



**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**REGULAR AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2010**





# Dave Yost • Auditor of State

Board of Trustees  
Ashtabula County Airport Authority  
2382 Airport Road  
Jefferson, Ohio 44047

We have reviewed the *Independent Accountants' Report* of the Ashtabula County Airport Authority, Ashtabula County, prepared by Canter & Associates, for the audit period January 1, 2010 through December 31, 2010. 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 Ashtabula County Airport Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 9, 2011

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**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY, OHIO**

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## INDEPENDENT ACCOUNTANTS' REPORT

Ashtabula County Airport Authority  
Ashtabula County  
2382 Airport Road  
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the accompanying financial statements of the Ashtabula County Airport Authority (the Airport), a component unit of Ashtabula County, Ohio as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of Airport's management. Our responsibility is to express opinions 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 Standard*, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ashtabula County Airport Authority, as of December 31, 2010, and the respective changes in financial position and cash flows for its proprietary fund 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 March 26, 2011 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 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 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 considered in assessing the results of our audit.

Ashtabula County Airport Authority  
Ashtabula County  
Independent Accountant's Report  
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CANTER & ASSOCIATES

A handwritten signature in blue ink that reads "Canter & Assoc" with a stylized flourish at the end.

Poland, Ohio

March 26, 2011

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
**UNAUDITED**

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The discussion and analysis of the Ashtabula County Airport Authority's financial performance provides an overall review of the Airport Authority's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the Airport Authority's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Airport Authority's financial performance.

***Financial Highlights***

Key financial highlights for 2010 are as follows:

- The Airport's net assets decreased by \$68,105, or 2.5 percent.
- During 2010, the Airport had an operating loss of \$141,156 and total net assets decreased by \$68,105. Contributions made to the Airport from the County during 2010 totaling \$81,416 helped to keep the Airport operating.
- The Airport was able to make its annual principal and interest payments on its outstanding revenue bond in the amount of \$28,700 and \$53,460, respectively.
- During 2010 the Airport did not start or complete any major construction projects. Grants received in 2010 from the Federal Aviation Administration amounted to \$12,112.

***Using this Annual Financial Report***

This report consists of a series of financial statements. The *Statement of Net Assets and 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.

A question typically asked about the Airport Authority's finances "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Airport and 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.

These two statements report the Airport Authority's *net assets and changes in those assets*. This change in net assets is important because it tells the reader that, for the Airport Authority as a whole, the *financial position* of the Airport Authority has improved or diminished. The reader will need to consider other non-financial factors (e.g. fuel prices, FAA regulations, weather, etc.) in order to assess the overall health of the Airport.



**Ashtabula County Airport Authority**  
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*Management's Discussion and Analysis*  
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**The Airport Authority as a Whole**

Recall that the Statement of Net Assets provides the perspective of the Airport Authority as a whole.

Table 1 provides a summary of the Airport Authority's net assets for 2010, compared to 2009:

**(Table 1)**  
**Net Assets**

	Business-Type Activities		
	2010	2009	Change
<b>Assets</b>			
Current and Other Assets	\$440,253	\$409,351	\$30,902
Capital Assets, Net of Depreciation	<u>3,635,208</u>	<u>3,752,335</u>	<u>(117,127)</u>
Total Assets	<u>4,075,461</u>	<u>4,161,686</u>	<u>(86,225)</u>
<b>Liabilities</b>			
Long-Term Liabilities	1,267,300	1,296,000	(28,700)
Other Liabilities	<u>148,559</u>	<u>137,979</u>	<u>10,580</u>
Total Liabilities	<u>1,415,859</u>	<u>1,433,979</u>	<u>(18,120)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,367,908	2,456,335	(88,427)
Restricted for Debt Service	63,417	54,910	8,507
Unrestricted	<u>228,277</u>	<u>216,462</u>	<u>11,815</u>
Total Net Assets	<u>\$2,659,602</u>	<u>\$2,727,707</u>	<u>(\$68,105)</u>

Total assets decreased by \$86,225 from 2009 to 2010. The majority of this decrease was due to the \$117,127 decrease in capital assets. During 2010, the Airport only capitalized \$18,879 worth of assets, which included new runway lights, a 10 foot tow-bar, a string trimmer and a new vacuum. These additions were offset by current year depreciation of \$136,006 which resulted in the \$117,127 decrease.

