

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**





**Auditor of State  
Betty Montgomery**

Board of Directors  
Erie-Ottawa Regional Airport Authority  
3255 East State Road  
Port Clinton, Ohio 43452

We have reviewed the *Independent Auditor's Report* of the Erie-Ottawa Regional Airport Authority, Ottawa County, prepared by James G. Zupka, CPA, 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 Erie-Ottawa Regional Airport Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 9, 2006

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**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Erie-Ottawa Regional Airport Authority  
3255 East State Street  
Port Clinton, Ohio 43452

We have audited the accompanying basic financial statements of the Erie-Ottawa Regional Airport Authority, Ohio (the Airport), 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 Airport'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.

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the Erie-Ottawa Regional Airport Authority as of December 31, 2005, and the respective changes in cash basis financial position, where applicable, and cash flows for the year then ended, in conformity with the accounting basis described in Note 2 to the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2006, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and 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.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 7, 2006

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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The management's discussion and analysis of the Erie-Ottawa Regional Airport Authority (the Airport), Ohio's financial performance provides an overview of the Airport's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the Airport's financial performance as a whole. Readers are encouraged to consider the information presented here as well as the basic financial statements to enhance their understanding of the Airport's financial performance.

**Financial Highlights**

The Airport's net assets decreased by \$(243,411). This was due to project expenses being in excess of income and the return of \$133,301 to the Federal Aviation Administration (FAA) from prior year grant income.

Operating revenues increased by \$7,434, while operating expenses increased by \$25,994. Capital grant revenue decreased due to less funding received from the FAA.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the Airport and present a longer-term view of the Airport's finances.

*Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets*

One of the most important questions asked about the Airport's finances is, "Is the Airport better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Airport and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The Airport charges a fee to customers to help it cover part of the services it provides. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the Airport's net assets and changes in them. The Airport's net assets - the difference between assets and liabilities - is one way to measure the Airport's financial health, or financial position. Over time, increases or decreases in the Airport's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors (e.g., fuel prices, FAA regulations, weather, etc.) need to be considered in order to assess the overall financial health of the Airport.



**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

Table 1 provides a summary of the Airport's net assets for 2005 compared to 2004:

<b>Table 1 - Net Assets</b>		
	2005	2004
<b>Assets</b>		
Current and Other Assets	\$ 171,174	\$ 407,421
<b>Total Assets</b>	171,174	407,421
<b>Liabilities</b>		
Current Liabilities	7,134	0
<b>Total Liabilities</b>	7,134	0
<b>Net Assets</b>		
Unrestricted	164,040	407,421
<b>Total Net Assets</b>	164,040	407,421

Total assets decreased by \$(243,411) from 2004 to 2005. This decrease is the net result of a decrease in capital grant income and a return of funds to the FAA of \$133,301 from prior year grant income.

Table 2 shows the revenues, expenses, and the changes in net assets for the year ended December 31, 2005, compared to the year ended December 31, 2004.

<b>Table 2 - Revenues, Expenses, and Changes in Net Assets</b>		
	2005	2004
<b>Operating Revenues</b>		
Charges for Services	\$ 317,314	\$ 312,689
Operating Grants	39,999	34,244
Other Operating Revenues	4,295	7,241
<b>Total Operating Revenues</b>	361,608	354,174
<b>Non-Operating Revenues</b>		
Land Rentals	27,350	16,989
Interest Income	334	959
<b>Total Non-Operating Revenues</b>	27,684	17,948
Capital Grants	71,599	455,959
<b>Total Revenues and Capital Grants</b>	460,891	828,081
<b>Operating Expenses</b>		
Salaries and Employee Benefits	136,299	119,977
Fuel	140,270	126,737
Taxes and Income	18,739	18,987
Utilities	24,502	22,845
Repairs and Maintenance	26,647	23,284
Other Operating Expenses	27,861	36,489
<b>Total Operating Expenses</b>	374,318	348,319
<b>Non-Operating Expenses</b>		
Debt Payment	36,345	31,645
Project Expenses	158,359	747,932
<b>Total Non-Operating Expenses</b>	194,704	779,577
<b>Total Expenses</b>	569,022	1,127,896
Decrease in Net Assets	\$ (108,131)	\$ (299,815)

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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Total revenues decreased by \$367,190 due to decreased capital grant revenue.

- Ground rental and fuel fees include annual increases. The increases are based upon a function of the Consumer Price Index.
- Operating revenue increased by \$7,434.
- Capital contributions consisted of grants from the FAA. Grants were received for the Airport's runway and safety area rehabilitation which included runway paving, wildlife hazard assessment, and fencing.

Operating expenses increased by \$25,999 mostly due to an increase in staffing and higher fuel costs.

- Administration and maintenance of the Airport falls under the direction of its Executive Director and staff.
- All other expenses have remained steady, with no unexpected increases for utility costs and maintenance.

### **Operational Highlights**

The engineering of Phase I of the Runway 9/27 safety shift and widening to 100 feet has been nearly completed. The Airport will receive a 95 percent grant from the FAA to cover these costs. Ottawa County and Erie County have agreed to cover the 5 percent matching share.

