



**ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY**

**REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2011**



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, 2011 through December 31, 2011. 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

July 17, 2012

This page intentionally left blank.

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to the Basic Financial Statements	11
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 <i>Government Auditing Standards</i>	22

This page intentionally left blank.



6400 Olde Stone Crossing
Poland, Ohio 44514
Ph: 330.707.9035
Fax: 888.516.1186

CERTIFIED PUBLIC ACCOUNTANTS

WWW.CANTERCPA.NET

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, 2011, 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, 2011, 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 May 30, 2012 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
Page 2

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

May 30, 2012

Ashtabula County Airport Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2011
UNAUDITED

The discussion and analysis of the Ashtabula County Airport Authority's financial performance provides an overall review of the Airport's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Airport'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's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The Airport's net assets increased by \$250,797, or 9.4 percent.
- During 2011, the Airport had an operating loss of \$384,372, however, total net assets increased by \$250,797. Contributions made to the Airport from the County and private donors of \$84,619 and \$398,118, respectively, totaling \$482,737 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 \$30,000 and \$52,276, respectively. The Airport also paid back the County \$90,000 for an outstanding loan obligation for the purchase of a refueler truck. The County then repaid this money to the Airport to help establish maintenance and repair fund.
- During 2011 the Airport did not start or complete any major construction projects and did not receive any grants from the Federal Aviation Administration.

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's finances "How did we do financially during 2011?" 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's *net assets and changes in those assets*. This change in net assets is important because it tells the reader that, for the Airport as a whole, the *financial position* of the Airport 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
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2011
UNAUDITED

The Airport as a Whole

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

Table 1 provides a summary of the Airport's net assets for 2011, compared to 2010:

(Table 1)
Net Assets

	Business-Type Activities		
	2011	2010	Change
Assets			
Current and Other Assets	\$407,026	\$440,253	(\$33,227)
Capital Assets, Net of Depreciation	3,776,731	3,635,208	141,523
Total Assets	4,183,757	4,075,461	108,296
Liabilities			
Long-Term Liabilities	1,237,300	1,267,300	(30,000)
Other Liabilities	36,058	148,559	(112,501)
Total Liabilities	1,273,358	1,415,859	(142,501)
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,534,474	2,367,908	166,566
Restricted for Debt Service	71,664	63,417	8,247
Unrestricted	304,261	228,277	75,984
Total Net Assets	\$2,910,399	\$2,659,602	\$250,797

Total assets increased by \$108,296 from 2010 to 2011. The majority of this increase was due to the \$141,523 increase in capital assets. During 2011, the Airport received \$482,737 in contributions and donations from the County and private donors. These contributions helped increase the overall cash balance of the Airport by \$72,514, which is another reason for this increase.

Total liabilities decreased by \$142,501 during 2011, which is a 10.1 percent change from the prior year. The majority of this decrease is due to the Airport making its scheduled principal payment of \$30,000 on the revenue bonds as well as paying back the County \$90,000 for the refueler truck that was purchased in 1997.

In total, net assets of the Airport increased by \$250,797 which can be attributed mostly to the decrease in total liabilities of \$142,501 and the increase in capital assets of \$141,523, as previously discussed.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2011
UNAUDITED

Table 2 shows the revenues, expenses and the changes in net assets for the year ended December 31, 2011 compared to the year ended December 31, 2010.

(Table 2)
Changes in Net Assets

	Business-Type Activities		
	2011	2010	Change
Revenues			
<i>Operating Revenues:</i>			
Charges for Services	\$366,709	\$327,852	\$38,857
Other Operating revenues	2,542	3,565	(1,023)
Total Operating Revenues	369,251	331,417	37,834
Expenses			
<i>Operating Expenses:</i>			
Personal services	55,635	42,457	13,178
Fringe Benefits	10,008	19,130	(9,122)
Depreciation	143,860	136,006	7,854
Materials and Supplies	281,056	179,062	101,994
Contractual services	251,795	83,052	168,743
Other Operating Expenses	11,269	12,866	(1,597)
Total Expenses	753,623	472,573	281,050
Operating Loss	(384,372)	(141,156)	(243,216)
Non-Operating Revenues (Expenses)			
Interest income	634	616	18
Capital grants	0	21,913	(21,913)
Contributions and Donations	430,989	25,072	405,917
Other non-operating revenue	91,308	2,035	89,273
Interest and Fiscal Charges	(57,571)	(58,001)	430
Intergovernmental Revenue (County)	84,619	81,416	3,203
Gain on Expired Lease Transactions	85,190	0	85,190
Total Non-Operating Revenues (Expenses)	635,169	73,051	562,118
Change in Net Assets	250,797	(68,105)	318,902
Net Assets, Beginning of Year	2,659,602	2,727,707	(68,105)
Net Assets, End of Year	\$2,910,399	\$2,659,602	\$250,797

Operating revenues increased by \$37,834 due primarily to a slight increase in fuel sales and rent and lease revenue from the previous year. Operating expenses increased by \$281,050 from the prior year due to increases in contractual services and materials and supplies expense. The Airport's total net assets increased \$250,797 from the prior year.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2011
UNAUDITED

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 Airport. Table 3 shows 2011 balances compared with 2010.

