



Dave Yost • Auditor of State



**NORTHEAST OHIO REGIONAL AIRPORT AUTHORITY  
ASHTABULA COUNTY  
DECEMBER 31, 2017**

**TABLE OF CONTENTS**

| <b>TITLE</b>  | <b>PAGE</b> |
|---|-------------|
| Independent Auditor's Report .....  | 1           |
| Prepared by Management:   |             |
| Management's Discussion and Analysis .....  | 5           |
| Basic Financial Statements:   |             |
| Statement of Net Position .....   | 13          |
| Statement of Revenues, Expenses and Changes in Net Position .....   | 14          |
| Statement of Cash Flows .....   | 15          |
| Notes to the Basic Financial Statements .....   | 16          |
| Required Supplementary Information:   |             |
| Schedule of Airport's Proportionate Share of the<br>Net Pension Liability (OPERS) .....   | 32          |
| Schedule of Airport Contributions (OPERS) .....   | 33          |
| Notes to Required Supplementary Information .....   | 35          |
| Schedule of Expenditures of Federal Awards .....  | 37          |
| Notes to the Schedule of Expenditures of Federal Awards .....   | 38          |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> .....                | 39          |
| Independent Auditor's Report on Compliance with Requirements<br>Applicable to the Major Federal Program and on Internal Control Over<br>Compliance Required by the Uniform Guidance ..... | 41          |
| Schedule of Findings .....  | 43          |

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Northeast Ohio Regional Airport Authority  
Ashtabula County  
P.O. Box 379  
Jefferson, Ohio 44047

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Northeast Ohio Regional Airport Authority, Ashtabula County, Ohio, (the Airport) a component unit of Ashtabula County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to opine on these financial statements 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 statements are 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 statements 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 such 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northeast Ohio Regional Airport Authority, Ashtabula County, Ohio, as of December 31, 2017, and the changes in its financial position and, its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

The Airport has suffered recurring losses from operations as of December 31, 2017 and prior years. Based solely on inquiries of management and scanning of unaudited fund cash balances as of July 18, 2018 the government may require additional revenue or cost-cutting measures to continue paying its obligations when due. The notes to the financial statements do not disclose this matter; however this does not affect our opinion on these financial statements.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

### ***Supplementary and Other Information***

Our audit was conducted to opine on the Airport's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2018, 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.

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

July 18, 2018

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**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*

*Unaudited*

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The discussion and analysis of the Northeast Ohio Regional Airport Authority's (the "Airport") financial performance provides an overall review of the Airport's financial activities for the year ended December 31, 2017. 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 2017 are as follows:

- The Airport's net position increased by \$9,057,357, or 156 percent.
- During 2017, the Airport had an operating loss of \$927,460 but total net position increased by \$9,057,357. Capital grants of \$9,207,582 coupled with contributions and donations made to the Airport from the County and private donors of \$194,538 and \$626,394, respectively, totaling \$820,932 for Airport improvements and to help 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 \$38,200 and \$44,063, respectively. The Airport also made an additional principal payment of \$5,922 during the year.
- Previously, the Airport entered into a rental agreement to allow an outside party to manage and farm approximately 190 acres of its land at a price of \$105 per acre per year, or \$19,950. The agreement commenced on April 1, 2013 and expires on March 31, 2018.
- The Airport's net pension liability related to GASB Statement No. 68 increased to \$177,125 from \$151,215. For more information on this liability see Note 7 to the basic financial statements.
- The Airport secured a Federal Aviation Administration grant for \$7,527,002 and three Ohio Department of Transportation grants totaling \$792,048 to help fund the Runway Improvement Project. As of December 31, 2017, construction in progress on this project has been completed and the total capitalized amount of \$12,075,141 has been placed in service.

This report consists of a series of financial statements. The *Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position* 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 2017?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Airport and its activities in a way that helps answer this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* 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.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*

*Unaudited*

These two statements report the Airport's *net position* and *changes in that net position*. This change in net position 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.

**The Airport as a Whole**

Recall that the Statement of Net Position provides the perspective of the Airport as a whole. Table 1 provides a summary of the Airport's net position for 2017, compared to 2016:

**(Table 1) Net Position**

Business-Type Activities

|                                       | 2017         | 2016        | Change      |
|---------------------------------------|--------------|-------------|-------------|
| <b>Assets</b>                         |              |             |             |
| Current and Other Assets              | \$1,841,745  | \$847,493   | \$994,252   |
| Capital Assets, Net of Depreciation   | 15,451,909   | 6,274,893   | 9,177,016   |
| Total Assets                          | 17,293,654   | 7,122,386   | 10,171,268  |
| <b>Deferred Outflows of Resources</b> |              |             |             |
| Pension - OPERS                       | 79,528       | 66,980      | 12,548      |
| <b>Liabilities</b>                    |              |             |             |
| Current and Other Liabilities         | 1,375,279    | 236,537     | (1,138,742) |
| Long-Term Liabilities:                |              |             |             |
| Due Within One Year                   | 39,700       | 38,200      | (1,500)     |
| Due in More than One Year:            |              |             |             |
| Net Pension Liability                 | 177,125      | 151,215     | (25,910)    |
| Revenue Bonds                         | 908,378      | 954,000     | 45,622      |
| Total Liabilities                     | 2,500,482    | 1,379,952   | (1,120,530) |
| <b>Deferred Inflows of Resources</b>  |              |             |             |
| Pension - OPERS                       | 8,726        | 2,797       | 5,929       |
| <b>Net Position</b>                   |              |             |             |
| Net Investment in Capital Assets      | 14,503,831   | 5,282,693   | 9,221,138   |
| Restricted for Debt Service           | 91,271       | 124,889     | (33,618)    |
| Unrestricted                          | 268,872      | 399,035     | (130,163)   |
| Total Net Position                    | \$14,863,974 | \$5,806,617 | \$9,057,357 |

