ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

CANTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
4800 BELMONT AVENUE
SUITE C
YOUNGSTOWN, OH 44505

Auditor of State
Betty Montgomery

Board of Trustees
Ashtabula County Airport Authority
2382 Airport Road
Jefferson, Ohio 44047

We have reviewed the *Independent Auditor's Report* of the Ashtabula County Airport Authority, Ashtabula County, prepared by Canter & Company, for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 28, 2006

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY

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CANTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Ashtabula County Airport Authority
Ashtabula County
2382 Airport Road
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the accompanying financial statements of the Ashtabula County Airport Authority, (the Airport) a component unit of Ashtabula County as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ashtabula County Airport Authority, as of December 31, 2005, and the changes in its financial position and its cash flows for its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2006, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

4800 Belmont Avenue, Suite C, Youngstown, Ohio 44505-1016
Telephone (330) 759-6761 * Fax (330) 759-6764**
Member of American Institute of Certified Public Accountants / AICPA Private Companies Practice Section

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Airport. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Canter & Company
Canter & Company
Youngstown, Ohio

August 18, 2006

The discussion and analysis of the Ashtabula County Airport Authority's financial performance provides an overall review of the Airport Authority's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the Airport Authority'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 Authority's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The Airport' net assets increased by $240,180. This was primarily due to the receipt of capital grants from the Federal Aviation Administration (FAA).

- Operating revenues increased by $5,012 and operating expenses increased by $33,417, due to an increase in charges for services, and an increase in material and supply purchases, respectively.

Using this Annual Financial Report

This report consists of a series of financial statements. The *Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the Airport and present a longer-term view of the Airport's finances.

A question typically asked about the Airport Authority's finances "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Airport and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* which is similar to the accounting used by most private-sector companies. The Airport charges a fee to customers to help it cover part of the services it provides. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Airport Authority's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the Airport Authority as a whole, the *financial position* of the Airport Authority 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 statement of cash flows provides information about how the Airport Authority finances and meets the cash flow needs of its operations.

The Airport Authority as a Whole

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

Table 1 provides a summary of the Airport Authority's net assets for 2005, compared to 2004:

(Table 1)
Net Assets

	2005	2004
Assets		
Current and Other Assets	$ 1,673,214	$ 786,865
Capital Assets	1,911,474	1,338,399
Total Assets	3,584,688	2,125,264
Liabilities		
Long-Term Liabilities	1,378,244	5,499
Other Liabilities	511,671	665,172
Total Liabilities	1,889,915	670,671
Net Assets		
Invested in Capital Assets Net of Debt	1,536,871	1,248,399
Unrestricted	157,902	206,194
Total Net Assets	$ 1,694,773	$1,454,593

Total assets increased by $1,459,424 from 2004 to 2005. The majority of this increase is the result of additions in capital projects in process of $588,052 and an increase in the amount due from other governments of $925,098.

Total liabilities increased by $1,219,244. This increase is primarily due to an increase in contracts payable, deferred revenue and revenue bonds payable.

Total net assets increased by $240,180. This increase is a result of an increase in capital grant revenue.

Table 2 shows the revenues, expenses and the changes in net assets for the year ended December 31, 2005 compared to the year ended December 31, 2004.

(Table 2)
Changes in Net Assets

	2005	2004
Revenues		
Operating Revenues:		
Charges for Services	$ 310,398	$ 291,297
Operating Grants	3,308	15,000
Other Operating revenues	488	2,885
Total Operating Revenues	314,194	309,182
Expenses		
Operating Expenses:		
Personal services	73,484	77,570
Depreciation	26,420	31,276
Materials and supplies	165,839	154,770
Contractual services	80,207	46,328
Other Operating Expenses	2,977	5,566
Total Expenses	348,927	315,510
Operating Loss	(34,733)	(6,328)
Non-Operating Revenues (Expenses)		
Interest income	553	519
Capital grants	245,892	644,917
Donations	30,000	34,200
Other non-operating revenues	3,397	
Other non-operating expenses	(4,929)	(602)
Total Non-Operating Revenues (Expenses)	274,913	679,034
Increase in Net Assets	$ 240,180	$ 672,706

Operating revenues increased by $5,012 due primarily to an increase in charges for services. Operating expenses increased by $33,417 due primarily to an increase in purchases of materials and supplies.

