AKRON-CANTON REGIONAL AIRPORT AUTHORITY

AUDIT REPORT

For the year ended December 31, 2005

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants

Auditor of State
Betty Montgomery

Board of Directors
Akron-Canton Regional Airport Authority
5400 Lauby Road, Box 23
North Canton, Ohio 44720

We have reviewed the *Report of Independent Accountants* of the Akron-Canton Regional Airport Authority, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. 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

July 26, 2006

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Akron-Canton Regional Airport Authority
AUDIT REPORT
For the Year Ended December 31, 2005

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Certified Public Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Akron-Canton Regional Airport Authority
North Canton, Ohio

We have audited the financial statements of the Akron-Canton Regional Airport Authority, North Canton, Ohio (the Authority) as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the 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 Authority, as of December 31, 2005, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2006, on our consideration of the Authority' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Our audit was made for the purpose of forming an opinion on the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
May 12, 2006

AKRON – CANTON REGIONAL AIRPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

The Airport

The Akron – Canton Regional Airport, (the "Airport") is the second busiest airport in northeast Ohio. The Airport opened its doors in 1948 with passenger traffic of 43,042 passengers. Today the Airport accommodates more than 1,300,000 passengers annually.

The Airport offers 45 flights a day to 12 different cities from which travelers can connect to just about anywhere. The Airport is currently expanding its terminal and gate area to accommodate the increase in passenger traffic.

Overview of Financial Statements

The financial statements are presented in accordance with the accounting principles generally accepted in the United States of America, including GASB Statements No. 34. The statements are:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows

The statements are prepared on the accrual basis and presented all assets and liabilities of the Airport, both financial and capital, and short and long – term. They also present revenues and expenses of the Airport during the year, regardless of when cash was received or paid. Collectively, the statements provide information regarding the Airport's financial condition as of December 31, 2005, and the results of its operations and cash flows for the year then ended.

Financial Highlights

As of December 31, 2005, the Airport's net assets increased $8,421,329. Operating revenues increased $988,078 due mainly due to increased parking fees, airline fees and passenger traffic. Federal and State grant activity increased $532,390 from 2004. Operating expenses increased $1,964,749 principally due to increased staff and maintenance to run the facility as well as increased marketing costs and depreciation.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the Airport using the accrual basis of accounting, which is similar to the accounting used by most private – sector institutions. Condensed information from the Airport's statements of net assets, including comparative data from 2004 is as follows:

	2005	2004 (As restated)
ASSETS		
Current Assets	$ 1,056,151	$ 1,008,687
Assets Restricted for Airport Improvement Projects	1,904,008	3,335,910
Noncurrent Assets	99,581,448	82,741,103
Total Assets	$ 102,541,607	$ 87,085,700
LIABILITIES		
Current Liabilities	$ 2,139,954	$ 1,797,450
Noncurrent Liabilities	16,147,347	9,455,273
Total Liabilities	18,287,301	11,252,723
NET ASSETS		
Net Assets	$ 84,254,306	$ 75,832,977

Assets

Total assets increased $15,455,907 from 2004 due to the following factors.

- New Gate Concourse Construction
- New Parking Lot Construction
- Land acquisition for current projects and future improvements
- Replacement of outdated equipment with new equipment

Liabilities

Total liabilities increased $7,034,578 principally due to the following factors:

- Increased borrowing through loans and line of credit on construction projects.
- Accounts payable remaining at year-end increased over that of year-end 2004, due to the construction.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the Airport, as well as the non - operating revenues and expenses. Federal Grant and PFC income are considered non – operating revenues. Condensed information from the Airport's Statement of Revenues, Expenses, and Changes in Net Assets, including comparative data from 2004 is as follows:

		2005		2004 (As restated)
Operating Revenues	$	8,450,823	$	7,462,745
Operating Expenses (inc. Dep. Exp.)		10,568,758		8,604,009
Operating Income (Loss)		(2,117,935)		(1,141,264)
Net Non-Operating Revenues (Expenses)		10,539,264		10,006,874
Change in Net Assets		8,421,329		8,865,610
Net Assets (Deficit) Beginning of Year		75,832,977		66,967,367
Net Assets (Deficit) End of Year	$	84,254,306	$	75,832,977