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*

*Unaudited*

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Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB No. 68, the net pension liability equals the Airport's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the Airport, part of a bargained-for benefit to the employee, and should accordingly be reported by the Airport as a liability since they received the benefit of the exchange. However, the Airport is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the Airport. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB No. 68, the Airport's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total assets increased \$10,171,268 during 2017. This increase was the result of an increase in capital assets of over \$9 million related to the runway extension project.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*

*Unaudited*

Total liabilities increased by \$1,120,530 during 2017, which is a 81 percent change from the prior year. This change is due to an increase in accounts and contracts payable related to various Airport projects. Long-term liabilities decreased slightly due to an increase in net pension liability being offset by the Airport making its scheduled principal payment of \$38,200 plus an additional \$5,922.

Deferred outflows and inflows of resources represent pension related payments to OPERS.

In total, net position of the Airport increased by \$9,057,357 which can be attributed mostly to the increase in capital assets during the year. Table 2 shows the revenues, expenses and the changes in net position for the year ended December 31, 2017 compared to the year ended December 31, 2016.

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

|   | Business-Type Activities |                    |                    |
|---|--------------------------|--------------------|--------------------|
|   | 2017                     | 2016               | Change             |
| <b>Revenues</b>                                 |                          |                    |                    |
| <i>Operating Revenues:</i>                      |                          |                    |                    |
| Charges for Services                            | \$114,500                | \$188,908          | (\$74,408)         |
| Other Operating Revenues                        | 66,586                   | 2,303              | 64,283             |
| <i>Total Operating Revenues:</i>                | <u>181,086</u>           | <u>191,211</u>     | <u>(10,125)</u>    |
| <b>Expenses</b>                                 |                          |                    |                    |
| <i>Operating Expenses:</i>                      |                          |                    |                    |
| Personal Services                               | 151,953                  | 101,470            | (50,483)           |
| Fringe Benefits                                 | 56,161                   | 43,354             | (12,807)           |
| Contractual Services                            | 268,492                  | 267,052            | (1,440)            |
| Materials and Supplies                          | 93,327                   | 115,602            | 22,275             |
| Depreciation                                    | 466,847                  | 161,296            | (305,551)          |
| Other Operating Expenses                        | 71,766                   | 36,323             | (35,443)           |
| <i>Total Operating Expenses:</i>                | <u>1,108,546</u>         | <u>725,097</u>     | <u>(383,449)</u>   |
| Operating Loss                                  | <u>(927,460)</u>         | <u>(533,886)</u>   | <u>(393,574)</u>   |
| <b>Non-Operating Revenues (Expenses):</b>       |                          |                    |                    |
| Interest Income                                 | 524                      | 454                | 70                 |
| Capital Grants                                  | 9,207,582                | 1,133,053          | 8,074,529          |
| Contributions and Donations                     | 626,394                  | 595,064            | 31,330             |
| Intergovernmental Revenue (County)              | 194,538                  | 125,000            | 69,538             |
| Land Rent/Management Proceeds                   | 0                        | 19,950             | (19,950)           |
| Interest and Fiscal Charges                     | (44,221)                 | (54,704)           | 10,483             |
| <i>Total Non-Operating Revenues (Expenses):</i> | <u>9,984,817</u>         | <u>1,818,817</u>   | <u>8,166,000</u>   |
| Change in Net Position                          | 9,057,357                | 1,284,931          | 7,772,426          |
| Net Position Beginning of Year                  | <u>5,806,617</u>         | <u>4,521,686</u>   | <u>1,284,931</u>   |
| Net Position End of Year                        | <u>\$14,863,974</u>      | <u>\$5,806,617</u> | <u>\$9,057,357</u> |

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*

*Unaudited*

Operating revenues decreased by \$10,125, or just over five percent from the previous year due to a decrease in fuel sales and rents collected. Operating expenses increased by \$383,449 from the prior year due mostly to increases in depreciation, personal services and other operating expenses. The Airport's total net position increased \$9,057,357 from the prior year.

**Capital Assets**

The largest portion of the Airport's net position each year is its net investment in capital assets. The Airport uses these capital assets to provide services to the businesses and public using the Airport. Table 3 shows 2017 balances compared with 2016.

**(Table 3)**  
Capital Assets at December 31 (Net of Depreciation)  
Business-Type Activities

|                                   | 2017                | 2016               | Change             |
|-----------------------------------|---------------------|--------------------|--------------------|
| Land                              | \$693,478           | \$617,166          | \$76,312           |
| Construction in Progress          | 0                   | 2,682,998          | (2,682,998)        |
| Buildings and Improvements        | 2,106,965           | 1,297,237          | 809,728            |
| Improvements other than Buildings | 12,389,870          | 1,430,894          | 10,958,976         |
| Vehicles                          | 183,939             | 200,101            | (16,162)           |
| Furniture and Equipment           | 77,657              | 46,497             | 31,160             |
| <i>Total</i>                      | <u>\$15,451,909</u> | <u>\$6,274,893</u> | <u>\$9,177,016</u> |

The \$9,177,016 increase in capital assets was due to current year capital additions of \$9,643,863 exceeding current year depreciation of \$466,847 during 2017. Note 11 of the basic financial statements provides a more detailed look at the capital asset activity during 2017.