Capital Assets

The largest portion of the Airport's net assets each year is its investment in capital assets, net of related debt. The Airport uses these capital assets to provide services to the businesses and public using the Ashtabula County Airport. Table 3 shows 2005 balances compared with 2004.

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

	2005	2004
Land	$ 108,569	$ 108,569
Construction in Progress	1,552,257	964,204
Buildings and Improvements	104,896	111,698
Improvements Other Than Buildings	1,453	1,587
Vehicles	115,475	128,754
Furniture and Fixtures	28,824	23,587
Totals	$ 1,911,474	$ 1,338,399

The $573,075 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 10 provides capital asset activity during the 2005 year.

Debt

The outstanding debt for the Airport Authority as of December 31, 2005 and 2004 includes a $90,000 long-term obligation due to the primary government. No payments have been made on this obligation. In 2005, the Airport Authority was 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 (30) and have an interest rate of 4.125 percent. Long-term obligations are included in the following table:

(Table 4)
Outstanding Debt, at December 31

	Business-Type Activities	
	2005	2004
Capital Leases	$ 3,966	$ 5,499
Revenue Bonds (USDA Loan)	1,400,000	0
Total	$ 1,403,966	$ 5,499

Additional information concerning the Airport's debt can be found in Note 5 to the basic financial statements.

Current Financial Issues

The Airport's operating losses increased during the year. Continuing to raise these items would rapidly price the airport out of business as customers find other service providers. The Airport Authority has a policy of maintaining prices that are considered "high average" in our service area.

Operating expenses increased 11 percent in the period due to required maintenance of the facilities. Most of the county owned infrastructure is approaching 40 years of age and will require more, rather than less maintenance. Other costs such as payroll and energy have been contained by reducing services and wage freezes. Energy costs are roughly the same as 2001 due to strict controls on electrical energy use. Natural gas is provided free from an energy easement. This may not continue indefinitely and the possibility of significant costs increase in the future as this supply ends is possible.

The airport ended the year with accounts payable of $13,746 and contracts payable of $177,981. The airport has unrestricted net assets of $157,902. This is typical of what is experienced each year. The problem is most serious in the winter when income is lower but expenses are higher. Payment of bills was spread over the first three months of 2005. In the end, the Airport Authority authorized using a portion of restricted capital funds to pay bills so that we could maintain our credit status with suppliers.

The recurring deficits, caused by expenses exceeding profit from airport operations, are not healthy. The current building program which will increase aircraft basing on the field is only one part of a strategy to improve financial performance. The short term outlook regarding airport solvency is not good. Prices are competitive and service levels are reasonable for a small county airport. Mandated levels of insurance, compliance with Federal Grant Assurances, maintenance of facilities to assure public safety all carry a price. These costs continue to increase while our ability to pass on 100% of these costs to our existing customer base is limited.

The issue of financial solvency must be addressed in the near future. Current airport development plans anticipate that business will expand to cover some other losses currently experienced. However, we do not anticipate that seasonal cash flow problems will end or that expenses will decrease significantly as we add facilities.

Contacting the Airport Authority'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 Authority's finances and to show the Airport Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David Price, President of the Ashtabula County Airport Authority, 2382 Airport Road, Jefferson, Ohio 44047.

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Ashtabula County Airport Authority
Ashtabula County
Statement of Net Assets
December 31, 2005

Assets	
Current Assets:	
Cash and Cash equivalents	$ 229,338
Accounts Receivable	744
Lease Receivable	118,925
Due from Other Governments	1,306,076
Materials and Supplies Inventory	18,131
Total Current Assets	1,673,214
Non-Current Assets:	
Nondepreciable Capital Assets	1,660,825
Depreciable Capital Assets, Net	250,649
Total Non-Current Assets	1,911,474
Total Assets	$ 3,584,688
Liabilities	
Current Liabilities:	
Accounts Payable	$ 13,746
Accrued Wages and Benefits	1,202
Contracts Payable	177,981
Due to Primary Government	90,000
Accrued Interest Payable	4,929
Intergovernmental Payable	11,378
Deferred Revenue	186,713
Total Current Liabilities	485,949
Non-Current Liabilities:	
Due Within One Year	25,722
Due in More than One Year	2,644
Revenue Bonds	1,375,600
Total Non-Current Liabilities	1,403,966
Total Liabilities	1,889,915
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,536,871
Unrestricted	157,902
Total Net Assets	1,694,773
Total Liabilities and Net Assets	$ 3,584,688

See accompanying notes to the basic financial statements.