Operating Revenues

The increase in passenger traffic and air service created an increase in revenue year over year. The record number of passengers generated more revenue from the concession, car rental and the parking lot. The parking lot is the greatest revenue producing area at the Airport. New contracts with air carriers and new air service utilizing bigger equipment caused the landing fee revenues and overall air carrier revenues to increase. All other sources of revenue were consistent with last year.

Operating Expenses

The main increase in operating expenses was due to the increase in personnel during the course of the year and marketing expenses. The Airport hired new employees to keep up with the demands of running the growing Airport facility. The marketing increase was to promote new service added during the year as well as sustaining existing service. Competition in the area has picked up from 2004. Gas and oil cost were also up due to the price of these items. Contract services went down due to the additional employees.

Non-Operating Revenues

The Airport received more federal funding in 2005 primarily due to the amount of construction that took place during the year. These federal funds refer to federal grants received by the Airport. PFC (Passenger Facility Charge) funding was up considerable compared to year-end 2004, due to the increase in passengers using the Airport.

Budget Summary

The annual budget is the main document used to comply with this regulation. The budget estimates revenues and expenditures for the year and helps track the actual progress. The Airport Authority is not required to follow the budgetary requirements of the Ohio Revised Code.

Capital Asset and Long-term Debt Activity

The Airport Authority's capital asset activities consist of various construction projects, including a baggage claim expansion, extending and shifting runways and Gate Concourse rehabilitation. Its debt is administered via loan agreements with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Authority a total of $7,015,000 for the purpose of assisting in the financing of the Baggage Claim Expansion Project of which $6,368,659 was outstanding as of December 31, 2005. See notes 9 and 12 in the Notes to the Financial Statements for further information related to debt and capital assets, respectively.

Contacting the Airport's Management

This financial report is designed to provide our users, investors and creditors with a general overview of the Airport Authority's finances and to show the Airport Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact James Krum, Airport Accountant at the Akron Canton Regional Airport, 5400 Lauby Road NW, North Canton, Oh. 44720.

AKRON-CANTON REGIONAL AIRPORT AUTHORITY

STARK AND SUMMIT COUNTIES, OHIO

STATEMENT OF NET ASSETS

Proprietary Fund

As of December 31, 2005

ASSETS		
Current Assets		
Cash	$	310,240
Trade Accounts Receivable		692,030
Prepaid Expenses		28,670
Current Portion of Note Receivable		25,211
Total Current Assets		1,056,151
Assets Restricted for Airport Improvement Projects		
Cash and Cash Equivalents		944,508
Investments		736,712
Passenger Facility Charges Receivable		222,788
Total Assets Restricted for Airport Improvement Projects		1,904,008
Noncurrent Assets		
Long-term Portion of Note Receivable		234,976
Airport Improvement Projects-in-progress		24,657,059
Land and Land Improvements		25,268,925
Paving		43,273,969
Buildings		27,346,937
Vehicles and Equipment		13,021,998
Utility Systems		514,207
Less Accumulated Depreciation		(34,736,623)
Total Noncurrent Assets		99,581,448
TOTAL ASSETS	$	102,541,607

AKRON-CANTON REGIONAL AIRPORT AUTHORITY

STARK AND SUMMIT COUNTIES, OHIO

STATEMENT OF NET ASSETS (continued)

Proprietary Fund

As of December 31, 2005

LIABILITIES		
Current Liabilities		
Trade Accounts Payable	$	1,517,017
Projects Payable		31,288
Accrued Payroll Expenses		551,185
Accrued Real Estate Taxes		40,464
Total Current Liabilities		2,139,954
Long Term Liabilities		
Due Within One Year		821,598
Due In More Than One Year		15,325,749
Total Long Term Liabilities		16,147,347
TOTAL LIABILITIES	$	18,287,301
NET ASSETS		
Capital Assets Net of Related Debt	$	83,199,125
Restricted for Airport Improvement Projects		1,904,008
Unrestricted		(848,827)
TOTAL NET ASSETS		84,254,306