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

	Business-Type Activities		
	2011	2010	Change
Land	\$108,569	\$108,569	\$0
Buildings and Improvements	1,801,460	1,658,760	142,700
Improvements Other Than Buildings	1,728,543	1,789,508	(60,965)
Vehicles	66,852	70,320	(3,468)
Furniture and Equipment	71,307	8,051	63,256
Totals	\$3,776,731	\$3,635,208	\$141,523

The \$141,523 increase in capital assets was due to \$287,343 worth of capital additions exceeding current year depreciation of \$143,860 during 2011. Note 10 of the basic financial statements provides a more detailed look at the capital asset activity during 2011.

Debt

The outstanding debt for the Airport in prior years included a \$90,000 short-term obligation due to the primary government which was paid in full during 2011 and is no longer outstanding. In 2006, the Airport 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

	2011	2010	Change
Revenue Bonds	\$1,237,300	\$1,267,300	\$30,000

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

Current Financial Issues

Financial performance in 2011 continued to be driven by the national economic environment. Fuel sales for both turbine (Jet A) and piston (100LL) aircraft remain depressed compared to levels prior to 2007. 100LL fuel sales (gallons) increased 5 percent from 2010 but are significantly lower than the Airport experienced in 2007. Jet fuel sales volumes were down 20 percent, reflecting decreasing business travel. The Airport expects this trend to continue and for income to remain at lower levels until the economy recovers. Hangar occupancy has dropped due to customers selling aircraft for both economic and personal reasons.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2011
UNAUDITED

Pilots purchasing their first aircraft or “trading up” have traditionally replaced those selling but we have not observed increases in student activity or trading up. Other airports in the region have vacancies so our situation is not unique.

The Airport received significant support from foundations, business and personal donations in 2011. \$370,000 in unrestricted gifts was received during the year. These funds were used to repair Airport infrastructure and promote Airport development. The Airport also used the donations to set up a \$100,000 Maintenance Repair fund that would hold money for repairing critical infrastructure when the need occurs. Repayment of the fund would come from current income over a planned period of time. The County Commissioners also allocated \$80,000 from the General Fund to support Airport operations in 2011.

The Ashtabula County Aviation Trust gave the Airport \$15,832 for the purchase of a highway type sand spreader that would condition the runway surface in the winter.

Outlook:

It is not likely that the National Economic situation will quickly resolve itself. In August of 2011, the Airport engaged the firm, R.A. Wiedeman and Associates of Georgetown, Kentucky, to develop a strategic plan for the Airport which would focus our efforts on developing the various markets that the Airport serves. The plan would include rebranding the Airport, marketing plans and materials, and strategic tasks which would focus our limited resources in productive activities. The plan is expected to be completed in 2012. The rebranding effort started with renaming the Airport the Northeast Ohio Regional Airport. This rebranding recognizes that the Airport customer base has to be focused on regional rather than local customer services if we are to be financially self-supporting. Preliminary analysis indicated that energy development activities in the region have the potential to dramatically increase business. Efforts are being taken to coordinate marketing with regional tourist and recreational promotions as well as the activities of the newly constructed sports center in Geneva, Ohio.

The Airport has asked the Ashtabula County Aviation Trust to make a distribution in 2012 for the purpose of funding certain building and equipment repairs. The Ashtabula County Commissioners have pledged a \$95,000 contribution from the General Fund for support of Airport operations.

During 2011, the FAA proposed a change to the Airport Reference Code (ARC) that could have potentially reduced the amount of FAA-AIP grant funding to the Airport. Part of the strategic plan being developed is to enhance the Airport's ability to serve business jet traffic. The proposed reduction in the ARC would have had an adverse, long term impact on the amount of funds available for facility renewal and expansion. An intense effort to maintain the current status of the Airport which included our district Congressional Representative, county political leaders, engineers, legal and environmental consultants was successful. Revised capital funding plans have been approved by the FAA and the flow of grant funds is expected to resume during 2012.

