



**Auditor of State  
Betty Montgomery**



**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Balance Sheet – Proprietary Fund Type - December 31, 2002.....	4
Statement of Revenues, Expenses and Changes in Fund Equity – Proprietary Fund Type for the Year Ended December 31, 2002.....	5
Statement of Cash Flows – Proprietary Fund Type for the Year Ended December 31, 2002.....	6
Notes to the Financial Statements .....	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	17

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Ashtabula County Airport Authority  
Ashtabula County  
36 West Walnut Street  
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the accompanying general-purpose financial statements of the Ashtabula County Airport Authority (the Authority), component unit of Ashtabula County, as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2002, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2003 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Ashtabula County Airport Authority  
Ashtabula County  
Independent Accountants' Report  
Page 2

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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**Betty Montgomery**  
Auditor of State

June 23, 2003

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**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**BALANCE SHEET  
PROPRIETARY FUND TYPE  
DECEMBER 31, 2002**

	<u>Enterprise</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$60,880
Accounts Receivable	74,480
Intergovernmental Receivable	14,936
Materials and Supplies Inventory	13,429
Fixed Assets, (Net of Accumulated Depreciation)	<u>734,717</u>
 Total Assets	 <u>898,442</u>
<b>Liabilities</b>	
Accounts Payable	7,362
Accrued Wages and Benefits	2,546
Compensated Absences Payable	1,778
Due to Other Government	7,107
Due to Primary Government	90,000
Deferred Revenue	14,936
Capital Leases Payable	<u>10,000</u>
 Total Liabilities	 <u>133,729</u>
<b>Fund Equity</b>	
Contributed Capital	301,895
Retained Earnings:	
Unreserved, Undesignated	<u>462,818</u>
 Total Fund Equity	 <u>764,713</u>
 <b>Total Liabilities and Fund Equity</b>	 <b><u><u>\$898,442</u></u></b>

*See accompanying notes to the general purpose financial statements*

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND EQUITY - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Enterprise</b>
<b>Operating Revenues</b>	
Charges for Services	\$193,790
Rent	18,872
Other	724
	213,386
<b>Operating Expenses</b>	
Personal Services	70,566
Contractual Services	110,766
Materials and Supplies	89,028
Other	9,761
Depreciation	42,199
	322,320
Total Operating Expenses	322,320
Operating Loss	(108,934)
<b>Non-Operating Revenues (Expenses)</b>	
Interest	1,143
Operating Grants	68,299
Intergovernmental	104,354
Interest and Fiscal Charges	(3,359)
	170,437
Total Non-Operating Revenues and Expenses	170,437
<i>Net Income</i>	61,503
Retained Earnings Beginning of Year (Restated see Note 10)	401,315
Retained Earnings End of Year	462,818
Contributed Capital Beginning and End of Year	301,895
<b>Total Fund Equity End of Year</b>	<b>\$764,713</b>

*See accompanying notes to the general purpose financial statements*

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Enterprise</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$199,372
Cash Payments to Suppliers for Goods and Services	(91,087)
Cash Payments for Contractual Services	(207,785)
Cash Payments to Employees for Services	(75,560)
Cash Received from Sales Tax	7,530
Cash Payments to the State	(7,528)
Other Operating Revenue	724
Other Operating Expenses	(12,518)
	(186,852)
Net Cash Used for Operating Activities	(186,852)
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants	160,460
<b>Cash Flows from Capital and Related Financing Activities</b>	
Receipts from Private Industry	27,000
Principal Payments - Lease	(5,000)
Interest Payments - Lease	(602)
	21,398
Net Cash Provided by Capital and Related Financing Activities	21,398
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	1,143
	1,143
Net Increase in Cash and Cash Equivalents	(3,851)
Cash and Cash Equivalents Beginning of Year	64,731
	64,731
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$60,880</b>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(108,934)
Adjustments:	
Depreciation	42,199
(Increase) Decrease in Assets:	
Accounts Receivable	(74,119)
Materials and Supplies Inventory	7,397
(Increase) Decrease in Liabilities:	
Accounts Payable	(59,836)
Accrued Wages and Benefits	186
Compensated Absences Payable	(6,110)
Due to Other Governments	12,365
	(77,918)
Total Adjustments	(77,918)
<b>Net Cash Used for Operating Activities</b>	<b>(\$186,852)</b>

*See accompanying notes to the general purpose financial statements*

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**1. DESCRIPTION OF ASHTABULA COUNTY AIRPORT AUTHORITY AND REPORTING ENTITY**

**A. The Airport Authority**

The Ashtabula County Airport Authority, Ashtabula County, (the Airport) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority 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 adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. A reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements of the Airport are not misleading. The stand-alone 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 primary government is financially accountable for an organization if the primary government appoints a voting majority of the organization's governing board and (1) the primary government is able to significantly influence the programs or services performed or provided by the organization; or (2) the primary government is legally entitled to or can otherwise access the organization's resources; the primary government is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the primary government 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources are generally applicable to the primary government. The Airport also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989.

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

The Airport reports its operations as a single enterprise fund. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by measurement focus. Proprietary accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled service charges are recognized as revenue at year end.

Non-exchange transactions, in which the Airport receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Airport must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the airport on a reimbursement basis.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash and Cash Equivalents**

The Airport maintains an interest bearing depository account. All funds of the Airport are maintained in this account. This interest bearing depository account is presented in the combined balance sheet as "Cash and Cash Equivalents". The Airport has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general operating fund during 2002 amounted to \$1,143.

