

**Deloitte &  
Touche**

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***Rickenbacker Port Authority***

*Financial Statements for the Years  
Ended December 31, 1999 and 1998  
and Independent Auditors' Report*



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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Board of Directors  
Rickenbacker Port Authority

We have reviewed the Independent Auditor's Report of the Rickenbacker Port Authority, Franklin County, prepared by Deloitte & Touche LLP for the audit period January 1, 1999 through December 31, 1999. 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 Rickenbacker Port Authority is responsible for compliance with these laws and regulations.



JIM PETRO  
Auditor of State

July 9, 2000



## INDEPENDENT AUDITORS' REPORT

To The Board of Directors of  
Rickenbacker Port Authority  
Columbus, Ohio

We have audited the accompanying balance sheets of Rickenbacker Port Authority (the "Authority") (a component unit of Franklin County, Ohio) as of December 31, 1999 and 1998 and the related statements of revenues, expenses and changes in accumulated deficit and cash flows for the years then ended. 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 audits.

We conducted our 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 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2000, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

*Deloitte & Touche LLP*

April 21, 2000

# RICKENBACKER PORT AUTHORITY

## BALANCE SHEETS, DECEMBER 31, 1999 AND 1998

<b>ASSETS</b>	<b>1999</b>	<b>1998</b>
CASH AND EQUIVALENTS	\$ 7,119,981	\$ 7,412,844
RECEIVABLES:		
Airfield operations (net of allowance of \$5,000 and \$35,000 in 1999 and 1998, respectively)	286,651	386,846
Franklin Community Improvement Corporation	1,802,026	1,515,606
Federal reimbursements		8,979
Grant reimbursements and other	<u>1,260,764</u>	
Total receivables	3,349,441	1,911,431
INVENTORIES	120,816	99,611
PREPAID INSURANCE	55,661	57,798
PROPERTY - Net	<u>37,774,334</u>	<u>35,815,406</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 48,420,233</b></u>	<u><b>\$ 45,297,090</b></u>
 <b>LIABILITIES AND FUND EQUITY</b>		
ACCOUNTS PAYABLE	\$ 1,521,141	\$ 1,539,651
CURRENT PORTION OF LONG-TERM DEBT	894,450	894,450
ACCRUED LIABILITIES:		
Real estate taxes	140,585	300,000
Payroll and related	296,206	222,000
Accrued other	<u>184,145</u>	<u>58,502</u>
Total accrued liabilities	620,936	580,502
SECURITY DEPOSITS AND OTHER LIABILITIES	38,940	99,705
DEFERRED REVENUES	46,283	97,250
LONG-TERM DEBT DUE FRANKLIN COUNTY -		
Less current portion:		
Debt service on general obligation bonds	23,738,835	22,394,035
Capital subsidies	5,757,465	4,757,465
Franklin County bonds	4,920,000	5,740,000
Notes - Ohio Public Works Commission	<u>1,042,300</u>	<u>1,116,750</u>
Total long-term debt	35,458,600	34,008,250
FUND EQUITY:		
Contributed capital	64,432,301	60,699,618
Accumulated deficit	<u>(54,592,418)</u>	<u>(52,622,336)</u>
Total fund equity	<u>9,839,883</u>	<u>8,077,282</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><b>\$ 48,420,233</b></u>	<u><b>\$ 45,297,090</b></u>

See notes to financial statements.