See accompanying notes to the basic financial statements

AKRON-CANTON REGIONAL AIRPORT AUTHORITY

Statement of Revenue, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2005

Operating Revenues		
Charges for Services	$	3,162,135
Rent		1,180,760
Parking		3,748,117
Other Operating Revenues		359,811
Total Operating Revenues		8,450,823
Operating Expenses		
Salaries		2,210,597
Contract Services		920,914
Materials & Supplies		553,823
Utilities		534,383
Fuel		58,197
Insurance		102,229
Administrative		2,830,633
Depreciation		3,357,982
Total Operating Expenses		10,568,758
Operating Income (Loss)		(2,117,935)
Non-Operating Revenues (Expenses)		
Federal Funds		7,368,398
Passenger Facility Charge Revenue		3,129,072
Interest		33,416
Gain on Disposal of Fixed Assets		8,378
Total Non-Operating Revenues		10,539,264
Change in Net Assets		8,421,329
Net Assets (Deficit) Beginning of Year - (Restated - See Note 14)		75,832,977
Net Assets (Deficit) End of Year	$	84,254,306

See accompanying notes to the basic financial statements

AKRON-CANTON REGIONAL AIRPORT AUTHORITY

COMBINED STATEMENT OF CHANGES IN CASH FLOWS
Proprietary Fund
For the Year Ended December 31, 2005

Cash flows from operating activities:		
Cash Received from Customers	$	8,329,912
Cash Paid for Goods and Services		(4,701,404)
Cash Paid to Employees		(2,166,868)
Net cash provided/(used) for operating activities	$	1,461,640
Cash flows from capital and related financing activities:		
Receipts from Passenger Facility Charge	$	2,956,787
Grants		7,368,398
Acquisition and Construction of Capital Assets		(16,892,091)
Proceeds From Line of Credit Bank Loan		5,638,688
Proceeds From ODOT SIB Loan		2,005,000
Debt Payments		(797,443)
Sale of Fixed Assets		8,378
Net cash provided/(used) for capital and related financing activities	$	287,717
Cash flows from investing activities:		
Interest		33,416
Net cash provided/(used) for investing activities	$	33,416
Net increase in cash and cash equivalents		1,782,773
Cash and cash equivalents, January 1, 2005		208,687
Cash and cash equivalents, December 31, 2005	$	1,991,460
Reconciliation of Operating Income (loss) to Net Cash Provided By (Used For) Operating Activities		
Net operating income/(loss)	$	(2,117,935)
Adjustments:		
Depreciation expense		3,357,982
(Increase)/decrease in assets:		
Accounts receivable		(179,603)
Note receivable		(1,588)
Prepaid Expenses and Other Current Assets		60,280
Increase/(decrease) in liabilities:		
Accounts Payable		272,405
Projects Payable		26,370
Accrued Payroll Expenses		43,729
Total Adjustments		3,579,575
Net cash provided/(used) for operating activities	$	1,461,640

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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 Authority) was created by resolution of the County Commissioners of Stark and Summit Counties of Ohio in 1964. The Authority is governed by a Board of Trustees consisting of representatives from both Stark and Summit Counties.

B. BASIS OF ACCOUNTING

The Authority uses "fund accounting" to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions or activities.

A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the Authority has one fund which is categorized as a proprietary fund. Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the Authority's proprietary fund type:

Enterprise Fund - A fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The accounting and financial reporting treatment applied to the Authority's fund is determined by their measurement focus. The Authority's fund is an enterprise fund, which uses a flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The Authority uses the accrual basis of accounting, which records revenue when earned and measurable and expenses when the liability is incurred. Revenues subject to accrual are charges for services.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting"*, the 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 applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. BASIS OF ACCOUNTING - (continued)

The following information summarizes the accounting basis:

Property and Equipment – Substantially all of the Authority's grounds and 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 cost of maintenance and repairs are charged to expense accounts 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

Compensated Absences – The 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 Statement of Net Assets 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 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 Authority.