Ashtabula County Airport Authority
Ashtabula County
Statement of Revenues, Expenses and Changes in Net Assets
For the year ended December 31, 2005

OPERATING REVENUE		
Sales	$	231,548
Operating Grants		3,308
Rent		62,200
Lease		16,650
Other Operating Income		488
Total Operating Revenue		314,194
OPERATING EXPENSES		
Personal Services		73,484
Depreciation		26,420
Contractual Services		80,207
Supplies and Materials		165,839
Other Operating Expenses		2,977
Total Operating Expenses		348,927
Operating Loss		(34,733)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income		553
Capital Grants		245,892
Donations		30,000
Other Non-Operating Revenue		3,397
Interest and Fiscal Charges		(4,929)
Total Non-operating Revenues		274,913
Increase In Net Assets		240,180
Net Assets, Beginning of Year		1,454,593
Net Assets, End of Year	$	1,694,773

See accompanying notes to the basic financial statements.

Ashtabula County Airport Authority
Ashtabula County
Statement of Cash Flows
For the year ended December 31, 2005

Cash Flows From Operating Activities:		
Cash Received from Operating Grants	$	3,308
Cash Received from Customers		296,642
Cash Paid for Goods and Services		(285,801)
Cash Paid to Employees		(72,315)
Other Operating Receipts		488
Other Operating Expenses		(3,083)
Net Cash Used for Operating Activities		(60,761)
Cash Flows From Non-Capital Financing Activities:		
Grants		
Donations		30,000
Other Non-Operating Receipts		3,397
Net Cash Provided by Non-Capital Activities		33,397
Cash Flows From Investing Activities:		
Interest on Investments		553
Net Cash Provided by Investing Activities		553
Cash Flows From Capital and Related Activities:		
Proceeds from Loans		280,637
Capital Grants		348,093
Payment for Capital Acquisitions		(653,750)
Net Cash Used for Capital and Related Financing Activities		(25,020)
Net Increase in Cash and Cash Equivalents		(51,831)
Cash and Cash Equivalents at Beginning of Year		281,169
Cash and Cash Equivalents at End of Year	$	229,338
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	$	(34,733)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation		26,420
(Increase) Decrease in Assets:		
Accounts Receivable		2,894
Lease Receivable		(16,650)
Inventory		674
Increase (Decrease) in Liabilities:		
Accounts Payable		(16,493)
Contracts Payable		(24,966)
Accrued Wages		124
Due to Other Governments		1,969
Total Adjustments		(26,028)
Net Cash Used for Operating Activities	$	(60,761)

See accompanying notes to the basic financial statements.

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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 standalone 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.

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.

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 2005 amounted to $553.

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. Inventory consists of fuel and oil and supply items.

E. 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 donated.

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's capital assets.

Depreciation in the enterprise fund is computed using the straight-line basis over the following estimated useful lives:

Estimated Lives	Description
25 years	Building and Improvements
25 years	Improvements other than Buildings
5 years	Vehicles
3-20 years	Furniture and Equipment

F. 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. CHANGES IN ACCOUNTING PRINCIPLES

A. Change in Accounting Principles

For fiscal year 2005, the Airport Authority has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures.*

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have a significant effect on the financial statements of the City. Refer to Note 4 for additional documentation concerning GASB Statement No. 40.

4. DEPOSITS AND INVESTMENTS

State statues classify monies held by the Airport Authority 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 Authority, 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 Authority has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall he direct issuances of federal government agencies or instrumentalities;

4. DEPOSITS AND INVESTMENTS (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 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 Authority, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Airport Authority's name. During 2005, the Airport Authority had no investments.

4. DEPOSITS AND INVESTMENTS (Continued)

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of bank failure, the Airport Authority'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 Authority.

At year-end, the carrying amount of the Airport Authority's deposits was $229,338, of which $200 was cash on hand, and the bank balance was $129,189. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31,2005, $29,189 of the Airport Authority's bank balance of $129,189 was exposed to custodial risk as discussed above, while $100,000 was covered by Federal Deposit Insurance Corporation.