# RICKENBACKER PORT AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
OPERATING REVENUE:		
Airfield operations	\$ 1,864,390	\$ 2,130,460
Overhead reimbursements - related party	200,013	120,000
Project income - related party	90,958	250,000
Foreign trade zone fees	266,541	186,717
Other income	103,548	122,370
Real estate tax settlement		350,287
	<u>2,525,450</u>	<u>3,159,834</u>
OPERATING EXPENSES:		
Salaries, wages and benefits	3,206,720	2,986,785
Depreciation	2,738,843	2,595,502
Professional fees and charges	625,434	1,122,298
Supplies and services	545,534	473,681
Utilities	333,758	261,800
Repairs and maintenance	314,882	351,543
Interest, taxes, and licenses	281,960	293,867
Other expenses	156,213	195,148
	<u>8,203,344</u>	<u>8,280,624</u>
OPERATING LOSS	<u>(5,677,894)</u>	<u>(5,120,790)</u>
NONOPERATING REVENUE (EXPENSE):		
Franklin County operating grants	3,500,000	3,500,000
Federal Government reimbursement - caretaker	73,029	207,851
Gain on sale of land	356,479	273,448
Interest income	359,071	278,096
Interest expense	(519,373)	(585,132)
Demolition expense	(61,394)	(396,041)
	<u>3,707,812</u>	<u>3,278,222</u>
NET LOSS	(1,970,082)	(1,842,568)
ACCUMULATED DEFICIT, at beginning of year	<u>(52,622,336)</u>	<u>(50,779,768)</u>
ACCUMULATED DEFICIT, at end of year	<u><u>\$ (54,592,418)</u></u>	<u><u>\$ (52,622,336)</u></u>

See notes to financial statements.

# RICKENBACKER PORT AUTHORITY

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash collections from customers	\$ 2,289,205	\$ 5,283,880
Cash payments to suppliers	(2,695,527)	(2,370,296)
Cash payments for salaries	<u>(3,132,514)</u>	<u>(2,986,877)</u>
Net cash used in operating activities	<u>(3,538,836)</u>	<u>(73,293)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Franklin County Operating Grants	3,500,000	3,500,000
Federal government reimbursement - caretaker	<u>73,029</u>	<u>207,851</u>
Net cash provided by financing activities	<u>3,573,029</u>	<u>3,707,851</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(3,542,108)	(1,193,540)
Federal and state capital grants	1,629,919	608,447
Proceeds from land sales	356,479	273,448
Proceeds from long-term debt	2,344,800	2,675,400
Principal payments on long-term debt	(894,450)	(894,450)
Interest payments on debt	(519,373)	(585,132)
Demolition costs	<u>(61,394)</u>	<u>(396,041)</u>
Net cash provided by financing activities	<u>(686,127)</u>	<u>488,132</u>
CASH FLOWS FROM INVESTING ACTIVITIES - Interest income	<u>359,071</u>	<u>278,096</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(292,863)	4,400,786
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>7,412,844</u>	<u>3,012,058</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 7,119,981</u>	<u>\$ 7,412,844</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (5,677,894)	\$ (5,120,790)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,738,843	2,595,502
Decrease (increase) in receivables	(185,278)	2,027,296
Increase in inventories	(21,205)	(22,627)
Decrease (increase) in prepaid insurance	2,137	(4,989)
Increase (decrease) in accounts payable	(324,142)	332,427
Increase in accrued liabilities	40,435	8,802
Increase (decrease) in security deposits, other liabilities, and deferred revenues	<u>(111,732)</u>	<u>111,086</u>
Net cash used in operating activities	<u>\$ (3,538,836)</u>	<u>\$ (73,293)</u>
<b>NONCASH TRANSACTIONS:</b>		
Capital contribution - land	<u>\$ 850,000</u>	
Property, plant and equipment in accounts payable	<u>\$ 649,789</u>	<u>\$ 344,156</u>
Capital grant receivable	<u>\$ 1,252,732</u>	

See notes to financial statements.

# RICKENBACKER PORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

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### 1. GENERAL INFORMATION AND BASIS OF ACCOUNTING

**Organization** - Rickenbacker Port Authority (the "Authority") was formed under Ohio Revised Code 4582 in 1979 by Franklin County (Ohio) for the purpose of serving as a local reuse agency, which included, in part, acquiring and owning approximately 1,600 acres of land (including improvements thereon) situated in Franklin and Pickaway counties and consisting of a part of the former Rickenbacker Air Force Base. The property is hereinafter referred to as "Rickenbacker." The Authority is organized as a governmental proprietary fund. Proprietary funds are financed and operated in a manner similar to private business enterprises. The cost of providing goods and services is financed through user charges and fees. The Authority is a component unit of Franklin County, Ohio. The Rickenbacker financial statements will be included in the comprehensive annual financial report of Franklin County, Ohio for the fiscal years ended December 31, 1999 and 1998.