Total liabilities decreased by \$18,120 during 2010, which is a 1.3 percent change from the prior year. The majority of this decrease is due to the Airport making its scheduled principal payment of \$28,700.

In total, net assets of the Airport decreased by \$68,105 which can be attributed mostly to capital assets decreasing by \$117,127.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
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Table 2 shows the revenues, expenses and the changes in net assets for the year ended December 31, 2010 compared to the year ended December 31, 2009.

**(Table 2)**  
**Changes in Net Assets**

	Business-Type Activities		
	2010	2009	Change
<b>Revenues</b>			
<i>Operating Revenues:</i>			
Charges for Services	\$327,852	\$319,576	\$8,276
Other Operating revenues	3,565	6,539	(2,974)
<b>Total Operating Revenues</b>	<b>331,417</b>	<b>326,115</b>	<b>5,302</b>
<b>Expenses</b>			
<i>Operating Expenses:</i>			
Personal services	42,457	79,306	(36,849)
Fringe Benefits	19,130	2,285	16,845
Depreciation	136,006	136,160	(154)
Materials and Supplies	179,062	177,431	1,631
Contractual services	83,052	49,509	33,543
Other Operating Expenses	12,866	3,122	9,744
<b>Total Expenses</b>	<b>472,573</b>	<b>447,813</b>	<b>24,760</b>
Operating Loss	(141,156)	(121,698)	(19,458)
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	616	1,230	(614)
Capital grants	21,913	164,911	(142,998)
Contributions and Donations	25,072	15,937	9,135
Other non-operating revenue	2,035	1,184	851
Interest and Fiscal Charges	(58,001)	(59,856)	1,855
Intergovernmental Revenue (County)	81,416	105,000	(23,584)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>73,051</b>	<b>228,406</b>	<b>(155,355)</b>
Change in Net Assets	(68,105)	106,708	(174,813)
Net Assets, Beginning of Year	2,727,707	2,620,999	106,708
Net Assets, End of Year	<b>\$2,659,602</b>	<b>\$2,727,707</b>	<b>(\$68,105)</b>

Operating revenues increased by \$5,302 due primarily to a slight increase in fuel sales and rent and lease revenue from the previous year. Operating expenses increased by \$24,760 from the prior year due to increases in contractual services and materials and supplies expense. The Airport's total net assets decreased \$68,105 from the prior fiscal year.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
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**Capital Assets**

The largest portion of the Airport's net assets each year is its investment in capital assets, net of related debt. The Airport uses these capital assets to provide services to the businesses and public using the Ashtabula County Airport. Table 3 shows 2010 balances compared with 2009.

**(Table 3)**  
**Capital Assets at December 31 (Net of Depreciation)**

	Business-Type Activities		
	2010	2009	Change
Land	\$108,569	\$108,569	\$0
Buildings and Improvements	1,658,760	1,711,695	(52,935)
Improvements Other Than Buildings	1,789,508	1,846,530	(57,022)
Vehicles	70,320	83,870	(13,550)
Furniture and Equipment	8,051	1,671	6,380
Totals	\$3,635,208	\$3,752,335	(\$117,127)

The \$117,127 decrease in capital assets was due to current year depreciation of \$136,006 exceeding \$18,879 worth of capital additions during 2010. Note 10 of the basic financial statements provides a more detailed look at the capital asset activity during 2010.

**Debt**

The outstanding debt for the Airport Authority as of December 31, 2010 and 2009 includes a \$90,000 short-term obligation due to the primary government. In 2006, the Airport Authority issued revenue bonds in the amount of \$1,400,000 in order to finance new hangar construction. The revenue bonds will mature in thirty years and have an interest rate of 4.125 percent. The Airport's outstanding long-term obligations are included in the following table:

**(Table 4)**  
**Outstanding Debt, at December 31**

	2010	2009	Change
Revenue Bonds	\$1,267,300	\$1,296,000	\$28,700

Additional information concerning the Airport's long-term obligations can be found in Note 6 to the basic financial statements.