5. DEBT

The Airport has a long-term obligation to the primary government of $90,000 at December 31, 2005. 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, 2005 are as follows:

For Year Ending December 31,	Due to Primary Government Principal	Due to Primary Government Interest	Total
2006	$ 18,000	$ 1,020	$ 19,020
2007	18,000	1,020	19,020
2008	18,000	1,020	19,020
2009	18,000	1,020	19,020
2010	18,000	1,020	19,020
Total	$ 90,000	$ 5,100	$ 95,100

5. DEBT (Continued)

In 2005, the Airport Authority issued revenue bonds where the government income derived from the constructed assets will be used to retire the debt. $1,400,000 of revenue bonds were issued to finance new hangar construction. The interest rate on the revenue bonds is 4.125% and they are scheduled to mature in 2035. The Airport Authority is scheduled to make the first principal payment of $24,400 in 2006. Changes in the long-term obligations during 2005 were as follows:

	Amount Outstanding 1/1/2005	Additions	Reductions	Amount Outstanding 12/31/2005	Amount Due In One Year
Business-Type Activities					
Revenue Bonds	$ 0	$ 1,400,000	$ 0	$ 1,400,000	$ 24,400

The annual requirements to retire this debt are as follows:

	Revenue Bonds		
	Principal	Interest	Total
2006	$ 24,400	$ 53,729	$ 78,129
2007	25,500	56,744	82,244
2008	26,500	55,692	82,192
2009	27,600	54,599	82,199
2010	28,700	53,460	82,160
2011-2015	162,500	248,511	411,011
2016-2020	198,900	212,120	411,020
2021-2025	243,400	167,574	410,974
2026-2030	297,900	113,066	410,966
2031-2035	364,600	46,340	410,940
	$ 1,400,000	$ 1,061,835	$ 2,461,835

6. CAPITAL LEASES

The Airport has entered into a capitalized lease for the acquisitions of a tractor and a credit card machine. The leases meet 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 for the tractor and $7,543 for the credit card machine which represent the present value of the lease payments at the time of the acquisition. Corresponding liabilities were recorded in the Airport enterprise account.

The following schedule is an analysis of equipment leased under capital leases as of December 31, 2005:

	Credit Card Machine
Equipment	$ 7,543
Less: Accumulated Depreciation	(1,886)
Carrying Value	$ 5,657

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.

For Year Ending December 31	Credit Card Machine
2006	$ 1,322
2007	2,644
Total Minimum lease payments	$ 3,966
Less: Amount representing interest	0
Present value of minimum lease payments	$ 3,966

7. DEFINED BENEFIT PENSION PLAN

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Airport Authority 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

7. DEFINED BENEFIT PENSION PLAN (Continued)

Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Airport Authority's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Airport Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were $7,518 $8,521 and $8,002 respectively; 100 percent for all three years has been contributed.

8. 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 2005 employer contribution rate was 13.55% of covered payroll; 4% was the portion that was used to fund health care for 2005.

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, 2004, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 1% and 6% annually for the next eight years and 4% annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

8. POSTEMPLOYMENT BENEFIT (Continued)

The number of active contributing participants was 376,109. The Airport's actual contributions for 2005 which were used to fund postemployment benefits were $301. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.5 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing the health care costs.

9. OTHER EMPLOYEE BENEFITS

A. Sick and Personal Absence Days

Full-time employees are eligible for one paid personal absence day annually which shall be used for personal business. Employees are eligible for five paid sick days. Employment anniversary dates will be used in establishing eligibility. The banked liability will have no value for time off or for payment for unused days upon termination.

B. Vacation

Full-time employees are eligible for paid vacation time. 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.