Statement of Cash Flows – The Statement of Cash Flows are presented in accordance with GASB Statement No. 9. The Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents consist of certificates of deposit as of December 31, 2005. In accordance with GASB Statement No. 9, the Authority has elected to treat restricted cash equivalents as investments for cash flow reporting purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. BASIS OF ACCOUNTING - (continued)

Accounting and Reporting for Nonexchange Transactions - The Authority accounts for nonexchange transactions in accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. Nonexchange Transactions occur when the Authority receives (or gives) something of value without giving (or receiving) equal value in return. As such, and in conformity with GASB Statement No. 33, the 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.

Use of Accounting Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP). 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 Tax – No provision or credit has been made in the accompanying financial statements for federal or state income taxes, as the Authority is not subject to taxation.

2. DEPOSITS AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, commercial paper, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse repurchase agreements.

(a) Deposits

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities, subject to a repurchase agreement, must exceed the value of the principal by 2% and be marked to market daily.

At December 31, 2005, the carrying amount of the Authority's deposits was $1,809,314, excluding petty cash deposits of $448, as compared to the bank balance of $4,540,221. Of the bank balance, $210,000 was on deposit and covered by federal depository insurance and $4,330,221 was collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name.

2. DEPOSITS AND INVESTMENTS

(b) Investments

As of December 31, 2005, the Authority had the following investments and maturities:

Investment Type	Fair Value	Maturity(1)	Rating(2)
Repurchase Agreement	$ 181,698	Daily	AAA

(1) Weighted Maturity - Days
(2) Standard & Poor's

Custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's $181,698 investment in repurchase agreements are held by its custodian in the Authority's name.

Interest Rate Risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The Authority's has no investment policy over what the Ohio Revised Code prescribes.

Credit Risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority has no investment policy that limits investments over what the Ohio Revised Code prescribes.

3. LOAN RECEIVABLE

In February 2002, the Authority entered into a "Concession Agreement" with a Concessionaire of food, beverage and merchandise. As part of this agreement, the 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, 2005, $260,187 is outstanding with $25,211 in principal considered current receivables and the remainder consider long-term receivables.

4. INSURANCE COVERAGES

As of December 31, 2005, the 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 per loss and in the aggregate. The risks of loss exposed to the Authority includes theft, fire, errors and omissions, and general liability. There has been no reduction in insurance coverage during the year ending December 31, 2005. Settlement cost did not exceeded coverage limits during the year.

5. 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, 2005, the accrual for vacation benefits totaled $221,840 and is included in the Accrued Payroll Expense in the accompanying Statement of Net Assets.

6. DEFINED BENEFIT PENSION PLAN

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Authority's contribution rate for pension benefits was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Authority's contributions for the years ending December 31, 2005, 2004, and 2003 were $287,670 $241,589, and $219,467, respectively.

7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) 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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 employer contribution rate was 13.55 percent of covered payroll; 4.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004 (the latest information available), include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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 on investment assets annually.

7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Actual employer contributions for 2005 which were used to fund postemployment benefits were $202,749. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2004 (the latest information available), was $10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were $29.5 billion and $18.7 billion, respectively. The number of active contributing participants in the traditional and combined plans was 376,109.

In September 2005, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

8. 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, employees are paid for accrued sick leave, up to a maximum of 960 hours. Employees qualify for this payment upon retirement by having at least five years service with the Authority and being eligible to receive OPERS retirement benefits. As of December 31, 2005, the deferred employee benefits liability is $109,747. There were no eligible employee retirements in 2005, therefore the expense is $0.