**Debt**

In 2005, 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, excluding net pension liability, are included in the following table:

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

|               | 2017             | 2016             | Change          |
|---------------|------------------|------------------|-----------------|
| Revenue Bonds | <u>\$948,078</u> | <u>\$992,200</u> | <u>\$44,122</u> |

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

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*

*Unaudited*

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**Current Financial Issues**

***Management Discussion:***

2017 was an important year for the Northeast Ohio Regional Airport. The Airport had recognized that the airport was nearing its' 50<sup>th</sup> birthday. Numerous inspections had shown that the runway and lighting systems were reaching the end of their service life and that regular maintenance was failing to control cracking and other defects in the runway surface. In 2002, the process of designing the new runway started. Over a 15 year period design studies were developed, environmental studies completed, and traffic forecasts made. To maintain the utility of the airport obstructions along the approach and departure lanes had to be removed, in the end requiring the purchase of approximately 100 acres of land, 2 residences, and negotiations of aviation easements of adjacent properties secured. In 2017, the Airport was granted approval of an \$8.3 million project which would completely reconstruct the runway area and replace the Airport lighting systems. Part of the design would upgrade the airport to current safety standards, including runway safety areas. Utility of the Airport would be enhanced by a 703 foot extension of the runway and removal of obstructions that would lower instrument approach minimum altitudes. The design of the new runway environment maintains the airport's Airport Reference Code of C-2 which supports operations by the larger business jets.

The Airport closed for this runway reconstruction project on April 1, 2018 and reopened on August 23. During construction, based aircraft relocated to regional airports. The Airport suspended sales of fuel to all but helicopter traffic and also suspended hangar rental fees. Revenue losses from this airport closing are reflected in the financials for 2017. To offset some of the losses from closure, the Cleveland Foundation made a grant from the Ashtabula County Aviation Trust. The Trust contained a provision which allowed grants for the temporary interruptions of revenue. The runway reconstruction qualified as an interruption and a \$45,000 grant was applied for and received.

During the closure the Airport embarked on a marketing effort to attract new customers that would appreciate the increased utility of the Airport as well as the improved safety of the runway. Mailings to aircraft owners and pilots in a 4 county area were made. Ads on the electronic bill boards along Interstate 90 leading into Cleveland were purchased and the display was timed to show just before the Airport reopening. Incentive offers on hangar rent for new and former tenants were sent out after the airport reopened. These marketing expenses were funded by private donations.

While the runway was being reconstructed, a new terminal building was under construction. This building was financed by grants and gifts from local benefactors, the Ashtabula County Aviation Capital Expenditures Trust, and a grant from the Appalachian Regional Commission. The construction was completed shortly after the runway was opened with occupancy in October, 2017. All Local Match funding for the runway reconstruction project was funded by charitable donations. No local tax dollars were used to fund either project.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*

*Unaudited*

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***Financial Issues:***

The Northeast Ohio Regional Airport generates revenue from two activities. One, the sale of aviation fuels for jet aircraft (Jet A) and piston powered aircraft (100LL gasoline). Second, rental of hangar units or space in community hangars. Other revenue sources are minimal and include sales of lubrications oils, navigation charts, parking and handling fees.

Fuel sales volume for Jet A decreased 67 percent from 2016, to 14,772 gallons, generating \$38,840 in revenue in 2017. Fuel sales for 100LL, typically used in light piston powered aircraft, decreased 51 percent generating \$3,876 in revenue. Markets for the two fuels are significantly different with Jet or Turbine fuels being used by business jets piloted by professional crews. 100LL fuel is used in single and twin engine aircraft used for a variety of activities ranging from business or personal travel to simple local flying activity. The reduction in fuel sales for 100LL reflects a national trend driven by the total cost of flying and a reduction in the number of pilots and aircraft. Jet A sales are driven by the travel needs of various businesses. The business jets are significantly more capable of flying in adverse weather allowing operations at times, and in conditions, not possible with private aircraft. Hence, there is less seasonality in the income stream generated by business jets.

Hangar rentals decreased to \$18,931 in 2017. Hangar rental income peaked in 2011 at \$110,480, while 2017 rental income decreased 64 percent from the previous year. While the suspension of rental fees during the 5 month construction period had a significant adverse impact in revenues, underlying revenue decreases are due to the loss of hangar tenants resulting from owners quitting aviation and selling their aircraft or owners relocating to other airports.

All of the adverse trends are part of a weak local and national economy. This is mostly reflected in the personal use of aircraft and the cost of owning and operating an aircraft or renting from a flight school or flying club. Learning to fly or operating an aircraft is an expensive activity and requires a healthy economy and good paying jobs in order to thrive. Jet A fuel sales reflect visits from economic partners with operations in the region and our locally based jets.

***Outlook:***

We think that business travel will continue to grow and revenue generation from this business segment will continue to be a significant part of Airport financial performance. Personal aviation is not expected to quickly respond to efforts by various special interest organizations to promote flying and grow the pilot population.

With the completion of both the runway and terminal projects, our corporate customers are returning. One customer upgraded their aircraft while we were closed and our upgrades are right on target for their needs. Our local based jets have returned and resumed their normal travel schedules. Since reopening, three new customers have moved into hangars. These aircraft are owned by active pilots and fly frequently.

