,519 | 1.7% | 76,926 | 1.8% |
| Administrative expenses | 102,969 | 2.2% | 126,647 | 3.0% |
| Gasoline and oil | 23,257 | 0.5% | 27,921 | 0.7% |
| Utilities | 2,222 | 0.0% | 910 | 0.0% |
| | <u>501,226</u> | <u>10.6%</u> | <u>531,781</u> | <u>12.5%</u> |
| TERMINAL AREA | | | | |
| Salaries and labor | 1,038,931 | 21.8% | 935,403 | 21.8% |
| Utilities | 362,355 | 7.6% | 365,939 | 8.6% |
| Employee benefits | 392,593 | 8.3% | 357,157 | 8.4% |
| Material and supplies | 261,742 | 5.5% | 215,725 | 5.1% |
| Administrative expenses | 482,517 | 10.2% | 591,017 | 13.9% |
| Contracted services | 1,008,808 | 21.3% | 624,982 | 14.6% |
| Insurance | 87,033 | 1.8% | 54,231 | 1.3% |
| | <u>3,633,979</u> | <u>76.5%</u> | <u>3,144,454</u> | <u>73.7%</u> |
| HANGAR AREA | | | | |
| Salaries and labor | 347,145 | 7.3% | 308,601 | 7.2% |
| Employee benefits | 132,878 | 2.8% | 115,389 | 2.7% |
| Administrative expenses | 102,969 | 2.2% | 126,647 | 3.0% |
| Material and supplies | - | - | 7,902 | 0.2% |
| Utilities | 29,697 | 0.6% | 30,753 | 0.7% |
| | <u>612,689</u> | <u>12.9%</u> | <u>589,292</u> | <u>13.8%</u> |
| | <u><u>\$ 4,747,894</u></u> | <u><u>100.0%</u></u> | <u><u>\$ 4,265,527</u></u> | <u><u>100.0%</u></u> |

Please refer to auditor's report on supplementary information.

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES*
Year Ended December 31, 2002**

| <u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>GRANT NUMBER</u> | <u>FEDERAL EXPENDITURES</u> |
|---|------------------------------------|-------------------------|---------------------------------|
| U.S. Department of Transportation/Direct: | | | |
| Airport Improvement Project - #28 | 20.106 | 3-39-0001-28-01 | \$ 2,638,285 |
| Airport Improvement Project - #29 | 20.106 | 3-39-0001-29-01 | 443,613 |
| Airport Improvement Project - #31 | 20.106 | 3-39-0001-31-02 | <u>5,934,181</u> |
| | | | <u>\$ 9,016,079</u> |

Please refer to auditor's report on supplementary information.

* This Schedule has been prepared on the accrual basis of accounting.

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Akron-Canton Regional Airport Authority
North Canton, Ohio

I have audited the financial statements of the Akron-Canton Regional Airport Authority as of and for the year ended December 31, 2002, and have issued my report thereon dated August 20, 2003. I conducted my 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 Akron-Canton Regional Airport Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Akron-Canton Regional Airport Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

Laura J. MacDonald, CPA, Inc.
August 20, 2003

*Laura J. MacDonald, CPA, Inc.
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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Akron-Canton Regional Airport Authority
North Canton, Ohio

Compliance

I have audited the compliance of the Akron-Canton Regional Airport 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, 2002. The Akron-Canton Regional Airport 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 Akron-Canton Regional Airport Authority. My responsibility is to express an opinion on the Akron-Canton Regional Airport Authority's compliance based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Akron-Canton Regional Airport Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Akron-Canton Regional Airport Authority's compliance with those requirements.

In my opinion, the Akron-Canton Regional Airport 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, 2002.

Internal Control Over Compliance

The management of the Akron-Canton Regional Airport 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 my audit, I considered the Akron-Canton Regional Airport 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Laura J. MacDonald, CPA, Inc.
August 20, 2003

**AKRON-CANTON REGIONAL AIRPORT AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended December 31, 2002**

I. SUMMARY OF AUDITOR'S RESULTS

| | |
|---|---|
| Type of Financial Statement Opinion | Unqualified |
| Were there any material control weakness conditions reported at the financial statement level (Generally Accepted Government Auditing Standards)? | No |
| Were there any other reportable control weakness conditions reported at the financial statement level (Generally Accepted Government Auditing Standards)? | No |
| Was there any material reported noncompliance at the financial statement level (Generally Accepted Government Auditing Standards)? | No |
| Were there any material internal control weakness conditions reported for major federal programs? | No |
| Were there any other reportable internal control weaknesses conditions reported for major programs? | No |
| Type of Major Programs' Compliance Opinion | Unqualified |
| Are there any reportable findings under Section 510? | No |
| Major Programs: | Airport Improvement Programs CFDA No. 20.106 |
| Dollar Threshold: Type A\B Programs | Type A: > \$300,000 Type B: All others |
| Low Risk Auditee? | Yes |

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE



**Auditor of State
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AKRON-CANTON REGIONAL AIRPORT AUTHORITY

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2003**