



**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Lorain County Regional Airport Authority
Lorain County
44050 Russia Road
Elyria, Ohio 44035

We have audited the accompanying general purpose financial statements of the Lorain County Regional Airport Authority, Lorain County, Ohio, (the Airport) as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lorain County Regional Airport Authority, Lorain County, Ohio, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year 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 May 31, 2002 on our consideration of the Airport'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.

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Jim Petro
Auditor of State

May 31, 2002

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**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY**

**BALANCE SHEET
DECEMBER 31, 2001**

ASSETS

Assets:

Cash	\$ 286,858
Receivables	58,757
Prepaid insurance	17,714
Inventory	11,717
Deposits	2,952
Restricted cash and cash equivalents	<u>14,986</u>
	392,984
Fixed assets:	
Land	2,153,589
Land improvements	5,400,120
Equipment	428,639
Buildings	55,532
Vehicles	408,309
Accumulated depreciation	<u>(2,860,986)</u>
	<u>5,585,203</u>
	<u>\$5,978,187</u>

LIABILITIES AND EQUITY

Liabilities:

Accounts payable	\$ 34,007
Withheld payroll taxes, etc.	216
Accrued wages and compensated absences	80,435
Accrued real estate taxes	5,207
Accrued workers' compensation	<u>18,334</u>
Total liabilities	138,199

Fund equity:

Contributed capital	5,623,590
Retained earnings	<u>216,398</u>
	<u>5,839,988</u>
Total fund equity	<u>\$5,978,187</u>

See notes to financial statements.

**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2001**

Operating Revenues:	
Aviation fuel and oil	\$ 431,593
Hanger rentals and tie down fees	246,846
General aviation rentals	47,539
Freight handling	10,370
Landing fees	9,133
Other operating income	<u>14,465</u>
Total operating revenues	<u>759,946</u>
Operating Expenses:	
Salaries and wages	534,426
Aviation fuel and oil	251,209
Depreciation	194,650
Employee welfare	140,163
Utilities	84,519
Professional services	54,612
Maintenance and repairs	51,020
Insurance	47,744
Telephone	16,823
Equipment and automotive operation	15,996
Equipment and supplies	15,979
Advertising and public relations	13,262
Bank and finance charges	12,078
Real estate taxes	5,207
Travel and meetings	1,945
Other	<u>18,036</u>
	<u>1,457,669</u>
Operating loss	(697,723)
Non-operating revenues and (expenses):	
Land rentals	27,040
Interest income	12,203
General income	2,550
Advertising and promotion expense	<u>(1,641)</u>
Net non-operating income	<u>40,152</u>
Loss before operating contributions	(657,571)
Operating contributions	<u>524,265</u>
Net loss	(133,306)
Add depreciation on assets acquired with capital grants	<u>135,692</u>
Increase in retained earnings	2,386
Retained Earnings - January 1, 2001	<u>214,012</u>
Retained Earnings - December 31, 2001	<u>\$ 216,398</u>

See notes to financial statements.

**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY**

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2001**

Cash flows from operating activities:	
Net loss	\$ (133,306)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	194,650
Changes in operating assets and liabilities:	
Increase in receivables	(8,116)
Increase in prepaid expenses	(2,926)
Increase in deposits	(1,198)
Decrease in inventory	13,092
Decrease in accounts payable	(24,489)
Decrease in withheld payroll taxes, etc.	(175)
Increase in compensated absences	19,100
Increase in accrued workers' compensation	18,334
Increase in accrued real estate taxes	<u>3,802</u>
Net cash provided by operating activities	78,768
 Cash flows from capital financing activities:	
Purchases equipment	(55,422)
Purchases of buildings and building improvements	(2,626)
Purchases of vehicles	(200,706)
Capital contribution – Lorain County, Ohio	<u>196,486</u>
Net cash used by capital financing activities	<u>(62,268)</u>
 Increase in cash	16,500
 Cash and cash equivalents, beginning of year	<u>285,344</u>
 Cash and cash equivalents, end of year	<u>\$301,844</u>

See notes to financial statements.