Rickenbacker was deemed to be surplus by the United States Government and was transferred to the Authority at no cost, other than certain costs associated with the transfer. Title to the land is subject to certain covenants, conditions and restrictions and reverts to the United States Government at the government's option if any covenant is violated and not cured within sixty days.

At December 31, 1999, the Authority owns approximately 2,000 acres of land. The land owned by the Authority is contiguous to airfields owned by the United States Government. As described in Note 3, the Authority has long-term lease in furtherance of conveyance on the airfield facilities and has committed to operate and maintain those facilities.

The principal sources of cash that have been used to fund the Authority's activities have been from government entities (Franklin County, the State of Ohio and the Federal Aviation Administration). A substantial portion of the funding provided by the government entities has been for the purpose of providing infrastructure to assist in the development of Rickenbacker as an airport and foreign trade zone industrial park. Management believes the government entities will continue to provide funding to the Authority. On October 14, 1997, the Authority entered into an amended contribution agreement whereby Franklin County agreed that all future contributions to the Authority's operating budget up to \$12 million will be considered grants not subject to repayment (see Note 4).

**Basis of Accounting** - Proprietary fund types are presented using the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. All assets and liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The Authority follows Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Authority also applies the Financial Accounting

Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with, or contradict, GASB pronouncements.

The proprietary fund types are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. Unbilled service charges are recognized as revenue and recorded as receivable at year-end. Differences between amounts earned and received are shown as receivables. Differences between expenses incurred and paid are shown as liabilities.

**Use of Estimates** - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk** - Approximately 43% and 37% of the cash receipts used to fund the Authority's activities during 1999 and 1998, respectively, were from Franklin County (Ohio). A substantial portion of the funding provided by Franklin County has been for the purpose of assisting in the development of Rickenbacker as an airport and foreign trade zone industrial park.

**Cash and Equivalents** - For purposes of the statement of cash flows, cash and cash equivalents include demand and time deposits with maturities less than three months. Included in this balance is \$2,466,462 and \$3,089,579 of funds designated by the Board of Directors for capital improvements at December 31, 1999 and 1998, respectively.

Ohio Law permits the Authority to deposit monies in institutions insured by the Federal Depository Insurance Corporation (FDIC). Ohio Revised Code 135.14 restricts the Authority's investments to the following types of securities:

- Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality.
- Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts.
- Bonds and other obligations of the State of Ohio.
- No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section, and repurchase agreements secured by such obligations.
- The Ohio subdivision fund is provided for in Section 135.45. The Authority will only purchase these through eligible institutions per the Ohio Revised Code (ORC) Section 135.03.

At December 31, 1999 and 1998, the Authority's cash and equivalents balance consisted of \$7,119,981 and \$7,412,844, respectively, in demand deposit accounts. The demand accounts are collateralized by public deposit collateral pools held by the pledging financial institution, or by its



trust department, but not in the Authority's name and \$100,000 of the balances are insured by the Federal Depository Insurance Corporation (FDIC).

**Property** - Property additions are capitalized at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets which range from 5 to 40 years.

**Inventories** - Inventories are stated at the lower of first in, first out (FIFO) cost or market.

**Contributed Capital** - Contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation of contributed fixed assets and fixed assets funded by capital grants is allocated to retained earnings using the straight-line method over the estimated useful lives which range from 5 to 40 years. Contributed capital results primarily from capital grants.

**Reclassifications** - Certain reclassifications have been made to the December 31, 1998 financial statements in order to conform to the presentation of the December 31, 1999 financial statements.

## 2. PROPERTY

The property balance at December 31, 1999 and 1998 consists of the following:

	1999	1998
Land and land improvements	\$ 10,363,015	\$ 9,399,526
Buildings	2,243,274	2,015,803
Airfield improvements	48,322,932	46,249,563
Vehicles	2,538,914	2,372,623
Airfield equipment	550,445	548,352
Office furniture and fixtures	467,669	409,163
Construction in progress	1,240,633	34,079
Total	<u>65,726,882</u>	<u>61,029,109</u>
Less accumulated depreciation	<u>(27,952,548)</u>	<u>(25,213,703)</u>
Property - net	<u>\$ 37,774,334</u>	<u>\$ 35,815,406</u>

## 3. SIGNIFICANT AGREEMENTS

In conjunction with the initial development and operation of Rickenbacker, the Authority entered into several key agreements in addition to the agreement described above. These agreements include:

### Agreement for Airport Services

The Authority has contracted with Airport Group International (AGI) to provide airport management functions at the airport at Rickenbacker, including the operation, maintenance and repair of the runways and fuel systems. The original agreement was extended through September 30, 1998 and on a month to month basis thereafter through February 28, 1999. Effective March 1, 1999, the Authority began providing all airport management services internally. Annual fees approximated \$55,000 in 1999 and \$305,000 in 1998.

