

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2009**





# Dave Yost • Auditor of State

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, Erie County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2009 through December 31, 2009. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 19, 2011

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**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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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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(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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 financial statements of the Erie-Ottawa Regional Airport Authority, Ohio, as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Erie-Ottawa Regional Airport Authority, Ohio'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 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified 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 modified cash basis financial position of the Erie-Ottawa Regional Airport Authority, Ohio, as of December 31, 2009, and the respective changes in financial position - modified cash basis, and cash flows thereof 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 July 13, 2011, on our consideration of the Erie-Ottawa Regional Airport Authority, Ohio's internal control over financial reporting and on 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 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Erie-Ottawa Regional Airport Authority, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Erie Ottawa Regional Airport Authority, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



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

July 13, 2011



**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(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, 2009. 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 \$66,540. Net assets were \$109,487 at December 31, 2009.

Operating revenues decreased by \$79,790, and operating expenses decreased by \$78,576. Capital grant revenue decreased \$692,084, due to decreased funding received from the FAA. The major runway project was 95 percent completed in 2009.

**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 assets and liabilities using the modified cash basis of accounting. 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 only 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, 2009  
(Unaudited)**

Table 1 provides a summary of the Airport's net assets for 2009 compared to 2008:

<b>Table 1 - Net Assets</b>		
	2009	2008
<b>Assets</b>		
Current and Other Assets	\$ 125,036	\$ 182,024
<b>Total Assets</b>	<u>125,036</u>	<u>182,024</u>
<b>Liabilities</b>		
Current Liabilities	15,549	5,997
<b>Total Liabilities</b>	<u>15,549</u>	<u>5,997</u>
<b>Net Assets</b>		
Unrestricted	109,487	176,027
<b>Total Net Assets</b>	<u>\$ 109,487</u>	<u>\$ 176,027</u>

Total assets decreased by \$66,540 from 2008 to 2009.

Table 2 shows the revenues, expenses, and the changes in net assets for the year ended December 31, 2009, compared to the year ended December 31, 2008.

<b>Table 2 - Revenues, Expenses, and Changes in Net Assets</b>		
	2009	2008
<b>Revenues</b>		
<u>Operating Revenues</u>		
Charges for Services	\$ 324,332	\$ 378,808
Operating Grants	58,000	75,840
Other Operating Revenues	4,378	11,852
<b>Total Operating Revenues</b>	<u>386,710</u>	<u>466,500</u>
<u>Non-Operating Revenues</u>		
Land Rentals	31,296	31,296
Interest Income	109	1,494
<b>Total Non-Operating Revenues</b>	<u>31,405</u>	<u>32,790</u>
<b>Total Revenues</b>	<u>418,115</u>	<u>499,290</u>
Capital Grants and Subsidy	1,060,092	1,752,176
<b>Total Revenues and Capital Grants and Subsidy</b>	<u>1,478,207</u>	<u>2,251,466</u>
<b>Expenses</b>		
<u>Operating Expenses</u>		
Salaries and Employee Benefits	173,786	167,634
Fuel	138,029	212,582
Taxes and Income	18,164	17,804
Utilities	23,378	21,240
Repairs and Maintenance	21,132	34,910
Other Operating Expenses	31,142	30,037
<b>Total Operating Expenses</b>	<u>405,631</u>	<u>484,207</u>
<u>Non-Operating Expenses</u>		
Debt Payment	34,595	35,095
Project Expenses	1,104,521	1,810,419
<b>Total Non-Operating Expenses</b>	<u>1,139,116</u>	<u>1,845,514</u>
<b>Total Expenses</b>	<u>1,544,747</u>	<u>2,329,721</u>
Increase (Decrease) in Net Assets	<u>\$ (66,540)</u>	<u>\$ (78,255)</u>

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Unaudited)**

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Total revenues and capital grants decreased by \$773,259 due primarily 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 revenues decreased by \$79,790 due mainly to a decrease in fuel sales.
- Capital contributions consisted of grants from the FAA. Grants were received for the Airport's runway and safety area rehabilitation which included runway paving and expansion.

Operating expenses decreased by \$78,576 primarily due to lower fuel sales and prices.

- 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.

### **Debt**

The Authority had no new debt in 2009. Note 4 to the financial statements details the debt obligation of the Authority.

### **Operational Highlights**

Construction of the 9/27 runway shift was 95% completed in 2009. The widening of the total length of 9/27 and new lighting will give the Airport a 5,646 foot east-west runway. Engineering and temporary repairs on runway 18/36 was started in 2009. The airport will receive 95 percent funding from the FAA for all projects as in the past.

### **Future Outlook**

Repairs on runway 18/36 and the planning of resurfacing taxiway "B" will begin in 2010. The FAA will furnish 95 percent of the funding.