Policies and actions are in place to improve both Airport operating performance and financial performance in light of significant challenges. The County Commissioners again allocated \$195,000 from the General fund to support Airport operations in 2018.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*

*Unaudited*

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Our view is that the long term economic impact of the airport is significant. The Airport is a member of our local economic development organization, The Growth Partnership for Ashtabula County and participates in their development efforts. We have been working with the Regional Campus of Kent State University to develop proposals to leverage the aeronautical programs at the main campus and create career development programs at the Airport. The initial focus of discussion is on training and certification of aviation maintenance technicians at a new facility at the airport. This is a part of the Aviation Industry that has a serious shortage of qualified technicians and can provide exciting career opportunities to regional students. The training facility may also provide incentive for maintenance companies to locate on the airport using the school as a feeder for their manpower needs. In addition, the Airport is a member and active participant in the Ohio Aviation Association and the American Association of Airport Executives. Both organizations promote aviation and aviation safety which is consistent with the mission statement of the ACAA.

**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 Ashtabula County Airport Authority dba the Northeast Ohio Regional Airport Authority, 2382 Airport Road, P.O. Box 379, Jefferson, Ohio 44047.



**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Statement of Net Position*  
*December 31, 2017*

|   |              |
|---|--------------|
| <b>Assets</b>                           |              |
| <i>Current Assets:</i>                  |              |
| Cash and Cash Equivalents               | \$379,549    |
| Accounts Receivable                     | 4,795        |
| Prepaid Assets                          | 17,813       |
| Fuel Inventory                          | 36,671       |
| Lease Receivable                        | 58,125       |
| Due from Other Governments              | 1,339,815    |
| Cash and Cash Equivalents:              |              |
| In Segregated Accounts                  | 4,977        |
| <i>Total Current Assets</i>             | 1,841,745    |
| <i>Non-Current Assets:</i>              |              |
| Nondepreciable Capital Assets           | 693,478      |
| Depreciable Capital Assets, Net         | 14,758,431   |
| <i>Total Non-Current Assets</i>         | 15,451,909   |
| <i>Total Assets</i>                     | \$17,293,654 |
| <b>Deferred Outflows of Resources</b>   |              |
| Pension                                 | 79,528       |
| <b>Liabilities</b>                      |              |
| <i>Current Liabilities:</i>             |              |
| Accounts Payable                        | \$29,568     |
| Accrued Wages                           | 2,146        |
| Intergovernmental Payable               | 1,883        |
| Accrued Interest Payable                | 10,622       |
| Contracts Payable                       | 514,544      |
| Retainage Payable                       | 808,653      |
| Unearned Revenue                        | 7,863        |
| <i>Total Current Liabilities</i>        | 1,375,279    |
| <i>Non-Current Liabilities:</i>         |              |
| Due Within One Year                     | 39,700       |
| Due In More than One Year:              |              |
| Net Pension Liability (See Note 7)      | 177,125      |
| Other Amounts Due in More than One Year | 908,378      |
| <i>Total Non-Current Liabilities</i>    | 1,125,203    |
| <i>Total Liabilities</i>                | 2,500,482    |
| <b>Deferred Inflows of Resources</b>    |              |
| Pension                                 | 8,726        |
| <b>Net Position</b>                     |              |
| Net Investment in Capital Assets        | 14,503,831   |
| Restricted for Debt Service             | 91,271       |
| Unrestricted                            | 268,872      |
| <i>Total Net Position</i>               | \$14,863,974 |

See accompanying notes to the basic financial statements

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Statement of Revenues, Expenses and Changes in Net Position*  
*For the year ended December 31, 2017*

|  |                            |
|--|----------------------------|
| <hr/> <hr/>                                      |                            |
| <b>Operating Revenue</b>                         |                            |
| Sales  | \$89,319                   |
| Rent   | 18,931                     |
| Leases   | 6,250                      |
| Other Operating Revenues                         | <u>66,586</u>              |
| <i>Total Operating Revenue</i>                   | <u>181,086</u>             |
| <br>   |                            |
| <b>Operating Expenses</b>                        |                            |
| Personal Services                                | 151,953                    |
| Fringe Benefits                                  | 56,161                     |
| Contractual Services                             | 268,492                    |
| Materials and Supplies                           | 93,327                     |
| Depreciation                                     | 466,847                    |
| Other Operating Expenses                         | <u>71,766</u>              |
| <i>Total Operating Expenses</i>                  | <u>1,108,546</u>           |
| <br>   |                            |
| <i>Operating Loss</i>                            | <u>(927,460)</u>           |
| <br>   |                            |
| <b>Non-Operating Revenues (Expenses)</b>         |                            |
| Interest Income                                  | 524                        |
| Capital Grants                                   | 9,207,582                  |
| Contributions and Donations                      | 626,394                    |
| Intergovernmental Revenue - County Appropriation | 194,538                    |
| Interest and Fiscal Charges                      | <u>(44,221)</u>            |
| <i>Total Non-Operating Revenues (Expenses)</i>   | <u>9,984,817</u>           |
| <br>   |                            |
| <i>Change In Net Position</i>                    | 9,057,357                  |
| <br>   |                            |
| <i>Net Position Beginning of Year</i>            | <u>5,806,617</u>           |
| <br>   |                            |
| <i>Net Position End of Year</i>                  | <u><u>\$14,863,974</u></u> |