In addition, the Authority is obligated to pay for expenses (including salaries, certain operating costs and liability insurance) required for AGI to fulfill its obligations under the agreement. The total expense incurred under the agreement was \$271,874 and \$1,641,000 for the years ended December 31, 1999 and 1998, respectively.

#### Airfield Lease

In 1996, the Authority submitted an application for Airport Property by Public Benefit Transfer pursuant to the Surplus Act of 1994 to the U.S. Government in order to obtain excess Government lands at Rickenbacker. The Authority signed a lease with the U.S. Government in 1997 to acquire these lands and all improvements thereon for the purpose of State and local economic readjustment efforts by providing new opportunities for commercial and industrial redevelopment that will spur job creation and accelerate economic development. The land includes the airfield and some airside property. The lease requires the Authority to pay the U.S. Government \$10 cash rent and requires the Authority to assume sole responsibility for the maintenance and operations of these acquired lands, including all real estate taxes, assessments and similar charges. The costs or expenses relating to this acquisition cannot be reasonably estimated at this time. Liability for any environmental cleanup of asbestos required on these lands remains with the United States Government. The property will transfer to the Authority by deed as the environmental investigation and remediation is completed.

#### Foreign Trade Zone Grant

Under the terms of a grant by the U.S. Foreign Trade Zones Board in 1986, the Authority was given approval to operate Foreign Trade Zone Number 138. The zone includes a substantial portion of the airside property owned by the Authority, the industrial park, and has been modified or expanded in prior years to include approximately 300 additional acres of land adjacent to the airport.

#### Federal Aviation Administration

The Authority has received approval from the Federal Aviation Administration (FAA) to operate as a FAA Limited Part 139 commercial airport. Such approval requires that certain FAA mandated maintenance, operating and security standards regarding such items as lighting, all weather operations standardization, etc. be maintained by the Authority.

#### Hub Site Lease

Under the terms of a lease effective September 9, 1985, as amended on August 12, 1994 and expiring on December 31, 2055, the Authority leases approximately 66 acres to an unrelated party. The site is subleased for use as a hub for Federal Express. The lease provides for annual rent of \$18,000 (\$1,500 per acre for 12 acres upon which the buildings are located). The lease provides that Federal Express pay real estate taxes, utilities, etc. The lease provides for increases in rent commencing January 1, 2000 and every tenth year thereafter, based upon an independent appraisal and for increases based upon increases in the Consumer Price Index commencing January 1, 2005 and every tenth year thereafter.

### Rental Income

The Authority rents certain buildings, land and undeveloped farmland to third parties under various rental agreements.

#### 4. DEBT OBLIGATIONS

During 1985, the Authority received \$16,400,000 from Franklin County (\$6,560,000 and \$7,380,000 principal balance outstanding at December 31, 1998 and 1997, respectively) for the payment of certain improvements at Rickenbacker. The source of these funds was from the issuance of general obligation bonds by Franklin County. Pursuant to the 1985 agreement with Franklin County, the Authority was required to pay Franklin County sufficient amounts to pay the current debt service on the bonds. If the Authority failed at any time to pay Franklin County any and all of the amounts currently due, those amounts were to become a continuing obligation of the Authority. The total debt service on the bonds from their date of issuance through December 31, 1999 for which the Authority was unable to provide the funds for payment was \$23,738,835 (\$22,394,035 at December 31, 1998).