### **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 - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 125,036
<b>Total Current Assets</b>	<b>125,036</b>

<b>TOTAL ASSETS</b>	<b>\$ 125,036</b>
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**LIABILITIES AND NET ASSETS**

**Liabilities**

Payroll Tax Withholdings	\$ 6,069
Advance from County	9,480
<b>Total Liabilities</b>	<b>15,549</b>

**Net Assets**

Unrestricted	109,487
<b>Total Net Assets</b>	<b>109,487</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 125,036</b>
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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 -**  
**MODIFIED CASH BASIS -**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**REVENUE AND EXPENSES**

**Operating Revenues**

Operating Grants	\$ 58,000
Charges for Services	324,332
Other Operating Revenue	<u>4,378</u>
<b>Total Operating Revenues</b>	<b><u>386,710</u></b>

**Operating Expenses**

Salaries and Employee Benefits	173,786
Fuel for Resale	138,029
Taxes and Insurance	18,164
Utilities	23,378
Repairs and Maintenance	21,132
Other Supplies and Expenses	<u>31,142</u>
<b>Total Operating Expenses</b>	<b><u>405,631</u></b>
Operating Income or (Loss)	<u>(18,921)</u>

**Non-Operating Revenues (Expenses)**

Land Rentals	31,296
Interest Income	109
Debt Payment	<u>(34,595)</u>
<b>Total Non-Operating Revenue (Expenses)</b>	<b><u>(3,190)</u></b>
Loss Before Capital Activity	<u>(22,111)</u>

**Capital Activity**

Capital Grants	1,051,553
Capital Subsidy - County	8,539
Project Expenses	<u>(1,104,521)</u>
<b>Net Capital Activity</b>	<b><u>(44,429)</u></b>
Increase (Decrease) in Net Assets	(66,540)

Total Net Assets - Beginning of Year	<u>176,027</u>
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<b>Total Net Assets - End of Year</b>	<b><u>\$ 109,487</u></b>
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See accompanying notes to the financial statements.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from Customers	\$ 324,332
Operating Grants	58,000
Other Revenue	4,378
Cost of Supplies Sold to Customers	(138,029)
Payments for Employee Services and Benefits	(173,714)
Other Operating Expenses	<u>(93,816)</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>(18,849)</u></b>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Project Expenses	(1,104,521)
Debt Payments	(34,595)
Capital Grants	1,051,553
County Subsidy	8,539
Advance from County	9,480
Other Receipts	<u>31,296</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>(38,248)</u></b>
 <b><u>Cash Flows from Investing Activities</u></b>	
Interest	<u>109</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>109</u></b>
Net Decrease in Cash and Cash Equivalents	(56,988)
 Cash and Cash Equivalents - Beginning of Year	 <u>182,024</u>
 <b>Cash and Cash Equivalents - End of Year</b>	 <b><u>\$ 125,036</u></b>
 <b><u>Reconciliation of Operating (Loss) to</u></b>	
<b><u>Net Cash (Used) by Operating Activities</u></b>	
Operating Loss	\$ (18,921)
Payroll Tax Withholding - Change	<u>72</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>\$ (18,849)</u></b>

See accompanying notes to the financial statements.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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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 the Erie Ottawa 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 applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to 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. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(CONTINUED)**

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

**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.

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-balances 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**

Assets and liabilities recorded on the cash basis 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. The modifications to the cash basis is due to the recognition of payroll tax withholdings and an advance from the County as liabilities.

Except for the above modifications revenue is recorded on the modified cash basis when the cash is received, and the 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 2009, the Airport's investments were limited to interest bearing demand deposit accounts.

**Net Assets**

Net assets represent the difference between assets and liabilities. 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(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 grant revenue when received. Grants are only recorded as revenue upon receipt of the grant funds.

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 \$125,036, and the bank balance was \$126,935. The entire bank balance of \$126,935 was covered by federal depository insurance provided by the Federal Deposit Insurance Corporation (FDIC).

The Airport had no investments at December 31, 2009.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(CONTINUED)**

NOTE 4: **DEBT**

The Airport undertook construction of hangar units for rental, 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 2009 is as follows:

Ending Balance at <u>01/01/09</u>	<u>Payment</u>	Balance <u>12/31/09</u>
\$ 345,000	\$ (20,000)	\$ 325,000

The amortization of the debt is as follows:

For the Year ended <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Payments</u>
2010	\$ 20,000	\$ 14,095	\$ 34,095
2011	20,000	13,495	33,495
2012	20,000	12,895	32,895
2013	20,000	12,245	32,245
2014	20,000	11,575	31,575
2015-2019	130,000	40,800	170,800
2020-2022	<u>95,000</u>	<u>8,738</u>	<u>103,738</u>
Totals	<u>\$ 325,000</u>	<u>\$ 113,843</u>	<u>\$ 438,843</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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(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, 2009, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Airport's contribution rate for pension benefits for 2009 was 14 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, 2009, 2008, and 2007, were \$20,701, \$19,958, and \$17,686, respectively; 100 percent has been contributed for 2009, 2008, and 2007. Contributions to the Combined Plan for 2009 were \$1,832 made by the Airport and \$1,309 made by the plan members.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

