



Dave Yost • Auditor of State



**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
OTTAWA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Erie-Ottawa Regional Airport Authority  
Ottawa County  
3255 East State Road  
Port Clinton, Ohio 43452-8004

To the Board of Directors:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement and related notes of Erie-Ottawa Regional Airport Authority, Ottawa County, Ohio (the Airport) as of and for the year ended December 31, 2013.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Airport's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Airport's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the Airport prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Airport does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Airport as of December 31, 2013, or changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of Erie-Ottawa Regional Airport Authority, Ottawa County, Ohio as of December 31, 2013, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 28, 2015

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
OTTAWA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u><b>2013</b></u>
<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$666,928</u>
<b>Operating Cash Disbursements:</b>	
Salaries and Employee Benefits	189,010
Fuel for Resale	441,926
Insurance	33,391
Utilities	23,161
Other Contractual Services	22,142
Office Supplies and Materials	7,905
Advertising and Printing	<u>451</u>
<i>Total Operating Cash Disbursements</i>	<u>717,986</u>
<i>Operating Loss</i>	<u>(51,058)</u>
<b>Non-Operating Cash Receipts:</b>	
Grants	265,820
Loan Proceeds	524,195
Line of Credit Proceeds	344,117
Earnings on Investments	112
Miscellaneous	<u>46,074</u>
<i>Total Non-Operating Cash Receipts</i>	<u>1,180,318</u>
<b>Non-Operating Cash Disbursements:</b>	
Principle Retirement	292,831
Interest and Fiscal Charges	13,741
Equipment	25,019
Capital Outlay	523,495
Other Non-Operating Cash Disbursements	<u>87,095</u>
<i>Total Non-Operating Cash Disbursements</i>	<u>942,181</u>
<i>Net Receipts Over Disbursements</i>	187,079
Cash Balance, January 1	<u>138,492</u>
<i>Cash Balance, December 31</i>	<u><u>\$325,571</u></u>

*The notes to the financial statement is an integral part of this statement.*

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**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Erie-Ottawa Regional Airport Authority, Ottawa County, Ohio (the Airport) as a body corporate and politic. The Airport is governed by a nine-member Board; four of whom are appointed by the Erie County Board of County Commissioners and four of whom are appointed by the Ottawa County Board of County Commissioners. The remaining member is appointed at-large by the other eight Board Members. The Airport is responsible for the safe and efficient operation and maintenance of the Erie-Ottawa Regional Airport Authority.

The Airport's management believes this financial statement presents all activities for which the Airport is financially accountable.

**B. Accounting Basis**

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Airport's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Property, Plant, and Equipment**

The Airport records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**2. EQUITY IN DEPOSITS**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2013
Demand deposits	<u>\$325,571</u>

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2013  
(Continued)**

**3. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Airport Improvement Bond	\$245,500	0.00%
Fuel Line of Credit	71,286	3.25%
Construction Loan	<u>524,195</u>	1.00%
Total	<u><u>\$840,981</u></u>	

The Airport undertook construction of hangar units for rental, which were financed through a 2003 Series General Obligation Bond issued by Ottawa County in the amount of \$465,000. On September 18, 2013, Ottawa County issued general refunding bonds-Series 2013 which included a portion of the Airport's 2013 General Obligation Bonds. The Airport makes the payment for this debt from its operating funds directly to the Ottawa County Commissioners.

On March 28, 2013, the Ottawa County extended the Airport a line of credit up to \$100,000. The proceeds of this line of credit were to be used only for the purchase of airplane and jet fuel to be sold at the airport. The Airport agreed to pay the Ottawa County Commissioners the net sum of borrowing plus interest. There are no periodic or uniform payments required as the County bills monthly based on the outstanding balance plus associated interest. The Airport makes the payment for this debt from its operating funds directly to the Ottawa County Commissioners.

On September 24, 2013, Ottawa County extended the Airport a construction loan up to \$1,000,000. The proceeds of this loan are to be used for various construction projects at the Airport. The Airport agreed to pay the County the net sum of borrowing plus interest. There are no periodic or uniform payments required as the County bills monthly based on the outstanding balance plus associated interest. The Airport makes the payment for this debt from its operating funds directly to the Ottawa County Commissioners.

On November 6, 2013, the Airport entered into a loan with the State Infrastructure Bank for the construction of a taxiway to support new private development of fourteen hangars and the addition of an aviation museum, the construction of a customs building, the upgrade of an existing hangar, and the renovation of an existing building to hangar space. As of December 31, 2013, the project has not been started and no loan funds have been received.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	<u>Airport Improvement Bond</u>
2014	\$30,875
2015	34,825
2016	34,525
2017	29,075
2018	28,575
2019-2022	<u>133,400</u>
Total	<u><u>\$291,275</u></u>

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2013  
(Continued)**

**4. RETIREMENT SYSTEM**

The Airport's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2013, OPERS members contributed 10% of their gross salaries and the Board contributed an amount equaling 14% of participants' gross salaries. The Board has paid all contributions required through December 31, 2013.

**5. RISK MANAGEMENT**

Through Ottawa County, the Airport is covered under the County Risk Sharing Authority, Inc. (CORSA). CORSA is a risk sharing pool made up of 41 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 of aviation, airport hangerkeepers liability, and vehicles. The Airport also carries a bond on key management positions.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Erie-Ottawa Regional Airport Authority  
Ottawa County  
3255 East State Road  
Port Clinton, Ohio 43452-8004

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of Erie-Ottawa Regional Airport Authority, Ottawa County, Ohio, (the Airport) as of and for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated September 28, 2015, wherein we noted the Airport followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the Airport's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Airport's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Airport's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Airport's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 28, 2015

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Significant deficiency for the lack of appropriate control over adjusting entries recorded to the accounting system.	Yes	
2012-002	Significant deficiency for failing to accurately bill fuel sales.	No	Partially corrected and repeated as a Management Letter comment.

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# 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  
OCTOBER 13, 2015**