See accompanying notes to the basic financial statements

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Statement of Cash Flows*  
For the year ended December 31, 2017

|  |             |
|--|-------------|
| <b>Cash Flows From Operating Activities:</b>                                 |             |
| Cash Received from Customers   | \$115,263   |
| Other Operating Revenue  | 66,586      |
| Cash Paid for Goods and Services   | (362,624)   |
| Cash Paid to Employees   | (189,732)   |
| Other Operating Expenses   | (71,766)    |
|  | (442,273)   |
| <i>Net Cash Used for Operating Activities</i>                                |             |
| <b>Cash Flows From Non-Capital Financing Activities:</b>                     |             |
| Land Rent/Management Proceeds  | 14,140      |
|  | 14,140      |
| <b>Cash Flows From Investing Activities:</b>                                 |             |
| Interest on Investments  | 524         |
|  | 524         |
| <b>Cash Flows From Capital and Related Financing Activities:</b>             |             |
| Contributions and Donations  | 820,932     |
| Capital Grants   | 8,037,966   |
| Payment for Capital Acquisitions   | (8,098,854) |
| Payment for Engineering & Capital Related Services                           | (340,554)   |
| Principal Payments on Debt   | (44,122)    |
| Interest Payments  | (44,615)    |
|  | (44,615)    |
| <i>Net Cash Provided by Capital and Related Financing Activities</i>         | 330,753     |
| Net Decrease in Cash and Cash Equivalents                                    | (96,856)    |
| Cash and Cash Equivalents at Beginning of Year                               | 481,382     |
| Cash and Cash Equivalents at End of Year                                     | \$384,526   |
| <b>Reconciliation of Operating Loss to</b>                                   |             |
| <b>Net Cash Used for Operating Activities</b>                                |             |
| Operating Loss   | (\$927,460) |
| <b>Adjustments to Reconcile Operating Loss to</b>                            |             |
| <b>Net Cash Used for Operating Activities:</b>                               |             |
| Depreciation   | 466,847     |
| <i>(Increase) Decrease in Assets and Deferred Outflows of Resources:</i>     |             |
| Accounts Receivable  | (850)       |
| Prepaid Assets   | 863         |
| Inventory  | (4,395)     |
| Leases Receivable  | (6,250)     |
| Increase in Deferred Outflows of Resources - Pension                         | (12,548)    |
| <i>Increase (Decrease) in Liabilities and Deferred Inflows of Resources:</i> |             |
| *Accounts Payable  | 2,727       |
| Accrued Wages  | (725)       |
| Intergovernmental Payable  | (184)       |
| Unearned Revenue   | 7,863       |
| Net Pension Liability  | 25,910      |
| Increase in Deferred Inflows of Resources - Pension                          | 5,929       |
|  | 5,929       |
| Total Adjustments  | 485,187     |
| Net Cash Used for Operating Activities                                       | (\$442,273) |

**Footnote:**

\* Contracts payable overall increase of \$320,802 was accounted for in non-operating.  
The cash flows reconciliation only provides a comparison for operating activities.

See accompanying notes to the basic financial statements

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

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**Note 1 - Description of the Northeast Ohio Regional Airport and Reporting Entity**

***A. The Airport***

The Northeast Ohio Regional 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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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 more significant of the Airport's accounting policies are described below.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

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***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, deferred outflows of resources, liabilities and deferred inflows of resources are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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.

Unearned 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 a deferred inflow of resources. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

*Deferred Outflows/Inflows of Resources* - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Airport, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Airport, deferred inflows of resources were reported for pension. Deferred inflows of resources related to pension are reported on the statement of net position (see Note 7).

***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 statement of net position as “Cash and Cash Equivalents”. The Airport has no investments.

The Airport has a segregated bank account for money held separate from the Airport's central bank accounts for donations related to the terminal building project. This account is presented as "Cash and Cash Equivalents: Segregated Accounts" since it is not required to be deposited into the Airport treasury.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general operating fund during 2017 amounted to \$524.

***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. 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 five thousand 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           |

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

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***G. Net Position***

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for debt service represents monies set aside for the repayment of debt.

The Airport applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

***H. 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.

***I. Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***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.

**Note 3 – Change in Accounting Principles**

For 2017, the Airport has implemented Governmental Accounting Standards Board (GASB) Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68”, Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”, Statement No. 80, “Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14”, and GASB Statement No. 81, “Irrevocable Split-Interest Agreements”.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

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GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Airport.

GASB Statement No. 74 aims to improve the usefulness of information about other postemployment benefits (OPEB) other than pensions, included in general purpose external financial reports of state and local government benefit plans, for making decisions and assessing accountability. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement and presentation of information about OPEB and is closely related to Statement No. 74, but will not be implemented until next fiscal year for the Airport. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the Airport.

GASB Statement No. 80 aims to improve financial reporting by clarifying the financial statement presentation requirements for component units that are organized as non-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Airport.

GASB Statement No. 81 aims to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Airport.

**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;



**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

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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.

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.

State law requires that deposits be either insured or protected by eligible securities pledged to the Airport and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. State law does not require security for public deposits and investments to be maintained in the Airport's name. During 2017, the Airport had no investments.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
December 31, 2017

**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 \$384,526, of which \$1,677 was cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2017, \$250,000 of the Airport's bank balance of \$390,249 was covered by the Federal Deposit Insurance Corporation, meaning \$140,249 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Airport to a successful claim by the FDIC.

**Note 5 – Operating Lease Agreements**

In prior years, the Airport entered into two 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. When these hangar agreements expire, the assets will revert to the Airport and will be capitalized at their current fair market value. The Airport will recognize a gain or loss on the expired lease transactions, which is the difference between the leases receivable being carried on the Airport's statement of net position and the fair market value of the assets acquired.

