

***ERIE OTTAWA REGIONAL AIRPORT AUTHORITY  
OTTAWA COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEAR ENDED DECEMBER 31, 2001***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Board of Trustees  
Erie-Ottawa Regional Airport Authority

We have reviewed the Independent Auditor's Report of the Erie-Ottawa Regional Airport Authority, Ottawa County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Erie-Ottawa Regional Airport Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

August 27, 2002

**This Page is Intentionally Left Blank.**

**ERIE OTTAWA REGIONAL AIRPORT AUTHORITY**  
**ERIE-OTTAWA COUNTY, OHIO**  
**Audit Report**  
**For the Year Ended December 31, 2001**

**TABLE OF CONTENTS**

<u><b>Title</b></u>	<u><b>Page</b></u>
<b>Administrative Personnel</b>	<b>-ii-</b>
<b>Report of Independent Accountants</b>	<b>1</b>
<b>Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types - As of December 31, 2001</b>	<b>2</b>
<b>Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2001</b>	<b>3</b>
<b>Notes to the Financial Statements</b>	<b>4 - 8</b>
<b>Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	<b>9 - 10</b>
<b>Schedule of Findings</b>	<b>11</b>
<b>Status of Prior Audit's Citations and Recommendations</b>	<b>12</b>

**ERIE OTTAWA REGIONAL AIRPORT AUTHORITY  
 ERIE-OTTAWA COUNTY, OHIO  
 Audit Report  
 For the Year Ended December 31, 2001**

**ADMINISTRATIVE PERSONNEL  
 AS OF DECEMBER 31, 2001**

<u>TITLE/NAME</u>	<u>REPRESENTING</u>	<u>3 YEAR TERM OF OFFICE ENDING</u>	<u>SURETY</u>	<u>AMOUNT</u>
<b>BOARD OF TRUSTEES</b>				
<b>President:</b>				
Ken Benjamin	Ottawa Co.	2/7/05		
<b>Trustees:</b>				
Richard Biro	Member At-Large	6/3/02		
Richard Johnson-VP	Ottawa Co.	7/15/02		
Steve Hudec	Ottawa Co.	3/31/05		
Dottie Patrick	Ottawa Co.	6/3/02		
Thomas Work	Erie Co.	12/31/03		
Richard Haman	Erie Co.	2/11/05		
Hugh Northup	Erie Co.	3/30/04		
Lou Zorn	Erie Co.	1/6/04		
<b>EXECUTIVE DIRECTOR/TREASURER</b>				
Jack Stables		Indefinite	(A)	\$50,000
<b>SECRETARY</b>				
Valerie Gregory		Indefinite	(A)	\$50,000

(A) The Cincinnati Insurance Company

**Rockefeller Building**  
**614 W Superior Ave Ste 1242**  
**Cleveland OH 44113-1306**  
**Office phone - (216) 575-1630**  
**Fax - (216) 436-2411**

***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

**REPORT OF INDEPENDENT ACCOUNTANTS**

**Board of Trustees**  
**Erie-Ottawa Airport Authority**  
**Port Clinton, Ohio 43452**

**We were engaged to audit the accompanying financial statements of the Erie- Ottawa Regional Airport Authority (the Authority), as of and for the year ended December 31, 2001 as listed in the table of contents. These financial statements are the responsibility of the Authority's management.**

**We were unable to obtain adequate supporting documentation regarding cash receipts, disbursements, contracts and grants for the first six months of the year 2001, nor were we able to satisfy ourselves as to those financial activities by other procedures. Those financial activities are included in the governmental fund types and represent approximately fifty percent of revenues and expenditures.**

**Since we did not audit the financial statements of the Erie-Ottawa Regional Airport Authority referred to above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.**

***Charles E. Harris & Associates, Inc.***  
**July 15, 2002**

**ERIE - OTTAWA REGIONAL AIRPORT AUTHORITY**  
Combined Statement of Cash, Investments and Fund  
Cash Balances - All Fund Types  
As of December 31, 2001

Cash	\$ <u>195,293</u>
------	-------------------

CASH BALANCES BY FUND CLASS

Governmental Fund Type:

General Fund	\$ 81,918
Special Revenue Funds	<u>113,375</u>

<b>Total Cash Fund Balance</b>	<b>\$ <u>195,293</u></b>
--------------------------------	--------------------------