Contacting the Airport'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's finances and to show the Airport's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dwight Bowden, 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, 2011

Assets	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$241,248
Accounts Receivable	1,728
Prepaid Assets	11,998
Fuel Inventory	44,949
Lease Receivable	99,687
Deferred Charges	7,416
	<hr/>
<i>Total Current Assets</i>	<i>407,026</i>
 <i>Non-Current Assets:</i>	
Nondepreciable Capital Assets	108,569
Depreciable Capital Assets, Net	3,668,162
	<hr/>
<i>Total Non-Current Assets</i>	<i>3,776,731</i>
	<hr/>
<i>Total Assets</i>	<i>\$4,183,757</i>
	<hr/> <hr/>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	\$14,478
Accrued Interest Payable	12,760
Unearned Revenue	8,820
	<hr/>
<i>Total Current Liabilities</i>	<i>36,058</i>
 <i>Non-Current Liabilities:</i>	
Due Within One Year	31,100
Due In More than One Year	1,206,200
	<hr/>
<i>Total Non-Current Liabilities</i>	<i>1,237,300</i>
	<hr/>
<i>Total Liabilities</i>	<i>1,273,358</i>
	<hr/> <hr/>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,534,474
Restricted for Debt Service	71,664
Unrestricted	304,261
	<hr/>
<i>Total Net Assets</i>	<i>2,910,399</i>
	<hr/>
<i>Total Liabilities and Net Assets</i>	<i>\$4,183,757</i>
	<hr/> <hr/>

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, 2011

Operating Revenue	
Sales	\$242,077
Rent	114,320
Leases	10,312
Other Operating Revenues	<u>2,542</u>
<i>Total Operating Revenue</i>	<u>369,251</u>
Operating Expenses	
Personal Services	55,635
Fringe Benefits	10,008
Contractual Services	251,795
Materials and Supplies	281,056
Depreciation	143,860
Other Operating Expenses	<u>11,269</u>
<i>Total Operating Expenses</i>	<u>753,623</u>
<i>Operating Loss</i>	<u>(384,372)</u>
Non-Operating Revenues (Expenses)	
Interest Income	634
Contributions and Donations	430,989
Other Non-Operating Revenue	91,308
Interest and Fiscal Charges	(57,571)
Intergovernmental Revenue - County Appropriation	84,619
Gain on Expired Lease Transactions	<u>85,190</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>635,169</u>
<i>Change In Net Assets</i>	250,797
<i>Net Assets, Beginning of Year</i>	<u>2,659,602</u>
<i>Net Assets, End of Year</i>	<u><u>\$2,910,399</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, 2011

Cash Flows From Operating Activities:	
Cash Received from Customers	\$242,077
Cash Received from Leases	113,120
Other Operating Revenue	2,542
Cash Paid for Goods and Services	(549,655)
Cash Paid to Employees	(69,028)
Other Operating Expenses	<u>(11,269)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(272,213)</u>
Cash Flows From Non-Capital Financing Activities:	
Other Non-Operating Receipts	<u>91,308</u>
Cash Flows From Investing Activities:	
Interest on Investments	<u>634</u>
Cash Flows From Capital and Related Financing Activities:	
Contributions and Donations	484,697
Capital Grants	2,138
Payment for Capital Acquisitions	(146,482)
Principal Payments on Debt	(30,000)
Interest Payments	<u>(57,568)</u>
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>252,785</u>
Net Increase in Cash and Cash Equivalents	72,514
Cash and Cash Equivalents at Beginning of Year	<u>168,734</u>
Cash and Cash Equivalents at End of Year	<u><u>\$241,248</u></u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities	
Operating Loss	<u>(\$384,372)</u>
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation	143,860
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	1,062
Prepaid Assets	(5,231)
Inventory	4,972
* Leases Receivable	(10,312)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	(4,545)
Contracts Payable	(12,000)
Accrued Wages	(2,274)
Due to Other Governments	(1,111)
Unearned Revenue	<u>(2,262)</u>
Total Adjustments	<u>112,159</u>
Net Cash Used for Operating Activities	<u><u>(\$272,213)</u></u>

Footnote:

* Leases receivable overall decrease of \$112,800 had two components: operating and non-operating. The cash flows reconciliation only provides a comparison for operating activities, therefore non-operating revenues are not considered in the reconciliation. An increase of \$10,312 was accounted for in the operating revenues, while a decrease of \$123,112 was accounted for under capital and related financing activities.

See accompanying notes to the basic financial statements

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2011

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

A. The Airport

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

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2011

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 2011 amounted to \$634.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2011

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 \$71,664, none of which is restricted by enabling legislation.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2011

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 2011.

Note 3 – Change in Accounting Principles

For 2011, the Airport has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59 “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 did not have any effect on the Airport’s financial statements.