**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 2017 were as follows:

|  | Balance<br>12/31/2016      | Additions               | Reductions              | Balance<br>12/31/2017      | Amount<br>Due In<br>One Year |
|--|----------------------------|-------------------------|-------------------------|----------------------------|------------------------------|
| <b><i>Business-Type Activities</i></b>       |                            |                         |                         |                            |                              |
| Revenue Bonds                                | \$992,200                  | \$0                     | \$44,122                | \$948,078                  | \$39,700                     |
| Net Pension Liability - OPERS                | 151,215                    | 25,910                  | 0                       | 177,125                    | 0                            |
| <b><i>Total Business-Type Activities</i></b> | <b><u>\$ 1,143,415</u></b> | <b><u>\$ 25,910</u></b> | <b><u>\$ 44,122</u></b> | <b><u>\$ 1,125,203</u></b> | <b><u>\$ 39,700</u></b>      |

The Airport pays obligations related to employee compensation from the enterprise fund.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

The annual requirements to retire this debt are as follows:

| Year         | 2005 Revenue Bonds |                  |                    |
|--------------|--------------------|------------------|--------------------|
|              | Principal          | Interest         | Total              |
| 2018         | \$39,700           | \$42,488         | \$82,188           |
| 2019         | 41,300             | 40,850           | 82,150             |
| 2020         | 43,100             | 39,146           | 82,246             |
| 2021         | 44,800             | 37,368           | 82,168             |
| 2022         | 46,700             | 35,520           | 82,220             |
| 2023-2027    | 263,800            | 147,081          | 410,881            |
| 2028-2032    | 323,000            | 87,982           | 410,982            |
| 2033-2035    | 145,678            | 15,774           | 161,452            |
| <i>Total</i> | <u>\$948,078</u>   | <u>\$446,209</u> | <u>\$1,394,287</u> |

**Note 7 - Defined Benefit Pension Plan**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Airport's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Airport's obligation for this liability to annually required payments. The Airport cannot control benefit terms or the manner in which pensions are financed; however, the Airport does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

***Plan Description - Ohio Public Employees Retirement System (OPERS)***

Plan Description – 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members of the Airport may elect the member-directed plan and the combined plan, substantially all employees are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| <b>Group A</b>  | <b>Group B</b>  | <b>Group C</b>  |
|---|---|---|
| Eligible to retire prior to<br>January 7, 2013 or five years<br>after January 7, 2013   | 20 years of service credit prior to<br>January 7, 2013 or eligible to retire<br>ten years after January 7, 2013                       | Members not in other Groups<br>and members hired on or<br>after January 7, 2013   |
| <b>State and Local</b>  | <b>State and Local</b>  | <b>State and Local</b>  |
| <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit<br>or Age 55 with 25 years of service credit          | <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit<br>or Age 55 with 25 years of service credit          | <b>Age and Service Requirements:</b><br>Age 57 with 25 years of service credit<br>or Age 62 with 5 years of service credit            |
| <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>service for the first 30 years and 2.5%<br>for service years in excess of 30 | <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>service for the first 30 years and 2.5%<br>for service years in excess of 30 | <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>service for the first 35 years and 2.5%<br>for service years in excess of 35 |

Final average salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

|  | State<br>and Local |
|--|--------------------|
| <b>2017 Statutory Maximum Contribution Rates</b> |                    |
| Employer   | 14.0%              |
| Employee   | 10.0%              |
| <b>2017 Actual Contribution Rates</b>            |                    |
| Employer:  |                    |
| Pension  | 13.0%              |
| Post-Employment Health Care Benefits             | 1.0%               |
| Total Employer                                   | 14.0%              |
| Employee   | 10.0%              |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Airport's contractual required contribution was \$19,928 for 2017. Of this amount, \$1,883 is reported as an intergovernmental payable.

While members may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; the following disclosure focuses are combined for the three plans.

***Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airport's proportion of the net pension liability was based on the Airport's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

|  | OPERS        |
|--|--------------|
| Proportion of the Net Pension Liability          |              |
| Prior Measurement Date                           | 0.00087300%  |
| Proportion of the Net Pension Liability          |              |
| Current Measurement Date                         | 0.00078000%  |
| Change in Proportionate Share                    | -0.00009300% |
| Proportionate Share of the Net Pension Liability | \$177,125    |
| Pension Expense                                  | \$37,604     |

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

At December 31, 2017, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | OPERS    |
|--|----------|
| <b>Deferred Outflows of Resources</b>  |          |
| Differences between expected and actual experience   | \$240    |
| Net difference between projected and actual earnings on pension plan investments                                     | 26,377   |
| Change of Assumptions  | 28,094   |
| Change in proportionate share and difference between Airport contributions and proportionate share of contributions  | 4,889    |
| Airport contributions subsequent to the measurement date   | 19,928   |
| Total Deferred Outflows of Resources   | \$79,528 |
| <b>Deferred Inflows of Resources</b>   |          |
| Differences between expected and actual experience   | \$1,052  |
| Change in proportionate share and difference between District contributions and proportionate share of contributions | 7,674    |
| Total Deferred Inflows of Resources  | \$8,726  |

\$19,928 reported as deferred outflows of resources related to pension resulting from Airport contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                                 | OPERS    |
|---------------------------------|----------|
| <b>Year Ending December 31:</b> |          |
| 2018                            | \$22,645 |
| 2019                            | 19,943   |
| 2020                            | 9,060    |
| 2021                            | (774)    |
| Total                           | \$50,874 |

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

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the following actuarial assumptions applied to all periods included in the measurement, in accordance with the requirements of GASB 67:

|  |  |
|--|--|
| Wage Inflation                               | 3.25 Percent   |
| Future Salary Increases, Including Inflation | 3.25 Percent to 10.75 Percent, Including Wage Inflation  |
| COLA or Ad hoc COLA (Pre 1/7/13 retirees)    | 3 Percent, Simple  |
| COLA or Ad hoc COLA (Post 1/7/13 retirees)   | 3 Percent, Simple through 2018; then 2.15 Percent Simple |
| Investment Rate of Return                    | 7.5 Percent  |
| Actuarial Cost Method                        | Individual Entry Age                                     |

Mortality rates are the RP-2014 Healthy Annuitant Mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expense and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.30 percent for 2016.