### **Future Outlook**

The Airport submitted an initial operating budget subsidy request in the amount of \$40,000 to be split between Erie County and Ottawa County. This was approved by Erie County (33.3 percent) and Ottawa County (67.7 percent).

Bids will be accepted by the Authority for the initial grading and replacement of 9/27 lighting in 2006, with construction to start in 2006. Four properties at the west end of the field will also be acquired in 2006 to allow for an extended safety zone. This will be covered by a 95 percent FAA grant. Both counties have agreed to the matching 5 percent.

### **Contacting the Airport's Finance Management**

This financial report is designed to provide Erie County and Ottawa County citizens, taxpayers, airport users, and all interested parties with a general overview of the Airport's finances, and to show the Airport's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jack Stables at the Erie-Ottawa Regional Airport Authority, 3255 East State Road, Port Clinton, Ohio 43452.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 171,174
<b>Total Current Assets</b>	<u>171,174</u>

<b>Total Assets</b>	<u>\$ 171,174</u>
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**LIABILITIES**

**Current Liabilities**

Payroll Tax Withholding	\$ 7,134
<b>Total Current Liabilities</b>	<u>7,134</u>

<b>Total Liabilities</b>	<u>7,134</u>
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**NET ASSETS**

Unrestricted	<u>164,040</u>
<b>Total Net Assets</b>	<u>164,040</u>

<b>Total Liabilities and Net Assets</b>	<u>\$ 171,174</u>
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See accompanying notes to the financial statements.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**REVENUE AND EXPENSES**

**Operating Revenues**

Operating Grants	\$ 39,999
Charges for Services	317,314
Other Operating Revenue	<u>4,295</u>
<b>Total Operating Revenues</b>	<b><u>361,608</u></b>

**Operating Expenses**

Salaries and Employee Benefits	136,299
Fuel for Resale	140,270
Taxes and Insurance	18,739
Utilities	24,502
Repairs and Maintenance	26,647
Other Supplies and Expenses	<u>27,861</u>
<b>Total Operating Expenses</b>	<b><u>374,318</u></b>
<b>Operating Loss</b>	<b><u>(12,710)</u></b>

**Non-Operating Revenues (Expenses)**

Land Rentals	27,350
Interest Income	334
Debt Payment	<u>(36,345)</u>
<b>Total Non-Operating Revenue (Expenses)</b>	<b><u>(8,661)</u></b>
Loss Before Capital Activity	<u>(21,371)</u>

**Capital Activity**

Capital Grant	71,599
Project Expenses	<u>(158,359)</u>
<b>Net Capital Activity</b>	<b><u>(86,760)</u></b>

**NET ASSETS**

**Net Assets**

Increase (Decrease) in Net Assets	(108,131)
Return of Funds to Federal Aviation Agency	(133,301)
Other Net Asset Adjustments	(1,949)
Total Net Assets, Beginning of Year	<u>407,421</u>
<b>Total Net Assets, End of Year</b>	<b><u>\$ 164,040</u></b>

See accompanying notes to the financial statements.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**Cash Flows from Operating Activities**

Receipts from Customers	\$ 317,314
Operating Grants	39,999
Cost of Supplies Sold to Customers	(140,270)
Payments for Employee Services and Benefits	(131,114)
Other Payments	<u>(93,454)</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>(7,525)</u></b>

**Cash Flows from Capital and Related Financing Activities**

Project Expenses	(158,359)
Debt Payments	(36,345)
Funds Returned to FAA	(133,301)
Capital Grants	71,599
Other Receipts	<u>27,350</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>(229,056)</u></b>

**Cash Flows from Investing Activities**

Interest	<u>334</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>334</u></b>
Net Decrease in Cash and Cash Equivalents	(236,247)

Cash and Cash Equivalents - Beginning of Year	<u>407,421</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 171,174</u></b>

**Reconciliation of Operating (Loss) to  
Net Cash (Used) by Operating Activities**

Operating (Loss)	\$ (12,710)
Accrued Expenses	<u>5,185</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>\$ (7,525)</u></b>

See accompanying notes to the financial statements.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**NOTE 1: REPORTING ENTITY**

The Erie-Ottawa Regional Airport Authority (the Airport) was established pursuant to Ohio Revised Code Section 308.03 by resolution of Erie County Commissioners. The Airport is governed by an 9 member Board of Directors, 8 of whom are appointed by the Board of County Commissioners (4 appointed by Erie and 4 appointed by Ottawa). The 9<sup>th</sup> member is appointed at large by the other 8 Board members. The Board has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name, the power to establish and collect rates, rentals, and other charges, the authority to acquire, construct, operate, manage and maintain airport facilities, the authority to buy and sell real and personal property, and the authority to issue debt for acquiring or constructing any facility or permanent improvement. The members serve without compensation, as outlined in Section 308.04 of the Ohio Revised Code.

The reporting entity for the Airport is comprised of all departments, boards, and agencies that are not legally separate from the Airport, any component units of the Airport, and any other organizations that would need to be included to ensure that the financial statements of the Airport are not misleading.

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. Based on the application of these criteria, the Airport has no component units.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Airport have been prepared on the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Airport also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Airport's accounting policies are described below.