10. CAPITAL ASSETS

A summary of the Airport's capital assets at December 31, 2005 follows:

	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
Nondepreciable Capital Assets				
Land	$ 108,569	$ -	$ -	$ 108,569
Construction in Progress	964,204	588,052	-	1,552,256
Total Nondepreciable Capital Assets	1,072,773	588,052	-	1,660,825
Capital Assets Being Depreciated				
Buildings and Improvements	170,040	-	-	170,040
Improvements Other than Buildings	140,576	-	-	140,576
Vehicles	413,959	-	-	413,959
Furniture and Equipment	37,520	11,443	-	48,963
Total Capital Assets Being Depreciated	762,095	11,443	-	773,538
Less: Accumulated Depreciation				
Buildings and Improvements	(58,342)	(6,802)	-	(65,144)
Improvements Other than Buildings	(138,989)	(132)	-	(139,121)
Vehicles	(285,205)	(13,280)	-	(298,485)
Furniture and Equipment	(13,933)	(6,206)	-	(20,139)
Total Accumulated Depreciation	(496,469)	(26,420)	-	(522,889)
Total Capital Assets Being Depreciated, Net	265,626	(14,977)	-	250,649
Business-Type Capital Assets, Net	$ 1,338,399	$ 573,075	$ -	$ 1,911,474

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

12. CONTRACTUAL COMMITMENTS

As of December 31, 2005 the Airport Authority had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/05
Hughes-Roller Building Co.-Hanger Construction	$ 1,077,997	$ 144,630	$ 933,367
Baker & Associates-Engineering Services for Hangars	443,667	239,249	$ 204,418
Koski Construction, Inc.-Taxiway	1,005,610	739,356	$ 266,254
Totals	$ 2,527,274	$ 1,123,235	$ 1,404,039

13. SUBSEQUENT EVENT

On May 23, 2006, the Airport Authority entered into a twenty-year lease with Lakeside Aviation, LLC for a portion of the real property of the Airport as permitted by the FAA, along with facilities, hangars, fixtures, easements, rights, licenses and privileges. Lakeside Aviation, LLC will manage the operation of the Airport according to the terms of the lease. Rental income for the first ten years of the lease is $120,000 per year payable in equal monthly installments. After the primary term of the lease, the rent shall be increased annually based on the Consumer Price Index.

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Ashtabula County Airport Authority
Ashtabula County
Schedule of Expenditures of Federal Awards
for the Year Ended December 31, 2005

Federal Grantor/ Pass Through Grantor Program Title	Grant Name or I.D. No.	Federal CFDA Number	Pass Through Entity Number	Receipts	Expenditures
FEDERAL AVIATION ADMINISTRATION AIRPORTS					
Airport Improvement Program	3-39-0005-0604	20.106	N/A	$ 612,355	$ 612,355
Airport Improvement Program	3-39-0005-0503	20.106	N/A	22,469	22,469
Airport Improvement Program	3-39-0005-0705	20.106	N/A	-	-
Total Federal Aviation Administration Airports				**$634,824**	**$634,824**
U.S. DEPARTMENT OF AGRICULTURE					
Community Facilities Loans and Grants	Airport Revenue Bonds	10.766	N/A	280,637	200,942
Total U.S. Department of Agriculture				**$280,637**	**$200,942**
Totals				**$915,461**	**$835,766**

The accompanying notes to this schedule are an integral part of this schedule.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule is a summary of activity of the Airports's federal award programs. The Schedule has been prepared on the cash basis of accounting.

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CANTER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Ashtabula County Airport Authority
Ashtabula County
2382 Airport Road
Jefferson, Ohio 44047

We have audited the financial statements of the Ashtabula County Airport Authority (the Airport), a component unit of Ashtabula County, as of and for the year ended December 31, 2005, and have issued our report thereon dated August 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 Airport's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1.

A material weakness is a reportable 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 caused by error or fraud 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

4800 Belmont Avenue, Suite C, Youngstown, Ohio 44505-1016
Telephone (330) 759-6761 * Fax (330) 759-6764**
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Canter & Company

Canter & Company

Youngstown, Ohio

August 18, 2006

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CANTER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ashtabula County Airport Authority
Ashtabula County
2382 Airport Road
Jefferson, Ohio 44047

To the Board of Trustees:

Compliance

We have audited the compliance of Ashtabula County Airport Authority ("Airport"), a component unit of Ashtabula County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Airport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport's compliance with those requirements.

As described in item 2005-2 in the accompanying schedule of findings and questioned costs, the Airport did not comply with requirements regarding the establishment of funds as required by the Bond Resolution that are applicable to its Community Facilities Loans and Grants. Compliance with such requirements is necessary, in our opinion, for Airport to comply with the requirements applicable to that program.