The allocation of investment assets with the Defined benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
December 31, 2017

| Asset Class            | Target<br>Allocation | Weighted Average<br>Long-Term Expected<br>Real Rate of Return<br>(Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income           | 23.00 %              | 2.75 %  |
| Domestic Equities      | 20.70                | 6.34  |
| Real Estate            | 10.00                | 4.75  |
| Private Equity         | 10.00                | 8.97  |
| International Equities | 18.30                | 7.95  |
| Other Investments      | 18.00                | 4.92  |
| Total                  | 100.00 %             | 5.66 %  |

**Discount Rate** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers are made at the contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the Airport's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Airport's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Airport's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

|   | 1% Decrease<br>(6.5%) | Current<br>Discount Rate<br>(7.5%) | 1% Increase<br>(8.5%) |
|---|-----------------------|------------------------------------|-----------------------|
| Airport's Proportionate Share of the<br>Net Pension Liability | \$270,598             | \$177,125                          | \$99,232              |

**Note 8 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

**Plan Description** – In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.



**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

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In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2016 CAFR for details. The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

**Funding Policy** – The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0 percent for both plans. The portion of the Airport’s employer contributions that were used to fund postemployment benefits for the years 2017, 2016, and 2015 respectively were \$1,514, \$1,037, and \$2,118 which was equal to 100 percent of the required contribution for those years.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited in to the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

**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, 2017.

***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, 2017.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
December 31, 2017

**Note 10 - Risk Management**

***Commercial Insurance***

The Airport has obtained commercial insurance for the following risks:

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

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

**Note 11 - Capital Assets**

A summary of the Airport's capital assets at December 31, 2017 follows:

|  | Balance<br>12/31/2016 | Additions           | Deletions             | Balance<br>12/31/2017 |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| <b><i>Capital Assets, not being depreciated:</i></b>       |                       |                     |                       |                       |
| Land   | \$617,166             | \$76,312            | \$0                   | \$693,478             |
| Construction in Progress                                   | 2,682,998             | 9,392,143           | (12,075,141)          | 0                     |
| <b><i>Total Capital Assets, not being depreciated:</i></b> | <b>3,300,164</b>      | <b>9,468,455</b>    | <b>(12,075,141)</b>   | <b>693,478</b>        |
| <b><i>Capital Assets, being depreciated:</i></b>           |                       |                     |                       |                       |
| Buildings and Improvements                                 | 1,926,840             | 881,538             | 0                     | 2,808,378             |
| Improvements other than Buildings                          | 2,275,182             | 11,314,096          | (137,271)             | 13,452,007            |
| Vehicles   | 655,682               | 0                   | 0                     | 655,682               |
| Furniture and Equipment                                    | 165,885               | 54,915              | 0                     | 220,800               |
| <b><i>Total Capital Assets, being depreciated:</i></b>     | <b>5,023,589</b>      | <b>12,250,549</b>   | <b>(137,271)</b>      | <b>17,136,867</b>     |
| Less Accumulated Depreciation:                             |                       |                     |                       |                       |
| Buildings and Improvements                                 | (629,603)             | (71,810)            | 0                     | (701,413)             |
| Improvements other than Buildings                          | (844,288)             | (355,120)           | 137,271               | (1,062,137)           |
| Vehicles   | (455,581)             | (16,162)            | 0                     | (471,743)             |
| Furniture and Equipment                                    | (119,388)             | (23,755)            | 0                     | (143,143)             |
| <b><i>Total Accumulated Depreciation</i></b>               | <b>(2,048,860)</b>    | <b>(466,847)</b>    | <b>137,271</b>        | <b>(2,378,436)</b>    |
| <b><i>Total Capital Assets being depreciated, net</i></b>  | <b>2,974,729</b>      | <b>11,783,702</b>   | <b>0</b>              | <b>14,758,431</b>     |
| <b>Total Capital Assets, Net</b>                           | <b>\$6,274,893</b>    | <b>\$21,252,157</b> | <b>(\$12,075,141)</b> | <b>\$15,451,909</b>   |

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*December 31, 2017*

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During 2017, capital assets of \$12,075,141 related to the runway reconstruction project were completed and placed into service. The Airport also added a parcel of land related to the project valued at \$76,312.

**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, 2017.

**Note 13 – Contributions and Donations**

The Airport receives significant contributions and donations for Airport improvements and operations. During 2017, the Airport received \$194,538 from the County and \$626,394 from the Board President and from other donors.

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**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Required Supplementary Information*  
*Schedule of Airport's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System (OPERS) - Traditional Plan*  
*Last Four Years (1)*

|  | 2017        | 2016        | 2015        | 2014        |
|--|-------------|-------------|-------------|-------------|
| Airport's Proportion of the Net Pension Liability  | 0.00078000% | 0.00087300% | 0.00076300% | 0.00076300% |
| Airport's Proportionate Share of the Net Pension Liability   | \$177,125   | \$151,215   | \$92,026    | \$89,948    |
| Airport's Covered-Employee Payroll   | \$103,746   | \$105,925   | \$93,550    | \$85,977    |
| Airport's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 170.73%     | 142.76%     | 98.37%      | 104.62%     |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                 | 77.25%      | 81.08%      | 86.45%      | 86.36%      |

(1) Information prior to 2014 is not available.