**Current Financial Issues**

During 2010, the operating performance of the Airport continued the trends identified prior to 2009. Annual fuel sales of 100LL fuel used in piston powered aircraft were down 30 percent compared to 2009. Sales of Jet-A fuel were up 10 percent as a result of a local company operating a new jet aircraft and a slight increase in business aircraft operations. Operating results were expected to be unfavorable in 2010 because of the economy. Hangar occupancy continues to be lower than expected and had an adverse impact on income.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
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The Ashtabula County Aviation Trust was established in 2009 for the purpose of generating funds to supplement the support of operations expenses by the County General Fund. The Aviation Trust is a component of the Cleveland Foundation and provides a tax advantaged vehicle for local contributors to support their local Airport. The Trust is a donor managed fund separate from both the Airport and County budgets. An advisory board includes a representative from the Airport Authority Board of Trustees, a Cleveland Foundation Representative, and a representative from the community not associated with the Airport. The three representatives are responsible for managing the growth of the fund through responsible distributions of the fund endowment so that long term support of the Airport operation is assured. There were no distributions from the Fund in 2010 as efforts were made to increase the balance in the fund.

The distribution of funds from the Aviation Trust is contingent on contributions from the County General Fund or other county financial resources.

**Outlook:**

The Airport Authority expects the reduced fuel sales trend experienced in 2007 through 2010 to continue through the current period of economic downturn. Occupancy of the new hangar buildings will continue to be less than forecasted. Fuel sales from the occupied hangars are significantly lower than planned. Adverse national economic conditions have resulted in some of our customers selling their aircraft or severely reducing flying activity and thus, our revenue.

Our fuel supplier confirms that the current business conditions are not a local problem and that all airport operators are experiencing significant reductions in sales volume. We expect this trend to continue through 2011 and well into 2012. The Airport Authority is continuing to work on reductions to operating expenses to better match income and has entered into discussions with the Ashtabula County Commissioners regarding general fund support in 2011 of Airport operating expenses. We expect that the County Commissioners will support the Airport at the same level they did in 2010.

Capital development projects planned for the next five years are being funded by the Federal Aviation Administration and local match funds are being donated by local foundations. These plans include the renewal of our nearly 42 year-old infrastructure assets. Priorities are given to the projects which improve Airport safety and utility. The Airport Authority expects to complete the wetlands mitigation project associated with the construction of the Runway Safety Areas during the year and closing out the existing project funding put in place by the FAA in 2010.

The Ashtabula County Aviation Trust has indicated that they will distribute funds from the Trust for the purpose of purchasing a sand spreader for our snow control equipment so that we can better maintain runway condition during winter weather. This should be installed during the summer.

**Contacting the Airport Authority's Finance Department**

This financial report is designed to provide our citizens, taxpayers, airport users, and all interested parties with a general overview of the Airport Authority's finances and to show the Airport Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Price, President of the Ashtabula County Airport Authority, 2382 Airport Road, Jefferson, Ohio 44047.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Statement of Net Assets*  
*December 31, 2010*

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<b>Assets</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$168,734
Accounts Receivable	2,790
Prepaid Assets	6,767
Fuel Inventory	49,921
Lease Receivable	202,175
Due from Other Governments	2,138
Deferred Charges	7,728
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<i>Total Current Assets</i>	440,253
 <i>Non-Current Assets:</i>	
Nondepreciable Capital Assets	108,569
Depreciable Capital Assets, Net	3,526,639
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<i>Total Non-Current Assets</i>	3,635,208
	<hr/>
<i>Total Assets</i>	\$4,075,461
	<hr/> <hr/>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	\$19,023
Contracts Payable	12,000
Accrued Wages	2,274
Due to Primary Government	90,000
Accrued Interest Payable	13,069
Intergovernmental Payable	1,111
Unearned Revenue	11,082
	<hr/>
<i>Total Current Liabilities</i>	148,559
 <i>Non-Current Liabilities:</i>	
Due Within One Year	30,000
Due In More than One Year	1,237,300
	<hr/>
<i>Total Non-Current Liabilities</i>	1,267,300
	<hr/>
<i>Total Liabilities</i>	1,415,859
	<hr/>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	2,367,908
Restricted for Debt Service	63,417
Unrestricted	228,277
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<i>Total Net Assets</i>	2,659,602
	<hr/>
<i>Total Liabilities and Net Assets</i>	\$4,075,461
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See accompanying notes to the basic financial statements

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Statement of Revenues, Expenses and Changes in Net Assets*  
*For the year ended December 31, 2010*