On October 14, 1997 the Authority entered into an amended contribution agreement with Franklin County whereby Franklin County agreed to forgive and release the Authority from repayment of any past operating subsidies through the fiscal year ended December 31, 1997 (totaling \$30,412,803). Franklin County further agreed that all future contributions to the Authority's operating budget up to \$12 million will be considered grants not subject to repayment. During 1999 and 1998 Franklin County advanced an additional \$3,500,000 each year to the Authority for operating subsidies and \$1,000,000 and \$1,265,000, respectively, for capital subsidies. Based on the terms of this agreement the balance of the capital subsidies due Franklin County at December 31, 1999 and 1998 were \$5,757,465 and \$4,757,465, respectively.

### Ohio Public Works Commission

In 1995, the Authority agreed to reimburse Franklin County for debt service on \$1,489,000 of an Ohio Public Works Commission loan for storm sewer improvements. The agreement is non-interest bearing and provides for annual principal payments of \$74,450 to January 1, 2015. The outstanding balance at December 31, 1999 is \$1,116,750.

## 5. CONTRIBUTED CAPITAL

A summary of the changes in contributed capital for the years ended December 31, 1999 and 1998 follows:

Balance at December 31, 1997	\$ 60,091,171
Capital grants received in 1998	<u>608,447</u>
Balance at December 31, 1998	60,699,618
Capital grants received in 1999	2,882,683
Fair value of land contributed in 1999	<u>850,000</u>
Balance at December 31, 1999	<u>\$ 64,432,301</u>

## 6. RELATED PARTY TRANSACTIONS

**Franklin Community Improvement Corporation** - According to the Project Coordination Agreement, effective June 1994, the Authority may extend project advances to Franklin Community Improvement Corporation ("FCIC") for its business operations. In consideration of the Authority making project advances, FCIC shall pay all of its available project net proceeds to the Authority. If the cumulative total of project advances exceeds available project net proceeds, unless the Authority agrees in writing, FCIC shall pay the difference between such amounts. In no event shall the Authority be obligated to repay any available project net proceeds paid by FCIC. Additionally, certain income earned by FCIC is remitted to the Authority under the terms of this agreement. In August 1998, the FCIC entered into an amended and restated project coordination agreement with the Authority. In consideration of the Authority making project advances, the FCIC shall pay all its available net proceeds to the Authority on an annual basis. Available net proceeds is defined as all funds but not including \$1,000,000 in working capital, certain project advances, reserves and other funds relating to the Authority's activities.

During 1999 and 1998, the Authority received \$90,958 and \$250,000, respectively, under this agreement. At December 31, 1999 and 1998, the Authority was due \$1,802,026 and \$1,515,606, respectively, from the FCIC for advances made.

Also, under a management agreement the Authority provides the FCIC with certain administrative services. The FCIC paid \$16,667 and 10,000 per month for these services for 1999 and 1998, respectively.

**Base Caretaker Agreement** - The Department of Defense, under the direction of the U.S. Government, was required to dispose of all surplus, real and personal property at Rickenbacker. The Authority entered into a cooperative agreement with the United States Air Force effective October 1, 1994 whereby the Authority is to act as "Caretaker" of this property, which includes all related operation and maintenance expenses, for which the United States Air Force agrees to reimburse all expenses. The agreement terminated on September 30, 1999.

## **7. COMMITMENTS AND CONTINGENCIES**

In addition to commitments described in Note 3 (Agreement for Airport Services and Hub Site Lease) and Note 4 (Debt Obligations), the Authority has certain additional commitments with respect to its involvement with Rickenbacker. These commitments include the following:

The Authority may have the responsibility to perform significant repairs or upgrading to airfields including, in particular, the inside runway which is contiguous to Rickenbacker. The responsibility to perform such repairs or upgrading is contingent upon a variety of factors, including the needs of tenants at Rickenbacker and the remaining useful life of the existing inside runway. Accordingly, the time and cost of such repairs or upgrading are not determinable at the present time. However, if the Authority performs these repairs or upgrading, management believes the cost may be substantial.

The Authority may have some obligations related to the abatement of noise related to the air traffic at Rickenbacker. Significant expenditures have been made through 1997 related to the abatement of noise, funded, in a large part, by the FAA. At the present time, management has no basis to reasonably estimate any additional noise abatement costs which may be necessary. An update to the noise program study was completed in 1997.