Amounts presented as of the Airport's measurement date which is the prior year end.

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Required Supplementary Information*  
*Schedule of Airport Contributions*  
*Ohio Public Employees Retirement System (OPERS) - Traditional Plan*  
*Last Ten Years*

|   | 2017       | 2016       | 2015       | 2014       |
|---|------------|------------|------------|------------|
| Contractually Required Contribution                                     | \$19,928   | \$12,450   | \$12,711   | \$11,226   |
| Contributions in Relation to the<br>Contractually Required Contribution | (\$19,928) | (\$12,450) | (\$12,711) | (\$11,226) |
| Contribution Deficiency (Excess)  | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Airport Covered-Employee Payroll  | \$153,294  | \$103,746  | \$105,925  | \$93,550   |
| Contributions as a Percentage of<br>Covered-Employee Payroll            | 13.00%     | 12.00%     | 12.00%     | 12.00%     |

| 2013       | 2012       | 2011       | 2010       | 2009       | 2008       |
|------------|------------|------------|------------|------------|------------|
| \$11,177   | \$6,270    | \$5,780    | \$4,586    | \$5,791    | \$4,889    |
| (\$11,177) | (\$6,270)  | (\$5,780)  | (\$4,586)  | (\$5,791)  | (\$4,889)  |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$85,977   | \$62,703   | \$57,800   | \$47,354   | \$70,890   | \$69,843   |
| 13.00%     | 10.00%     | 10.00%     | 9.68%      | 8.17%      | 7.00%      |

**Northeast Ohio Regional Airport Authority**  
Ashtabula County, Ohio

*Notes to Required Supplementary Information*  
*For the Year Ended December 31, 2017*

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for the years 2014 through 2017.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for the years 2014 through 2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25% to 10.0% to 3.25% to 10.75%.



**NORTHEAST OHIO REGIONAL AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

| <b>FEDERAL GRANTOR<br/><i>Pass Through Grantor</i><br/>Program / Cluster Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass Through<br/>Entity Identifying<br/>Number</b> | <b>Total Federal<br/>Expenditures</b> |
|--|------------------------------------|---|---------------------------------------|
| <b>U.S. Department of Transportation<br/><i>Direct Program</i></b>                 |                                    |   |                                       |
| Airport Improvement Program - FY17   | 20.106                             | (A)   | 106,030                               |
| Airport Improvement Program - FY16   | 20.106                             | (A)   | 6,498,385                             |
| Airport Improvement Program - FY14   | 20.106                             | (A)   | 16,516                                |
| Total - AIP  |                                    |   | <u>6,620,931</u>                      |
| Total U.S. Department of Transportation  |                                    |   | <u>6,620,931</u>                      |
| <b>Total Expenditures of Federal Awards</b>  |                                    |   | <u><u>\$6,620,931</u></u>             |

(A) - Entity number not known or not applicable.

*The accompanying notes are an integral part of this Schedule.*

**NORTHEAST OHIO REGIONAL AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Northeast Ohio Regional Airport Authority (the Airport's) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Airport.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Airport has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the Airport to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Airport has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# 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*

Northeast Ohio Regional Airport Authority  
Ashtabula County  
P.O. Box 379  
Jefferson, Ohio 44047

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 statements of the Northeast Ohio Regional Airport Authority, Ashtabula County, (the Airport) a component unit of Ashtabula County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued our report thereon dated July 18, 2018.

### ***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 statements, 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 statements. 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 statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 18, 2018



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Northeast Ohio Regional Airport Authority  
Ashtabula County  
P.O. Box 379  
Jefferson, Ohio 44047

To the Board of Directors:

### ***Report on Compliance for the Major Federal Program***

We have audited the Northeast Ohio Regional Airport Authority's (the Airport) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Northeast Ohio Regional Airport Authority's major federal program for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Airport's major federal program.

### ***Management's Responsibility***

The Airport's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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

Our responsibility is to opine on the Airport's compliance for the Airport's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Airport's major program. However, our audit does not provide a legal determination of the Airport's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Northeast Ohio Regional Airport Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

***Report on Internal Control Over Compliance***

The Airport's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Airport's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Airport'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 18, 2018

**NORTHEAST OHIO REGIONAL AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2017**

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

|                     |  |   |
|---------------------|--|---|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion  | Unmodified                                  |
| <i>(d)(1)(ii)</i>   | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?      | No  |
| <i>(d)(1)(ii)</i>   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No  |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                        | No  |
| <i>(d)(1)(iv)</i>   | Were there any material weaknesses in internal control reported for major federal programs?                    | No  |
| <i>(d)(1)(iv)</i>   | Were there any significant deficiencies in internal control reported for major federal programs?               | No  |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion   | Unmodified                                  |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under 2 CFR § 200.516(a)?  | No  |
| <i>(d)(1)(vii)</i>  | Major Programs (list):   | Airport Improvement Program<br>CFDA #20.106 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs  | Type A: > \$ 750,000<br>Type B: all others  |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee under 2 CFR §200.520?   | No  |

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

None

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

None

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# Dave Yost • Auditor of State

**NORTHEAST OHIO REGIONAL 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 2018**