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<b>Operating Revenue</b>	
Sales	\$222,834
Rent	88,368
Lease	16,650
Other Operating Revenues	<u>3,565</u>
<i>Total Operating Revenue</i>	<u>331,417</u>
<b>Operating Expenses</b>	
Personal Services	42,457
Fringe Benefits	19,130
Contractual Services	83,052
Materials and Supplies	179,062
Depreciation	136,006
Other Operating Expenses	<u>12,866</u>
<i>Total Operating Expenses</i>	<u>472,573</u>
<i>Operating Loss</i>	<u>(141,156)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	616
Capital Grants	21,913
Contributions and Donations	25,072
Other Non-Operating Revenue	2,035
Interest and Fiscal Charges	(58,001)
Intergovernmental Revenue	<u>81,416</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>73,051</u>
<i>Change In Net Assets</i>	(68,105)
<i>Net Assets, Beginning of Year</i>	<u>2,727,707</u>
<i>Net Assets, End of Year</i>	<u><u>\$2,659,602</u></u>

See accompanying notes to the basic financial statements

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Statement of Cash Flows*  
*For the year ended December 31, 2010*

<b>Cash Flows From Operating Activities:</b>	
Cash Received from Customers	\$223,009
Cash Received from Leases	93,840
Other Operating Revenue	3,565
Cash Paid for Goods and Services	(266,031)
Cash Paid to Employees	(61,538)
Other Operating Expenses	(12,886)
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<i>Net Cash Used for Operating Activities</i>	<i>(20,041)</i>
<b>Cash Flows From Non-Capital Financing Activities:</b>	
Other Non-Operating Receipts	2,035
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<b>Cash Flows From Investing Activities:</b>	
Interest on Investments	616
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<b>Cash Flows From Capital and Related Financing Activities:</b>	
Contributions and Donations	25,072
Capital Grants	21,200
Payment for Capital Acquisitions	(18,879)
Principal Payments on Debt	(28,700)
Interest Payments	(57,985)
Intergovernmental Revenue	81,416
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<i>Net Cash Provided by Capital and Related Financing Activities</i>	<i>22,124</i>
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Net Increase in Cash and Cash Equivalents	4,734
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Cash and Cash Equivalents at Beginning of Year	164,000
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Cash and Cash Equivalents at End of Year	<u>\$168,734</u>
<b>Reconciliation of Operating Loss to</b>	
<b>Net Cash Used for Operating Activities</b>	
	<hr/>
Operating Loss	(\$141,156)
	<hr/>
<b>Adjustments to Reconcile Operating Loss to</b>	
<b>Net Cash Used for Operating Activities:</b>	
Depreciation	136,006
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	(2,290)
Prepaid Assets	2,501
Inventory	(9,328)
Lease Receivable	(16,650)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(7,610)
Contracts Payable	10,500
Accrued Wages	103
Due to Other Governments	(54)
Unearned Revenue	7,937
	<hr/>
Total Adjustments	121,115
	<hr/>
Net Cash Used for Operating Activities	<u>(\$20,041)</u>

See accompanying notes to the basic financial statements

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2010*

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**Note 1 - Description of Ashtabula County Airport Authority and Reporting Entity**

***A. The Airport Authority***

The Ashtabula County Airport Authority, Ashtabula County, (the Airport) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Airport is directed by a nine member Board, appointed by the County commissioners. The Board of Trustees 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. Since the Airport imposes a financial burden on the County, the Airport is reflected as a component unit of Ashtabula County. The Airport has a December 31 year end.

***B. Reporting Entity***

The Airport has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Airport are not misleading. The primary government consists of all departments, boards and agencies that are not legally separate from the Airport.

Component units are legally separate organizations for which a primary government is financially accountable. The Airport is financially accountable for an organization if the primary government 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; or (3) the Airport is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or (4) the Airport is obligated for the debt of the organization. Under the criteria specified in Statement No. 14, the Airport has no component units. Accordingly, the accompanying financial statements include only the accounts and transactions of the Airport. The Airport is, however, considered to be a component unit of Ashtabula County ("the County") by virtue of the fact the Airport's Board of Trustees is appointed by the County and the Airport imposes a financial burden on the County. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Airport is not financially accountable for any other organization.

**Note 2 - Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources are generally applicable to the primary government. The Airport also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Airport has elected not



**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2010*

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to apply FASB Pronouncements and Interpretations issued after November 30, 1989. The more significant of the Airport's accounting policies are described below.