See accompanying Notes to the Financial Statements



**ERIE - OTTAWA REGIONAL AIRPORT AUTHORITY**  
 Combined Statement of Cash Receipts, Disbursements  
 and Changes in Fund Cash Balances - All Governmental Fund Types  
 For the Year Ended December 31, 2001

Governmental Fund Types

	General	Special Revenue	Totals Memorandum Only
Revenue Receipts:			
County Grants	\$ 103,000	\$ 55,500	\$ 158,500
Airport Operations	329,844	-	329,844
Federal Grants	-	294,196	294,196
<b>Total Receipts</b>	<b>432,844</b>	<b>349,696</b>	<b>782,540</b>
Expenditure Disbursements:			
General Government	312,338	-	312,338
Capital Outlay - Improvements	110,940	326,235	437,175
Debt Service:			
Principal Retirement	6,784	-	6,784
Interest and Fiscal Charges	16,416	-	16,416
<b>Total Expenditure Disbursements</b>	<b>446,478</b>	<b>326,235</b>	<b>772,713</b>
Excess (Deficit) of Revenue Receipts Over Expenditure Disbursements	(13,634)	23,461	9,827
Other Financing Sources:			
Advances In	23,560	-	23,560
Advances Out	-	(23,560)	(23,560)
<b>Total Other Financing Sources</b>	<b>23,560</b>	<b>(23,560)</b>	<b>-</b>
Net Excess (Deficit) of Cash Receipts Over Cash Disbursements	9,926	(99)	9,827
Fund Balance, January 1, 2001	71,992	113,474	185,466
Fund Balance, December 31, 2001	<u>\$ 81,918</u>	<u>\$ 113,375</u>	<u>\$ 195,293</u>

See accompanying Notes to the Financial Statements

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**ERIE-OTTAWA COUNTY, OHIO**  
Notes to the Financial Statements  
For the Year Ended December 31, 2001

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Erie-Ottawa Regional Airport Authority (Airport Authority) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Airport Authority operates under the direction of a nine-member board of trustees. Four members are appointed by each Board of County Commissioners in Ottawa and Erie Counties. The ninth member is appointed at large by the other eight. The members serve without compensation, as outlined in Section 308.04 of the Ohio Revised Code. The secretary/treasurer is appointed by the Board of Trustees. The Airport Authority provides maintenance of runways and taxiways and other general airport operations.

**B. BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. FUND ACCOUNTING**

The Airport Authority maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

**General Fund** – The General Fund is the general operating fund of the Airport Authority. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Special Revenue** – Special Revenue funds account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**ERIE-OTTAWA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**D. Property, Plant and Equipment**

Fixed Assets are acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**E. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in aggregation of this data.

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The Airport Authority maintains a cash and investment pool used by all funds. The balance of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types, As of December 31, 2001."

**Legal Requirements**

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

"Active deposits" are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Airport Treasury, 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 Board has identified as not required for use within the current two year period of designation of depositories. Interim deposits must either be evidenced by time 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 monies 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 may be invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligations guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
ERIE-OTTAWA COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ended December 31, 2001**

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)**

**Legal Requirements - (continued)**

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 term of the agreement must not exceed thirty days;
4. Bond and 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 the is division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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 be purchased within 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 representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Airport Authority's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**Deposits:** At year-end, the carrying amount of Airport Authority was \$195,293 and the bank balance was \$200,773. Of the bank balance, \$100,000 was covered by federal depository insurance.

**3. DEBT**

Debt outstanding at December 31, 2001, consisted of the following:

General Obligation Bonds	
Issued March 1, 1994	
Matures September 1, 2018	
Principal Outstanding	\$515,000
Interest Rates	3.35 – 5.95%

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
ERIE-OTTAWA COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ended December 31, 2001**

**3. DEBT – (continued)**

These bonds have been issued by Ottawa County on behalf of the Airport Authority for terminal and fuel farm improvements. The Authority is obligated to reimburse the Ottawa County for payment if its revenues are sufficient to do so. During 2001 the Airport Authority was not financially able to meet the debt payment for the general obligation bond. The debt payment was made by Ottawa County. The County is committed to paying the Erie-Ottawa Regional Airport debt if the Airport is not in a financial position to do so.