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**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

NOTE 1. REPORTING ENTITY

The Lorain County Regional Airport Authority, Lorain County, Ohio, (the Airport) was established pursuant to Ohio Revised Code Section 308.03 by resolution of the Lorain County Commissioners. The Airport is governed by a nine member Board of Trustees (Board), all of whom are appointed by the Lorain County Commissioners. The Lorain County Commissioners approve the Airport budget and all applications for State and Federal grants. The Board adopts annual appropriations, has title to the land and one of the buildings of the Airport, hires and fires Airport staff, and authorizes Airport expenditures.

The reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements of the Airport are not misleading. The stand-alone government consists of all departments, boards and agencies that are not legally separate from the Airport. Component units are legally separate organizations for which the Airport is financially accountable. The Airport is financially accountable for an organization if the Airport appoints a voting majority of the organization's governing board and (1) the Airport is able to significantly influence the programs or services performed or provided by the organization; or (2) the Airport is legally entitled to or can otherwise access the organization's resources; the Airport is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the Airport is obligated for the debt of the organization. The Airport is a component unit of Lorain County.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Airport uses a proprietary fund type to report on its financial position and the results of its operations. Proprietary fund equity is segregated into contributed capital and retained earnings. The Airport applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary for useful sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). The Airport uses an enterprise funds to account for all its activities.

Basis of Accounting and Measurement Focus - The financial statements of the Airport have been prepared on the accrual basis in conformity with generally accepted accounting principles as applied to government units. On this basis of accounting, revenues are recognized when earned and become measurable and expenses are recognized when they are incurred, if measurable. Fund equity (i.e. net assets) is segregated into contributed capital and retained earnings. Enterprise fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net assets.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to Financial Statements
December 31, 2001
(Continued)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents - For purposes of the statement of cash flows, the Airport considers all highly liquid investments with a maturity of three months or less (demand deposits with banks) to be cash equivalents. During 2001, Airport investments were limited to interest bearing deposit accounts.

Inventory – Inventory is recorded at cost on a first-in, first-out basis.

Fixed Assets and Depreciation - Fixed assets are recorded at original cost. Land improvements, buildings, and equipment are depreciated using the straight-line method. A useful life of 40 years for land improvements and buildings, and 5 to 15 years for equipment is used.

Costs and related accumulated depreciation of property sold or otherwise retired are removed from the accounts, and gains or losses on disposition are credited to or charged against income.

Routine maintenance, repairs, renewals, and replacement costs are charged against income. Expenditures which materially increase values or extend useful lives are capitalized.

Deposits - At year-end, the total carrying amount of the Airport's deposits was insured by federal depository insurance and/or secured by collateral as required under either Section 135.18 or Section 135.181 of the Ohio Revised Code.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3. CASH

Cash	\$301,844
Less: Cash Restricted for Airport Master Plan Study	<u>14,986</u>
	<u>\$286,858</u>

The Airport Authority is currently involved in a project to update the Airport Master Plan at an estimated cost of \$149,860. This project is being primarily funded by a grant from the Federal Aviation Administration, which provides for reimbursement to the Airport Authority of 90% of allowable costs as defined in the grant agreement.

NOTE 4. DEPOSITS

The Ohio Revised Code classifies monies held by the Airport into three categories.

- a) Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Airport treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- b) Inactive deposits are public deposits that the Board has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to Financial Statements
December 31, 2001
(Continued)

NOTE 4. DEPOSITS (Continued)

- c) Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. U.S. Treasury Notes, Bills, Bonds, or any other obligation or security issued by the U.S. Treasury or any other obligation guaranteed as to principal and interest by the U.S. Treasury;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Airport, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the Airport or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Airport's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) and by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At year-end, the carrying amount of the Airport's deposits was \$301,844 (which includes petty cash of \$650) and the bank balance was \$300,410. Of the bank balance, \$100,000 was covered by federal depository insurance and \$200,410 was uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the Airport's name and all Ohio Revised Code requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the Airport to a successful claim by the FDIC.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to Financial Statements
December 31, 2001
(Continued)

NOTE 4. DEPOSITS (Continued)

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the Airport's investments to be categorized to give an indication of the level of risk assumed by the Airport at year-end. Category 1 includes investments that are insured or registered for which securities are held by the Airport or its agent in the Airport's name. Category 2 includes uninsured and unregistered investments which are held by the counter-party's trust department or agent in the Airport's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the Airport's name. The Airport had no investments at year-end.