GASB Statement No. 59 improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice, by improving the consistency of measurements and by providing clarification of existing standards. The implementation of GASB Statement No. 59 did not have any effect on the Airport’s financial statements.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2011

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, 2011

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's name. During 2011, 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 \$241,248, of which \$417 was cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$250,000 of the Airport's bank balance of \$250,846 was covered by the Federal Deposit Insurance Corporation, while \$846 was not.

Note 5 – Operating Lease Agreements

In prior years, the Airport entered into four operating lease agreements for hangar improvements. The hangar improvements were paid for by tenants in exchange for the free use of the hangars for an agreed upon number of years. The terms of these agreements state that the assets will become property of the Airport at conclusion of the agreement.

During 2011, two hangar agreements expired. As a result, the assets reverted to the Airport and were capitalized at their current fair market value. The Airport also recognized a gain on expired lease transactions in the amount of \$85,190, which is the difference between the leases receivable being carried on the Airport's statement of net assets and the fair market value of the assets acquired.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2011

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 2011 were as follows:

	Amount Outstanding 1/1/2011	Additions	Reductions	Amount Outstanding 12/31/2011	Amount Due In One Year
<i>Business-Type Activities</i>					
Revenue Bonds	\$1,267,300	\$0	\$30,000	\$1,237,300	\$31,100

The annual requirements to retire this debt are as follows:

	2005 Revenue Bonds		
	Principal	Interest	Total
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	36,600	45,573	82,173
2017 - 2021	207,100	203,915	411,015
2022 - 2026	253,400	157,533	410,933
2027 - 2031	310,200	100,778	410,978
2032 - 2035	297,500	31,302	328,802
<i>Total</i>	<u>\$1,237,300</u>	<u>\$735,336</u>	<u>\$1,972,636</u>

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, but less than, 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, 2011

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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2011, members in state and local classifications contributed 10.0 percent of covered payroll.

The Airport's contribution rate for 2011 was 14.0 percent of covered payroll, of which 4.0 percent was used to fund health care coverage for retirees. 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, 2011, 2010 and 2009 were \$8,092, \$5,518 and \$8,758, respectively. 100 percent has been contributed for 2011, 2010 and 2009. There were no contributions made to the member directed plan for 2011.

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.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2011

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (614) 222-5601 or (800) 222-7377.

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 2011, 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 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 percent for 2011. 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, 2011, 2010 and 2009 were \$2,312, \$2,017 and \$3,706 respectively. 100 percent has been contributed for 2011, 2010 and 2009.

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, 2011.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2011

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, 2011.

Note 10 - Capital Assets

A summary of the Airport's capital assets at December 31, 2011 follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
<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	197,986	0	2,213,374
Improvements other than Buildings	2,212,820	7,440	0	2,220,260
Vehicles	414,176	10,348	(2,800)	421,724
Furniture and Equipment	40,136	71,569	0	111,705
<i>Total Capital Assets, being depreciated:</i>	4,682,520	287,343	(2,800)	4,967,063
Less Accumulated Depreciation:				
Buildings and Improvements	(356,628)	(55,286)	0	(411,914)
Improvements other than Buildings	(423,312)	(68,405)	0	(491,717)
Vehicles	(343,856)	(11,856)	840	(354,872)
Furniture and Equipment	(32,085)	(8,313)	0	(40,398)
<i>Total Accumulated Depreciation</i>	(1,155,881)	(143,860)	840	(1,298,901)
<i>Total Capital Assets being depreciated, net</i>	3,526,639	143,483	(1,960)	3,668,162
Total Capital Assets, Net	\$3,635,208	\$143,483	(\$1,960)	\$3,776,731

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.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2011

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

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, 2011.

Note 13 – Subsequent Event - Strategic Plan and Change of Name

In August of 2011, the Airport hired the firm R.A. Wiedeman and Associates of Georgetown, Kentucky, to help develop a strategic plan for the Airport which will focus efforts on developing the various markets that the Airport serves. As part of the overall plan to rebrand the Airport, the Board has agreed to change the name of the Airport in 2012 from the Ashtabula County Airport to the Northeast Ohio Regional Airport.

This page intentionally left blank.



6400 Olde Stone Crossing
Poland, Ohio 44514
Ph: 330.707.9035
Fax: 888.516.1186

CERTIFIED PUBLIC ACCOUNTANTS

WWW.CANTERCPA.NET

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, 2011, and have issued our report thereon dated May 30, 2012. 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, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Airport'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 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 we must report under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Airport in a separate letter dated May 30, 2012.

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

CANTER & ASSOCIATES

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

Poland, Ohio
May 30, 2012



Dave Yost • Auditor of State

ASHTABULA COUNTY 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
JULY 31, 2012**