A. **Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the 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 ten 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 is considered 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.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(CONTINUED)**

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

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care benefits. The 2009 employer rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 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 Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2009, the portion of employer contributions allocated to health care was 7.00 percent from January 1 through March 31 and 5.50 percent from April 1 through December 31. The OPERS Retirement Board 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. Actual contributions for 2009 which were used to fund post-employment benefits were \$8,703.

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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(CONTINUED)**

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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, 2009.

**ERIE OTTAWA REGIONAL AIRPORT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor/Program Title</b>	<b>Grant Number</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Transportation</u></b>			
<b><u>Direct Programs</u></b>			
<i>Federal Aviation Administration</i>			
Airport Improvement Program			
	3-39-68-2307	20.106	\$ 106,691
	3-39-68-2408		604,969
	3-39-68-2508		199,936
	3-39-68-2609		38,049
	3-39-68-2709		<u>99,650</u>
<i>Federal Aviation Administration</i>			<u>1,049,295</u>
<b>Total U.S. Department of Transportation</b>			<u>1,049,295</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u><u>\$ 1,049,295</u></u>

NOTE - This schedule is prepared on the cash basis of accounting.

**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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**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, Ohio, (the Airport), as of and for the year ended December 31, 2009, and have issued our report thereon dated July 13, 2011, wherein, we noted the Erie-Ottawa Regional Airport Authority, Ohio, followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Erie-Ottawa Regional Airport Authority, Ohio'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 Erie-Ottawa Regional Airport Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Erie-Ottawa Regional Airport Authority, Ohio's internal control over financial reporting.

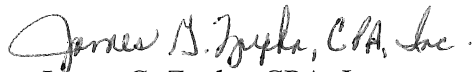
*A deficiency in internal control* exists when the design or operation of a control does not all management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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 reasonable assurance about whether the Erie-Ottawa Regional Airport Authority, Ohio'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*.

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

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

July 13, 2011



**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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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of the Erie-Ottawa Regional Airport Authority, Ohio with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Erie-Ottawa Regional Airport Authority, Ohio's major federal program for the year ended December 31, 2009. Erie-Ottawa Regional Airport Authority, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of the Erie-Ottawa Regional Airport Authority, Ohio's management. Our responsibility is to express an opinion on the Erie-Ottawa Regional Airport Authority, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Erie-Ottawa Regional Airport Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Erie-Ottawa Regional Airport Authority, Ohio's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item **2009-01**.

### **Internal Control Over Compliance**

The management of the Erie-Ottawa Regional Airport Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Erie-Ottawa Regional Airport Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Erie-Ottawa Regional Airport Authority, Ohio's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item **2009-01**. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express to opinion on the responses.

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

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style with a large initial 'J'.

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

July 13, 2011

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
DECEMBER 31, 2009**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2009 (i)	Type of Financial Statement Opinion	Unqualified
2009 (ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2009 (ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2009 (iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009 (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2009 (iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
2009 (v)	Type of Major Programs' Compliance Opinions	Unqualified
2009 (vi)	Are there any reportable findings under .510?	Yes
2009 (vii)	Major Programs (list):  Airport Improvement Program - CFDA # 20.106	
2009 (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000
2009 (ix)	Low Risk Auditee?	Yes

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

None.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
(CONTINUED)  
DECEMBER 31, 2009**

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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Item No. 2009-01 - Significant Deficiency - Compliance Finding**

Criteria

During our review of federal expenditures, we noted that the Authority expended more than \$500,000 in federal funds in 2009 and did not have an audit conducted in a timely manner to complete the data collection form and reporting package by the required deadline.

Entities that expend than \$500,000 a year in Federal Awards shall have a single audit conducted in accordance with OMB Circular A-133. The audit shall be completed and the data collection form and reporting package shall be submitted nine months after the end of the audit period.

Cause

The Authority is lacking an adequate system of controls to ensure that Federal award expenditures are reviewed and a determination for the need of a single audit is made at the end of the fiscal year.

Condition

The reporting package, which includes the single audit reports, was not submitted to the Federal Audit Clearinghouse until July 2011.

Questioned Costs

None

Effect

The Authority is not in compliance with reporting requirements.

Client Response/Corrective Action Plan

The Authority recognizes that we did not properly determine the need for a single audit in 2009. We will implement controls that will correct this in future periods.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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The prior year audit report, as of December 31, 2008, did not contain any audit findings or management comments.



# Dave Yost • Auditor of State

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  
SEPTEMBER 29, 2011