The Department of the Air Force has acknowledged to the Authority that the Air Force has residual responsibility for clean-up of any hazardous waste discovered at Rickenbacker after its transfer to the Authority. The magnitude of any required clean-up, whether the Authority will incur any cost or expense in connection with a clean-up, and whether the existence of the landfill will delay the development of Rickenbacker cannot be determined at this time. In addition, buildings located on property previously or to be transferred to the Authority generally contain asbestos. The liability for asbestos removal has been assumed by the Authority and management has no basis to reasonably estimate the total future removal costs which will be necessary. Abatement has been completed on a project by project basis as redevelopment occurs.

The Authority was assessed for real estate taxes payable to Franklin and Pickaway Counties of Ohio. The Authority requested an exemption for a substantial portion of such taxes but the request was denied and was under appeal. The appeal was settled and a final refund related to back taxes assessed was recorded in 1998 totaling \$350,287.

The Authority has received Federal and state grants for specific purposes that may be subject to review and audit by the grantor agencies or their designee. As of December 31, 1999, the Authority has not been notified that an audit would take place. An audit could lead to disallowance of a request for reimbursement to the grantor agency for expenditures already incurred by the program, or could result in a finding for recovery, which would be a liability. Based on prior experience, management believes such disallowances or findings, if any, will be immaterial. No provisions have been made within the financial statements for the refund or repayment of grant monies.

## **8. VACATION, SICK LEAVE AND RETIREMENT PLAN**

All employees are considered Authority employees under Section 4582 of the Ohio Revised Code. However, as a component unit of Franklin County, Ohio, Franklin County has agreed to process all payroll and allow the Authority participation in County benefit programs. The Authority is billed by the County for the actual costs of payroll and benefit programs.

Authority employees are granted vacation and sick leave at amounts which vary by length of service. In the event of termination, employees are reimbursed for any accumulated vacation and a portion of their sick leave at the employee's current wage. Authority employees may carry over no more than 40 hours of vacation with the employees receiving cash payments for accrued vacation in the excess of the maximum carryover. In addition, employees are required to use 50% of the vacation they accrue each year.

Employees may accumulate no more than 240 hours (other than grandfathered employees who had balances exceeding 240 hours) of sick leave carryover and under the wellness incentive program may receive cash payments for unused sick leave to a maximum of 40 hours based on a calculation table of sick leave actually used.

At December 31, 1999 and 1998, the Authority was provided by the Franklin County Auditor's office an estimate of the Authority's liability for unused vacation and sick leave and such amounts have been recorded in the accompanying financial statements.

All full time employees of the Authority are required to participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, health care benefits, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions. PERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1(800)222-PERS (7377). The Authority's total payroll for the years ended December 31, 1999 and 1998 was \$2,285,611 and \$1,083,071, respectively.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% for Authority employees. The Authority is required by the same statute to contribute 13.55% of the covered employees' gross wages, of which 9.35% in 1999 and 1998 was used to fund the pension obligations. The difference (4.2% in 1999 and 1998) between the total employer rate and the portion used to fund pension obligations is the amount used to fund the health care program for retirants (see below). The Authority's PERS contributions for the years ended December 31, 1999, 1998 and 1997 were \$309,700, \$153,233 and \$115,590.

In addition to pension benefits PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS (4.2% in 1999 and 1998 of the total 13.55% contribution - see above) is set aside for the funding of post-retirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and post-retirement health care through their contributions to PERS.

Other post employment benefits (OPEB) are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 and 1998 were \$523,499,349 and \$440,596,663, respectively. As of December 31, 1999 and 1998 the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641 and \$9,447,325,318, respectively. The number of benefit recipients eligible for OPEB at December 31, 1999 and 1998 were 118,062 and 115,579, respectively.

**9. RISK MANAGEMENT**

During the course of the year the Authority is subjected to certain types of risks in the performance of its normal functions. These risks include risks that the Authority might be subjected to by its employees in the performance of their normal duties. The Authority manages these types of risks through commercial insurance.