***A. Basis of Presentation***

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

***B. Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by measurement focus. Proprietary accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities 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 refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled service charges are recognized as revenue at year end.

Non-exchange transactions, in which the Airport receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Airport must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the airport on a reimbursement basis.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

***C. Cash and Cash Equivalents***

The Airport maintains interest bearing depository accounts. All funds of the Airport are maintained in these accounts. These interest bearing depository accounts are presented in the combined balance sheet as "Cash and Cash Equivalents". The Airport has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general operating fund during 2010 amounted to \$616.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2010*

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***D. Prepayments***

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the basic financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

***E. Fuel Inventory***

Inventory consists of two types of aviation fuel for sale to customers and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when sold or used.

***F. Bond Issuance Costs***

Bond issuance costs for underwriting fees and bond insurance for the revenue bonds are being amortized using the straight line method over the life of the bonds. The straight-line method of amortization is not materially different from the effective interest method. On the basic financial statements bond issuance costs are expended in the year the bonds are issued.

***G. Capital Assets***

All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Airport maintains a capitalization threshold of one hundred dollars.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. All reported capital assets except land and construction in progress are depreciated. Depreciation in the enterprise fund is computed using the straight-line basis over the following estimated useful lives:

<u>Estimated Lives</u>	<u>Description</u>
25 - 40 years	Buildings and Improvements
25 - 40 years	Improvements other than Buildings
5 -10 years	Vehicles
3 - 20 years	Furniture and Equipment

***H. 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 balances of any borrowings 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The statement of net assets reports restricted net assets of \$63,417, none of which is restricted by enabling legislation.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2010*

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***I. 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, rentals, leases and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Airport. Revenues and expenses which do not meet these definitions are reported as non-operating.

***J. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***K. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Airport and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

**Note 3 – Change in Accounting Principles**

For 2010, the Airport has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of GASB Statement No. 53 did not result in any changes to the Airport’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of GASB Statement No. 57 did not result in any changes to the Airport’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of GASB Statement No. 58 did not result in any changes to the Airport’s financial statements.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2010*

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**Note 4 – Deposits and Investments**

State statutes classify monies held by the Airport into three categories.

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash by the Airport, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Airport has identified as not required for use within the current five 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.

Interim deposits are deposits of interim monies. Interim monies are those 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 to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
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 must exceed 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 any other obligations 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;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2010*

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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also 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 Treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Airport Authority's name. During 2010, the Airport had no investments.

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of bank failure, the Airport's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Airport.

At year-end, the carrying amount of the Airport's deposits was \$168,734, of which \$676 was cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, all of the Airport's bank balance of \$183,838 was covered by the Federal Deposit Insurance Corporation.

**Note 5 – Due to Primary Government**

The Airport has a short-term obligation to the primary government of \$90,000 at December 31, 2010. This obligation was incurred in 1997 for the purchase of a refueler truck by the County to be used for Airport operations. It was to be repaid in equal installments through 2002. No payments have been made on this obligation; therefore the entire balance is recorded as a current obligation.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2010*

**Note 6 – Long-Term Obligations**

During 2005, the Airport issued revenue bonds where the government income derived from the constructed assets will be used to retire the debt. The interest rate on the revenue bonds is 4.125 percent and they are scheduled to mature in 2035. Changes in the long-term obligations during 2010 were as follows:

	Amount Outstanding 1/1/2010	Additions	Reductions	Amount Outstanding 12/31/2010	Amount Due In One Year
<b><i>Business-Type Activities</i></b>					
Revenue Bonds	\$1,296,000	\$0	\$28,700	\$1,267,300	\$30,000

The annual requirements to retire this debt are as follows:

	2005 Revenue Bonds		
	Principal	Interest	Total
2011	\$30,000	\$52,276	\$82,276
2012	31,100	51,039	82,139
2013	32,500	49,756	82,256
2014	33,700	48,415	82,115
2015	35,200	47,025	82,225
2016 - 2020	198,900	212,120	411,020
2021 - 2025	243,400	167,573	410,973
2026 - 2030	297,900	113,066	410,966
2031 - 2035	364,600	46,342	410,942
<i>Total</i>	\$1,267,300	\$787,612	\$2,054,912

**Note 7 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2010*

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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 which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, members in state and local classifications contributed 10.0 percent of covered payroll.