9. LONG-TERM LIABILITIES

The changes in the Authority's long-term obligations during fiscal year 2005 were as follows:

	Amount Outstanding 6/30/2004 (As restated)	Additions	Deductions	Amount Outstanding 6/30/2005	Amount Due in One Year
ODOT - series 2002	$ 5,161,102	$ -	$ (797,443)	$ 4,363,659	$ 821,598
ODOT - series 2004	-	2,005,000	-	2,005,000	-
Total Long-Term Loans	$ 5,161,102	$ 2,005,000	$ (797,443)	$ 6,368,659	$ 821,598

As of December 31, 2005, the Authority had a line of credit available from a bank for $15,000,000, of which $9,778,688 is outstanding as of December 31, 2005. This line of credit is payable on demand and bears interest at a variable rate adjusted quarterly, based on a predetermined index. The credit line is secured by balances in certain bank accounts.

9. **<u>LONG-TERM LIABILITIES</u> (continued)**

In 2002, the Authority entered into a loan agreement with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Authority a total of $5,010,000 for the purpose of assisting in the financing of the Baggage Claim Expansion Project. As of December 31, 2005, $4,363,659 was outstanding under this loan agreement. The loan bears interest at a rate of 3% annually beginning in April of 2005. Principal and interest payments are due semiannually as follows:

ODOT #SIB 0301

Year Ended December 31,	Principal Payment
2006	$ 821,598
2007	846,430
2008	872,013
2009	898,370
2010	925,248
Total	$ 4,363,659

In 2004, the Authority entered into a loan agreement with the Ohio Department of Transportation (ODOT) whereby ODOT agreed to loan the Authority a total of $2,005,000 for the purpose of assisting in the financing of the Gate Concourse Replacement Project. As of December 31, 2005, $2,005,000 was outstanding under this loan agreement. The loan bears interest at a rate of 3% annually beginning in July of 2006, $60,601 in interest will be accrued prior to the payments beginning which will bring the total balance due of $2,065,601. Principal and interest payments are due semiannually, beginning in July 2007, as follows:

ODOT#SIB 0409

Year Ending December 31,	Principal Payment
2006	$ -
2007	158,390
2008	323,944
2009	333,735
2010	343,822
2011-2013	905,710
Total	$ 2,065,601

10. <u>NONCANCELLABLE LEASES</u>

The Authority leases space, hangars, counters, gates, etc. to various entities under noncancellable operating lease agreements. Future minimum rentals as of December 31, 2005 under such agreements are as follows:

11. NONCANCELLABLE LEASES

Year Ending December 31,	Amount
2006	$ 1,787,609
2007	1,472,105
2008	1,191,413
2009	1,105,768
Thereafter	10,954,218
Total Payments	$ 16,511,113

12. AIRPORT IMPROVEMENT PROJECTS-IN-PROGRESS

Airport Improvement Projects-in-Progress consists of expenditures for capitalized improvements or additions to the 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, 2005:

	Source of Funding		
Description of Project	Federal Grants	State/Local	Projects-In-Progress
Terminal Rehab Gates	$ -	$ 582,643	$ 582,643
De-Icing Facility Design	2,281,565	771,902	3,053,467
AIP #36 - Runway 14/32 Taxiway K Conversion	593,416	31,232	624,648
AIP #37 - Wildlife Control/Habitat Removal	1,471,266	77,435	1,548,701
AIP #39 - Runway 5/23 Improvement phase I	2,157,197	113,537	2,270,734
AIP #40 - Gate Concourse rehab phase II	1,739,748	91,565	1,831,313
AIP #42 - Gate Concourse rehab phase II	-	3,663,635	3,663,635
AIP #4X - Gate Concourse phase II	-	10,839,118	10,839,118
Various Other Projects	-	242,800	242,800
Total	$ 8,243,192	$ 16,413,867	$ 24,657,059

13. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005:

Description	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
Airport Improvement Projects in Progress	$26,937,250	$ 9,948,721	$ (12,228,912)	$24,657,059
Land and Land Improvements	23,213,432	2,055,493	-	25,268,925
Paving	30,096,586	13,177,383	-	43,273,969
Buildings	21,260,922	6,086,015	-	27,346,937
Vehicles and Equipment	11,874,873	1,180,820	(33,695)	13,021,998
Utility Systems	514,207	-	-	514,207
Accumulated Depreciation	(31,412,336)	(3,357,982)	33,695	(34,736,623)
Total	$82,484,934	$29,090,450	$ (12,228,912)	$99,346,472

13. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, particularly the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed, by the grantor cannot be determined at this time although the Airport expects such amounts, if any, to be immaterial.