4800 Belmont Avenue, Suite C, Youngstown, Ohio 44505-1016
Telephone (330) 759-6761 * Fax (330) 759-6764**
Member of American Institute of Certified Public Accountants / AICPA Private Companies Practice Section

In our opinion, except for the noncompliance described in the preceding paragraph, the Ashtabula County Airport Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Airport's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Canter & Company
Canter & Company
Youngstown, Ohio

August 18, 2006

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Ashtabula County Airport Authority
Ashtabula County
Schedule of Findings and Questioned Costs
Year Ended December 31, 2005

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Ashtabula County Airport Authority.

2. Two reportable conditions disclosed during the audit of the financial statements are reported, one in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With Governmental Auditing Standards* and one in the *Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133* . Neither of the conditions are reported as a material weakness.

3. No instances of noncompliance material to the financial statements of the Ashtabula County Airport Authority which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. The auditor's report on compliance for the major federal award programs for the Ashtabula County Airport Authority expresses a qualified opinion on all major federal programs.

5. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

6. The programs tested as major programs included: Airport Improvement Program and Community Facilities Loans and Grants. CFDA Numbers, 20.106 and 10.766, respectively.

7. The threshold used for distinguishing between Type A and B programs was $300,000.

8. Ashtabula County Airport Authority did not qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS
2005-1 Purchasing

Condition: Manager has the authority to open up credit on behalf of the Airport without having to authorize the extended credit with the board. This was enabled by not properly having a segregation of duties. The manager was able to receive the daily mail and sort through the credit card statements to conceal the credit issued in the Airport's name.

Criteria: Internal controls should be in place that provide reasonable assurance that individuals are not permitted to open up credit without the approval of the board.

Effect: Because of the failure to require approval from the proper level of management and a segregation of duties, the manger was able to use the Airport's credit for personal use.

Recommendation: Procedures should be implemented requiring board approval prior to having credit issued in the Airport's name. Adequate controls should be in place to process and review the monthly credit card statements in a timely manner in order to ensure expenditures are for Airport expenditures.

Management Response: Agree. Management has issued written procedures to ensure that credit accounts must be approved by the board before they can be opened. The written procedure also requires that all credit card bills be signed by the board member who approved the spending and reviewed to ensure the expenses were Airport related. They have also addressed the segregation of duties by implementing a written procedure that requires all mail addressed to the Airport be opened by Secretary/Treasurer who shall maintain a list of Airport Authority Members authorized to open and receive the mail.

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

Questioned Costs

U.S. DEPARTMENT OF AGRICULTURE

2005-2 Community Facilities Loans and Grants—CFDA No. 10.766—Year ended December 31, 2005

None

Reportable Condition: The Airport adopted a Bond Resolution for Airport Revenue Bonds Series 2005 on October 27, 2005 in order to secure a loan from the USDA. The resolution established the need for four (4) new funds. These funds were as follows:

1. Airport Revenue Fund ("Reserve Fund")
2. Airport Bond Retirement Fund ("Bond Retirement Fund")
3. Airport Debt Service Reserve Fund ("Reserve Fund")
4. Airport Surplus Fund ("Surplus Fund")

Criteria: These funds are required to be setup in order to service the debt of the bonds as well as pay for the day to day activity of the Airport. This fund structure is a control that needs to be established to ensure that only approved expenditures are paid from each fund. On page 4, Section 5 of the Bond Resolution, the Authority has been directed the custodian of the above mentioned funds which shall be deposited in a bank which is a member of the Federal Deposit Insurance Corporation. Page 5, Section 6 of the same resolution establishes the individual funds to be created. In order to properly account for the monies required to be deposited and paid for from the funds as permitted by the resolution, separate bank accounts are required to be setup for each individual fund created. ORC §131.01 defines "Fund" as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash or other resources, together with all related liabilities, obligations, reserves, and fund balances which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special rules, restrictions, or limitations.

Effect: The Airport is not in compliance with the Bond Resolution Agreement.

Recommendation: The airport will need to setup separate funds as agreed upon in the Bond Resolution Agreement. The setup of these funds should be at a banking institution that is a member of the FDIC and a separate account for each fund.

Management Response: Agree.

Total None

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
OCTOBER 17, 2006