\* \* \* \* \*

**Deloitte &  
Touche**



***Rickenbacker Port  
Authority***

*Report on Federal Awards in Accordance  
with OMB Circular A-133 Federal Entity  
Identification Number 31-099723  
for the Year Ended December 31, 1999*



# RICKENBACKER PORT AUTHORITY

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# RICKENBACKER PORT AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 1999

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Federal Agency	Sponsor I.D./ CFDA Number	1999 Expenditures
U.S. Department of Transportation - Airport Improvement Program	20.106	\$2,731,625
U.S. Air Force Base Conversion Agency Program	N/A	<u>88,814</u>
Total Expenditures		<u>\$2,820,439</u>

See notes to schedule of expenditures of federal awards.

# RICKENBACKER PORT AUTHORITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation* - The accompanying financial schedule of expenditures has been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

\* \* \* \* \*

**INDEPENDENT AUDITORS' 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 Directors of  
Rickenbacker Port Authority  
Columbus, Ohio

We have audited the financial statements of the Rickenbacker Port Authority (the Authority) as of and for the year ended December 31, 1999, and have issued our report thereon dated April 21, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, federal awarding agencies, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

DeLoatch & Tomberlin

April 21, 2000



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER  
COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON  
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors of  
Rickenbacker Port Authority  
Columbus, Ohio

**COMPLIANCE**

We have audited the compliance of Rickenbacker Port Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 each of its major federal programs for the year ended December 31, 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

## 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 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.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of Rickenbacker Port Authority as of and for the year ended December 31, 1999, and have issued our report thereon dated April 21, 2000. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of the Rickenbacker Port Authority. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the financial statements taken as a whole.

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

*Deloitte & Touche*

April 21, 2000

# RICKENBACKER PORT AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 1999

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### PART I - SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. Our audit of the financial statements did not disclose a reportable condition in internal controls.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. No reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Organization's major programs were:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106
AFBCA Caretaker Program	N/A

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Authority did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.



# **RICKENBACKER PORT AUTHORITY**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2000**

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### **PART II - FINANCIAL SECTION**

No matters are reportable.

### **PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION**

#### **99-1: CASH MANAGEMENT**

**Grantor:** *Department of Transportation*

**Sponsor Identification Number:** 20.106

**Criteria:**

Circular A-133 March 2000 Compliance Supplement Part 3 Chapter C

**Finding:**

In 2 of 25 expenditures reviewed the Authority requested and received reimbursements totalling \$26,620 for contract costs invoiced but not yet paid to vendors as of the date of the requests. Invoices were not paid due to disputes with contractors as to the status of work billed versus completed. When the Engineering Department communicated the disputes to the Finance Department, the next draw request to the Department of Transportation was reduced by \$26,620, the total of disputed invoices.

**Effect:**

The Authority was reimbursed for expenses that were not paid for in advance as required by the compliance supplement.

**Recommendation:**

We recommend the Authority review the reimbursement request detail submitted to Federal agencies as compared to invoice status detail to determine if invoices requested for reimbursement are already paid by the Authority.

# RICKENBACKER

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614-491-1401

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E-mail: rpa@intinet.com

## CORRECTIVE ACTION PLAN For the Year Ended December 31, 1999

Finding: 99-1

A. Name of contact person:

John Byrum, Finance Director  
Rickenbacker Port Authority

B. Corrective Action

- Steps will be taken to improve communications on any disputed invoices between the Engineering Department and the Accounting Department. Any invoices with disputes will be immediately communicated to the Accounting Department so they may be excluded from the draw calculation.

- The accounting department has instituted the monthly review of all open invoices in order to ascertain that invoices are not being held. Any invoices over 30 days outstanding included in the accounts payable trial balance will be investigated.

C. Proposed Completion Date

Procedures have been immediately implemented.

### Board of Directors

N. Victor Goodman  
*Chairman*

A. W. Maier  
*Vice Chairman*

Greta J. Russell  
*Secretary*

James R. Fagan  
*Asst. Secretary*

Charles J. Blum

Edward H. Jennings

Sharon A. McClellan

Robert H. McNaughten

James W. Rater

Jerome G. Sarove

Wade T. Steen

### Executive Director

Bruce E. Miller



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**RICKENBACKER PORT AUTHORITY**

**FRANKLIN 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.**

By: *Susan Babbitt*

Date: AUG 15 2000