14. RESTATEMENT OF PRIOR YEAR NET ASSETS

An adjustment to net assets due to the improper capitalization and recording of interest and principal payments in the long-term liabilities is presented as a restatement as follows:

	Proprietary Fund
Net Assets 6/30/04	$ 75,480,171
Long-Term Liability Adjustment	352,806
Net Assets 7/1/04	$ 75,832,977

AKRON-CANTON REGIONAL AIRPORT AUTHORITY

Schedule of Federal Awards Expenditures

For the Year Ended December 31, 2005

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
U.S. Department of Transportation - Direct Funding				
Airport Improvement Project 28	3-39-0001-2801	20.106	$ 6	$ -
Airport Improvement Project 31	3-39-0001-3202	20.106	25,850	29,806
Airport Improvement Project 33	3-39-0001-3302	20.106	85,230	21,645
Airport Improvement Project 35	3-39-0001-3503	20.106	2,735	-
Airport Improvement Project 36	3-39-0001-3604	20.106	332,914	332,914
Airport Improvement Project 37	3-39-0001-3704	20.106	641,860	635,871
Airport Improvement Project 38	3-39-0001-3804	20.106	107,537	129,750
Airport Improvement Project 39	3-39-0001-3905	20.106	2,150,995	2,157,197
Airport Improvement Project 40	3-39-0001-4005	20.106	1,739,707	141,612
Airport Improvement Project 41	3-39-0001-4105	20.106	2,281,564	2,281,564
Airport Improvement Project 42(X)	3-39-0001-4206	20.106	-	495,776
Airport Improvement Project 42(Y)	3-39-0001-4206	20.106	-	1,902,548
Total U.S. Department of Transportation			7,368,398	8,128,683
Total Federal Expenditures			$ 7,368,398	$ 8,128,683

See accompanying Notes to the Schedule of Federal Awards Expenditures

Akron-Canton Regional Airport Authority
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005

1. <u>Significant Accounting Policies</u>

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than the obligation is incurred.

2. <u>Matching Requirements</u>

Certain federal programs require that the Authority contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on this schedule.

Charles E. Harris & Associates, Inc.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH _GOVERNMENT AUDITING STANDARDS_

Board of Directors
Akron-Canton Regional Airport Authority
North Canton, Ohio

We have audited the financial statements of the Akron-Canton Regional Airport Authority, North Canton, Ohio (the Authority) as of and for the year ended December 31, 2005, and have issued our report thereon dated May 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in _Government Auditing Standards,_ issued by the Comptroller General of the United States.

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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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 provisions of law, regulations, contracts, grant agreements and other matters, 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 are not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under _Government Auditing Standards_.

This report is intended for the information of the Board, management, 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.

Charles E. Harris & Associates, Inc.
May 12, 2006

Charles E. Harris & Associates, Inc.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Directors
Akron-Canton Regional Airport Authority
North Canton, Ohio

Compliance

We have audited the compliance of the Akron-Canton Regional Airport Authority, North Canton, Ohio (the Authority) with the types of compliance requirements described in *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, 2005. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 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 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, 2005.

Internal Control Over Compliance

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

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

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

Charles E. Harris & Associates, Inc.
May 12, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
Stark and Summit Counties, Ohio
December 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

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

AKRON-CANTON REGIONAL AIRPORT AUTHORITY
Stark and Summit Counties, Ohio
December 31, 2005

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2004, reported no material citations or recommendations.

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
AUGUST 8, 2006