The Airport's contribution rate for 2010 was 14.0 percent of covered payroll. The employer contribution rate is determined actuarially. State statute sets a maximum contribution rate for the Airport at 14.0 percent.

The Airport's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009 and 2008 were \$5,518, \$8,758 and \$9,116, respectively. 83.2 percent has been contributed for 2010, and 100 percent has been contributed for 2009 and 2008. There were no contributions made to the member directed plan for 2010.

**Note 8 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (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 and the combined plan is a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2010*

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Funding Policy – The Ohio revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS’ post employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 5.5 percent from January 1<sup>st</sup> through February 28<sup>th</sup>, 2010 and 5.0 percent from March 1<sup>st</sup> through December 31<sup>st</sup>, 2010. The portion of employer contributions allocated to health care for members in the combined plan was 4.73 percent from January 1<sup>st</sup> through February 28<sup>th</sup>, 2010 and 4.23 percent from March 1<sup>st</sup> through December 31<sup>st</sup>, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Airport’s contribution allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009 and 2008 were \$2,017, \$3,706 and \$4,558 respectively. 85.2 percent has been contributed for 2010, and 100 percent has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1st of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**Note 9 – Other Employee Benefits**

***A. Sick and Personal Absence Days***

Full time employees are eligible for one paid personal absence day annually which can be used for personal business. Employees are also eligible for five paid sick days, which can be used for illness or sickness. Employment anniversary dates are used in establishing eligibility. The banked liability has no value for time off or for payment of unused days upon termination. Therefore, there was no liability for accrued but unused personal or sick days as of December 31, 2010.

***B. Vacation***

Full time employees are eligible for paid vacation time depending upon length of service. Vacation time may not be carried over to the following year unless, prior written approval from the Board is granted. Eligible employees will not be paid for any earned but unused vacation upon termination. Therefore, there was no liability for accrued but unused vacation days as of December 31, 2010.



**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
December 31, 2010

**Note 10 - Capital Assets**

A summary of the Airport's capital assets at December 31, 2010 follows:

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
<i>Capital Assets, not being depreciated:</i>				
Land	\$108,569	\$0	\$0	\$108,569
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	2,015,388	0	0	2,015,388
Improvements other than Buildings	2,201,460	11,360	0	2,212,820
Vehicles	414,176	0	0	414,176
Furniture and Equipment	32,617	7,519	0	40,136
<i>Total Capital Assets, being depreciated:</i>	4,663,641	18,879	0	4,682,520
Less Accumulated Depreciation:				
Buildings and Improvements	(303,693)	(52,935)	0	(356,628)
Improvements other than Buildings	(354,930)	(68,382)	0	(423,312)
Vehicles	(330,306)	(13,550)	0	(343,856)
Furniture and Equipment	(30,946)	(1,139)	0	(32,085)
<i>Total Accumulated Depreciation</i>	(1,019,875)	(136,006)	0	(1,155,881)
<i>Total Capital Assets being depreciated, net</i>	3,643,766	(117,127)	0	3,526,639
Total Capital Assets, Net	\$3,752,335	(\$117,127)	\$0	\$3,635,208

**Note 11 - Risk Management**

***Commercial Insurance***

The Airport has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**Ashtabula County Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2010*

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**Note 12 – 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 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, 2010.

**Note 13 – Pending Litigation**

The Airport was party to legal proceedings. The Airport's management is of the opinion that the ultimate disposition of the legal proceedings will not have a material effect, if any, on the financial condition of the Airport.



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INDEPENDENT ACCOUNTANTS' 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*

Ashtabula County Airport Authority  
Ashtabula County  
2382 Airport Road  
Jefferson, OH 44047

To the Board of Trustees:

We have audited the financial statements of the Ashtabula County Airport Authority (the "Airport"), a component unit of Ashtabula County, as of and for the year ended December 31, 2010, and have issued our report thereon dated March 26, 2011. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonably assuring whether the Airport's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the Board of Trustees, management, and others within the Airport. We intend it for no one other than these specified parties.

CANTER & ASSOCIATES

A handwritten signature in blue ink that reads "Canter & Assoc" with a long horizontal flourish extending to the right.

Poland, Ohio  
March 26, 2011



# Dave Yost • Auditor of State

**ASHTABULA AIRPORT AUTHORITY**

**ASHTABULA 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  
MAY 19, 2011**