**D. Inventories**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenses when used.

**E. Property, Plant, Equipment and Depreciation**

All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

Donated fixed assets are recorded at their fair market values as of the date donated. The Airport has established a capitalization threshold for fixed assets at \$1,000 with the exception of land, as all land was listed regardless of cost.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fund fixed assets.

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 years	Buildings
25 years	Improvements other than Buildings
25 years	Sewer System
3-20 years	Machinery and Equipment
5 years	Vehicles

**F. Compensated Absences**

The liability for compensated absences is based on the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The Airport records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Compensated Absences (Continued)**

Sick benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Airport has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the Airport's termination policy.

**G. Contributed Capital**

Contributed capital represents resources provided prior to 2001 from developers and intergovernmental contributions to the Airport that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on these assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Since 2001, capital contributions have been reported as revenue and included in retained earnings on the operating statement.

**H. 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.

**3. EQUITY IN CASH AND INVESTMENTS**

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 Airport has identified as not required for use within the current two 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.

Protection of the Airport'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.

Moneys held by the Airport which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities::

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**3. EQUITY IN CASH AND INVESTMENTS (Continued)**

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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
6. 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; and
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the Authority lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Authority's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days in an amount not to exceed ten percent of the Airport Authority's total average portfolio.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**3. EQUITY IN CASH AND INVESTMENTS (Continued)**

At year end, the carrying amount of the Airport's deposits was \$60,880, of which \$200 was cash on hand, and the bank balance was \$60,609. The entire bank balance was covered by Federal depository insurance.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements" requires that local governments disclose the market value and carrying amounts of investments, classified by risk. The Airport's investments are categorized as either (1) insured or registered or for which the securities are held by the Airport or its agent in the Airport's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Airport's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the Airport's name. For the purpose of classification under GASB Statement No. 3, the Airport did not have any investments at year end.

**4. DEBT**

The Airport has a long-term obligation to the primary government of \$90,000 at December 31, 2002. This obligation is due to the purchase of a refueler truck by the County during 1997 to be used for Airport operations. No payments have been made on this obligation. Principal and interest payments due on the refueler truck as of December 31, 2002 including interest of \$5,100 are as follows:

	Due to Primary Government
Year ending December 31:	
2003	\$19,020
2004	19,020
2005	19,020
2006	19,020
2007	19,020
Total	\$95,100

**5. CAPITAL LEASES**

The Airport has entered into a capitalized lease for the acquisition of a tractor. The lease meets the criteria of a capital lease as defined by Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Fixed assets acquired by lease have been capitalized in the Airport enterprise account in the amount of \$25,000 which represents the present value of the lease payments at the time of the acquisition. A corresponding liability was recorded in the Airport enterprise account.

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**5. CAPITAL LEASES – (Continued)**

The following schedule is an analysis of equipment leased under capital leases as of December 31, 2002:

Equipment	\$25,000
Less: Accumulated Depreciation	(15,000) _____
Carrying Value	<u>\$10,000</u>

The following is a schedule of the future minimum lease payments (plus interest) required under the capital leases and the present value of the minimum lease payments.

	Total
Year ending December 31:	
2003	\$5,602
2004	5,602
Total minimum lease payments	\$11,204
Less: Amount representing interest	(1,204)
Present value of minimum lease payments	\$10,000

**6. DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

The Authority's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the Airport was 8.55 percent of covered payroll, decreased from 9.25 percent in 2001. Contributions are authorized by State statute. The Airport's required contributions to OPERS for the years ended December 31, 2002, 2001 and 2000 were \$4,970, \$5,556, and \$4,024 respectively. The full amount has been contributed for 2001 and 2000. 95.44 percent has been contributed for 2002.

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**7. POSTEMPLOYMENT BENEFIT**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5 percent was the portion that was used to fund health care for 2002.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 402,041. The Airport's actual contributions for 2002 which were used to fund postemployment benefits were \$2,906. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001 (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

**8. OTHER EMPLOYEE BENEFITS**

Airport employees earn vacation and sick leave at varying rates depending on length of service. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the Airport. Compensatory time, up to 240 hours, must be taken within 180 days from date earned or is paid in cash to employees. Sick leave accrual is continuous, without limit. Upon retirement, an employee can be paid a maximum of twenty-five percent up to 240 hours.

As of December 31, 2002, the liability for unpaid compensated absences was \$1,778 for the entire Airport.

**ASHTABULA COUNTY AIRPORT AUTHORITY  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**9. FIXED ASSETS**

A summary of the Airport's fixed assets at December 31, 2002 follows:

Land	\$108,569
Buildings	162,854
Improvement Other than Buildings	140,576
Vehicles	413,959
Equipment	6,490
Construction in Progress	341,299
Total	<hr/> \$1,173,747
Less: Accumulated Depreciation	(439,030)
	<hr/>
Net Fixed Assets	<u>\$734,717</u>

**10. RESTATEMENT OF RETAINED EARNINGS**

Retained earnings at December 31, 2001 was restated from \$19,523 to \$401,315. This increase was due to an understatement of \$134,792 in accounts receivable and \$247,000 in fixed assets.

**11. RISK MANAGEMENT**

**Commercial Insurance**

The Ashtabula County Airport Authority has obtained commercial insurance for the following risks:

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

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## **Auditor of State Betty Montgomery**

### **REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Ashtabula County Airport Authority  
Ashtabula County  
36 West Walnut Street  
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the accompanying financial statements of the Ashtabula County Airport Authority (the Authority) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 23, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### **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. 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 material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated June 23, 2003.

Ashtabula County Airport Authority  
Ashtabula County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

June 23, 2003



**Auditor of State  
Betty Montgomery**

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

**ASHTABULA COUNTY AIRPORT AUTHORITY**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 19, 2003**