Note Payable Ottawa County	
Issued March 1, 2001	
Matures February 1, 2020	
Principal Outstanding	\$434,016
Interest Rates	4.50%

The proceeds from the note were used to construct new hangers for the Airport. Rent from these hangers will repay the note.

The annual requirements to amortize all debt outstanding as of December 31, 2001, including interest payments of \$312,869 for general obligation bonds and \$212,077 for the note payable are as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	<u>Note Payable</u>
2002	\$ 49,713	\$ 27,840
2003	48,742	27,840
2004	47,742	29,280
2005	46,712	29,280
2007-2010	248,706	153,720
2011-2015	240,485	166,080
2016-2020	<u>145,767</u>	<u>212,053</u>
<b>TOTAL</b>	<b>\$ <u>827,867</u></b>	<b>\$ <u>646,093</u></b>

**4. OPERATING LEASES**

The Authority leases equipment under a non-cancelable operating lease that expires in fiscal year 2002. Total rent expense under all equipment leases for the year ended December 31, 2001 was \$3,569. Future minimum equipment lease payments through the end of the lease are as follows:

2002	<u>\$2,082</u>
Total	<u>\$2,082</u>

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**  
**ERIE-OTTAWA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2001**

**5. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Ohio. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the Authority expects them to be immaterial.

The Authority may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Authority's legal council, the resolution of these matters will not have a material effect on the financial condition of the Authority.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Erie-Ottawa Regional Airport Authority  
Port Clinton, Ohio 43452

We were engaged to audit the financial statements of the Erie-Ottawa County Regional Airport Authority (the Authority), as of and for the year ended December 31, 2001, and have issued our report thereon dated July 15, 2002. We did not express an opinion on the financial statement because we were unable to obtain adequate supporting documentation regarding cash receipts, disbursements, contracts and grants for the first six months of the year 2001.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-ERA-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-ERA-002 and 2001-ERA-003. A material weakness is a conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-ERA-002 and 2001-ERA-003 to be material weaknesses.

**We also noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated July 15, 2002.**

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

*Charles E. Harris & Associates, Inc.*  
**July 15, 2002**



**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY  
ERIE-OTTAWA COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ended December 31, 2001**

**Schedule of Findings**

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

**Finding Number: 2001-ERA-001**

**Purchase Orders**

The Authority was not using purchase orders for goods and services ordered. The purpose of a purchase order system is to control spending of Authority resources and helps ensure that the Authority pays only for items that are actually received. A purchase order should be issued to a vendor for a specified item at a certain price to be delivered at or by a specified time. Prices and terms should be included on the purchase order to aid in the payment process and purchase orders should be matched to vendor invoices to assure that only agreed upon prices are paid.

We recommend that the Authority use purchase orders for all purchases of goods and services.

**Finding Number: 2001-ERA-002**

**Cash Receipts**

The Authority does not use written pre-numbered receipts for cash collections or sales, but rather it runs its receipts through a cash register. A daily cash summary receipt is prepared and cash is reconciled to the cash register tapes before being deposited in the bank. No supporting documentation was prepared or retained showing the detail for each transaction. Gas sales were listed as gas sales and not by how many gallons sold and to whom. In addition, not all documentation for credit card sales was maintained.

We recommend the Authority use pre-numbered, written receipts for all revenue transactions and also maintain adequate supporting documentation for each transaction. Written receipts would also aid in posting revenue to the accounting system as well.

**Finding Number: 2001-ERA-003**

**Supporting Documentation**

The Authority was unable to locate documentation supporting receipts and disbursements and other transactions for the first six months of fiscal year 2001. During this period, a private management company had been contracted to run the airport operations. After the contract expired, the company did not leave the relevant documentation regarding receipts and expenditures and has since gone out of business. Lack of such documentation makes it impossible to perform audit procedures necessary to ascertain the completeness and adequacy of the Authority's financial transaction.

We recommend that the Authority institute procedures to ensure all supporting documentation and other relevant items be retained and safeguarded for audit and record retention purposes.

**STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS**

**The prior audit report, for the years ended December 31, 2000 did not include material citations or recommendations.**



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY**

**OTTAWA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 17, 2002**