NOTE 5. RECEIVABLES

In the normal course of operating the Airport, credit is granted to Airport tenants and customers. The Board believes no allowance for receivables doubtful of collection is necessary, and none has been provided.

NOTE 6. LEASE OF PREMISES

Various lease agreements have been entered into for land rental through December 1, 2018, with options to extend the lease terms. Future base rental income for the leases as of December 31, 2001 is as follows:

2002	\$ 37,841
2003	37,841
2004	37,841
2005	37,841
2006	10,800
Thereafter	118,171

A 99 year lease agreement has also been entered into for land rental of three parcels of land totaling 2.7105 acres through the year 2078 and is renewable forever. The lease provides for a base ground rental use of \$7,289 per year to be adjusted upward by a function of the Consumer Price Index. For the year ended December 31, 2001 rental income, including adjustments for prior years was \$8,766.

NOTE 7. PENSION PLAN

All Airport employees participate in the Public Employees Retirement System of Ohio (PERS) a cost sharing, multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by Ohio Revised Code Section 145. PERS issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-800-222-7377.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to Financial Statements
December 31, 2001
(Continued)

NOTE 7. PENSION PLAN (Continued)

Plan members are required to contribute 8.5% of the annual covered salary and the Airport is required to contribute an actuarially determined rate. The Ohio Revised Code provides statutory authority for contribution requirements of plan members and the Airport. The Airport's contribution to PERS for the years ending December 31, 2001, 2000 and 1999 was \$74,050, \$44,020 and \$39,769 respectively, equal to the required contributions for those years.

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 4, PERS provides post retirement health care coverage, in accordance with the Ohio Revised Code, to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For the calendar year 2001 Airport contributions, equal to 4.3% of covered payroll, were used to fund health care expenses.

OPEB is financed through employer contributions and investment earnings there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. The actuarial value of PERS net assets available for OPEB at December 31, 2000 was \$11,735.9 million.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$14,364.6 million and \$2,628.7 million respectively. The number of active contributing participants was 411,076.

NOTE 9. COMPENSATED ABSENCES

The Airport allows employees to accumulate unused sick leave. In March 2001, the sick leave policy was amended to limit accumulated unused sick leave. The new policy provides that upon an employee's death or retirement, the employee shall receive cash payment of one-third of the value of his or her legally accrued and unused sick leave, to a maximum of 333 1/3 hours. In December, 1999 the Board signed an employment contract with the new Airport Executive Director which granted him 1,800 hours of previously accrued sick time. Upon termination he is eligible for one-third of the value of his legally accrued and unused sick time. The sick leave conversion payment shall be based on the average of the employee's base salary rates for the most recent three years. Sick leave benefits are accrued as a liability using the vesting method.

At December 31, 2001 the liability for accrued vacation leave and sick leave was approximately \$58,575.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to Financial Statements
December 31, 2001
(Continued)

NOTE 10. RISK MANAGEMENT

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injury to employees; and natural disasters. Through Lorain County, the Airport is covered under the County Risk Sharing Authority, Inc. (CORSA). CORSA is a risk sharing pool made up of thirty-nine counties in Ohio and was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group of primary and excess insurance/self-insurance and risk management programs. CORSA insures the Airport for general liability, errors and omissions, property and automobile coverage. The Airport has purchased commercial insurance for aviation and airport and hangerkeepers liability. The Airport also carries employee health and accident insurance and a bond on key management positions. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.



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

Board of Trustees
Lorain County Regional Airport Authority
Lorain County
44050 Russia Road
Elyria, Ohio 44035

We have audited the accompanying financial statements of the Lorain County Regional Airport Authority, Lorain County, Ohio, (the Airport) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 31, 2002. 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 Airport'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport'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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Airport in a separate letter dated May 31, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

May 31, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LORAIN COUNTY REGIONAL AIRPORT AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 9, 2002**