**Basis of Presentation**

The Airport's financial statements consist of a statement of net assets, a statement of revenue, expenses, and change in net assets, and a statement of cash flows.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation** (Continued)

The Airport uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**Measurement Focus**

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Airport are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Airport finances and meets the cash flow needs of its enterprise activity.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Airport's financial statements are prepared using the modified cash basis of accounting.

Revenue is recorded on the modified cash basis when the cash is received. Expenses are recognized at the time they are paid.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Airport considers all highly liquid investments with a maturity of 3 months or less (demand deposits with banks) to be cash equivalents. During 2005, the Airport's investments were limited to interest bearing deposit accounts.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Airport, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At year-end, the Airport had no restricted net assets for other purposes.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from primary activities. For the Airport, these revenues are charges for services and other operating income. Operating expenses are the necessary costs incurred to provide the goods or service that are the primary activity of the Airport. Revenues and expenses not meeting these definitions are reported as non-operating.

**Grants**

Grants received for the acquisition or construction of capital assets are recorded as capital contributions when earned. Grants are earned when costs relating to such capital assets, which are reimbursable under the terms of the grants, have been incurred.

NOTE 3: **DEPOSITS**

The following information is provided to give an indication of the steps the Airport takes to protect its cash deposits and the level of risk assumed for certain investments.

Ohio Revised Code authorizes the Airport to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; obligations of the United States government, its agencies and instrumentalities; bonds and other obligations of the State of Ohio; certain money market mutual funds and secured repurchase agreements and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited.

At year-end, the carrying amount of the Airport's deposits was \$171,174 and the bank balance was \$192,626. Of the bank balance, \$123,417 was covered by federal depository insurance provided by the Federal Deposit Insurance Corporation (FDIC), and \$69,209 was uncollateralized and uninsured. Although securities were held by the pledging financial institution's 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.

The Airport had no investments at December 31, 2005.



**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

NOTE 4: **DEBT**

The Airport made improvements to its runways, which were financed through a bond issued by Ottawa County in the amount of \$465,000. The Airport makes the payment for this debt from its operating funds. The amount of debt retired in 2005 is as follows:

<u>Balance at</u> <u>01/01/05</u>	<u>Payment</u>	<u>Ending</u> <u>Balance</u> <u>12/31/05</u>
\$ 425,000	\$ (20,000)	\$ 405,000

The amortization of the debt is as follows:

<u>For the</u> <u>Year ended</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2006	\$ 20,000	\$ 15,945	\$ 35,945
2007	20,000	15,545	35,545
2008	20,000	15,095	35,095
2009	20,000	14,585	34,585
2010	20,000	14,095	34,095
2011-2015	105,000	60,785	165,785
2016-2020	135,000	34,563	169,563
2021-2022	65,000	4,400	69,400
Totals	<u>\$ 405,000</u>	<u>\$ 175,013</u>	<u>\$ 580,013</u>

NOTE 5: **PENSION PLAN**

**Ohio Public Employees Retirement System**

The Airport 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 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 a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature 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.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
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**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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NOTE 5: **PENSION PLAN** (Continued)

**Ohio Public Employees Retirement System** (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

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 Airport's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Airport's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$13,793, \$13,104, and \$12,533, respectively; 100 percent has been contributed for 2005, 2004, and 2003. Contributions to the member directed plan for 2005 were \$1,822,584 made by the Airport and \$0 made by the plan members.

NOTE 6: **OTHER POST-EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 6, the Ohio Public Employees Retirement System (OPERS) provides post-retirement 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 the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. 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 local employer contribution rate was 13.55 percent of covered payroll, 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, 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 .50 percent and 6.30 percent based on additional annual pay increases.

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NOTE 6: **OTHER POST-EMPLOYMENT BENEFITS** (Continued)

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants in the traditional and combined plans was 376,109. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employee contribution rates will increase January 1, 2006, which will allow additional funds to be allocated to the Health Care Plan.

NOTE 7: **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 Ottawa County, the Airport is covered under the County Risk Sharing Authority, Inc. (CORSA). CORSA is a risk sharing pool made up of 39 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 program. CORSA insured the Airport for general liability, errors and omissions, and property. The Airport has purchased commercial insurance for aviation, airport hangerkeepers liability, and vehicles. The Airport also carries a bond on key management positions.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
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NOTE 8: **CONTINGENT LIABILITY**

The Airport receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits may require refunding to the grantor agencies. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Airport as of December 31, 2005.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

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*Garfield Hts., Ohio 44125*

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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  
Erie-Ottawa Regional Airport Authority  
3255 East State Street  
Port Clinton, Ohio 43452

We have audited the financial statements of the Erie-Ottawa Regional Airport Authority (the Airport), as of and for the year ended December 31, 2005, and have issued our report thereon dated June 7, 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 Airport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not 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 an error 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 Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Erie-Ottawa Regional Airport Authority in a separate letter dated June 7, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and Federal awarding agencies. It is not intended for anyone other than these specified parties.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

June 7, 2006



**Auditor of State  
Betty Montgomery**

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**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**

**OTTAWA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 28, 2006**