



**ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY**

**REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2007**



Mary Taylor, CPA
Auditor of State

Board of Trustees
Ashtabula County Airport Authority
2382 Airport Road, Bldg #1
Jefferson, Ohio 44047

We have reviewed the *Independent Auditors' Report* of the Ashtabula County Airport Authority, prepared by Canter and Company, for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 10, 2008

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**ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY**

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INDEPENDENT AUDITORS' 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, 2007, as listed in the table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion 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, 2007, and the respective 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 July 24, 2008 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 important for assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7, 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.



Canter & Company

Youngstown, Ohio

July 24, 2008

Ashtabula County Airport Authority
Ashtabula County

Management's Discussion and Analysis
For the Year Ended December 31, 2007

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 year ended December 31, 2007. 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 2007 are as follows:

- The Airport's net assets increased by \$92,186.
- In May of 2005, the Airport Authority and Lakeside Aviation, LLC entered into a twenty year lease agreement that was to generate \$120,000 per year for the Airport, for the first ten years of the lease. Lakeside Aviation notified the Airport Authority on August 13, 2007 that it planned to back out of this lease effective September 30, 2007, citing a lack of near-term opportunities and unfavorable economic conditions. This breach of contract resulted in the Airport Authority running on its own, as it did before the lease agreement, for the last three months of 2007. Please see note 12 of the basic financial statements for more information.

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 2007?" 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.

Ashtabula County Airport Authority
Ashtabula County

Management's Discussion and Analysis
For the Year Ended December 31, 2007

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 2007, compared to 2006:

(Table 1)
Net Assets

	Business-Type Activities	
	2007	2006
Assets		
Current and Other Assets	\$374,065	\$401,971
Capital Assets	3,027,664	3,102,993
Total Assets	<u>3,401,729</u>	<u>3,504,964</u>
Liabilities		
Long-Term Liabilities	1,350,100	1,369,546
Other Liabilities	124,236	300,211
Total Liabilities	<u>1,474,336</u>	<u>1,669,757</u>
Net Assets		
Invested in Capital Assets Net of Debt	1,587,567	1,643,447
Unrestricted	339,826	191,760
Total Net Assets	<u>\$1,927,393</u>	<u>\$1,835,207</u>

Total assets decreased by \$103,235 from 2006 to 2007. The majority of this decrease is the result of a decrease in the amount due from other governments as prior construction project grant amounts have all been received.

Total liabilities decreased by \$195,421. The majority of this decrease is due to a reduction of contracts payable related to construction in progress, as well as a reduction in deferred revenue due to construction project grants being received.

Total net assets increased by \$92,186.

Ashtabula County Airport Authority
Ashtabula County

Management's Discussion and Analysis
For the Year Ended December 31, 2007

Table 2 shows the revenues, expenses and the changes in net assets for the year ended December 31, 2007 compared to the year ended December 31, 2006.

(Table 2)
Changes in Net Assets

	Business-Type Activities	
	2007	2006
Revenues		
<i>Operating Revenues:</i>		
Charges for Services	\$219,642	\$298,499
Operating Grants	0	6,536
Other Operating revenues	1,980	0
<i>Total Operating Revenues</i>	221,622	305,035
Expenses		
<i>Operating Expenses:</i>		
Personal services	16,071	43,444
Fringe Benefits	8,632	0
Depreciation	129,836	131,487
Materials and Supplies	55,164	131,596
Contractual services	75,276	63,241
Other Operating Expenses	7,866	5,638
<i>Total Expenses</i>	292,845	375,406
Operating Loss	(71,223)	(70,371)
Non-Operating Revenues (Expenses)		
Interest income	1,990	893
Capital grants	181,663	171,536
Donations	0	66,852
Other non-operating revenue	36,520	841
Interest and Fiscal Charges	(56,764)	(29,317)
<i>Total Non-Operating Revenues (Expenses)</i>	163,409	210,805
Increase in Net Assets	\$92,186	\$140,434

Operating revenues decreased by \$83,413 due primarily to Lakeside Aviation, LLC operating the Airport Authority for nine months of the year. Operating expenses decreased by \$82,561 also due primarily to Lakeside Aviation, LLC running the Airport Authority for nine months, resulting in significant decreases to personal services, materials and supplies and contractual services expenditures.

Ashtabula County Airport Authority
Ashtabula County

Management's Discussion and Analysis
For the Year Ended December 31, 2007

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 2007 balances compared with 2006.

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

	Business-Type Activities	
	2007	2006
Land	\$108,569	\$108,569
Construction in Progress	364,621	341,299
Buildings and Improvements	1,476,266	1,512,044
Improvements Other Than Buildings	980,677	1,023,396
Vehicles	91,597	105,438
Furniture and Equipment	5,934	12,247
Totals	<u>\$3,027,664</u>	<u>\$3,102,993</u>

The \$75,329 decrease in capital assets was attributable to annual depreciation expense of \$129,836 exceeding current year asset additions of \$54,507. Note 10 of the basic financial statements provides a more detailed look at the capital asset activity during 2007.

Debt

The outstanding debt for the Airport Authority as of December 31, 2007 and 2006 includes a \$90,000 short-term obligation due to the primary government. No payments have been made on this obligation in 2007. In 2006, the Airport Authority issued revenue bonds in the amount of \$1,400,000 in order to finance new hangar construction. The revenue bonds will mature in thirty years and have an interest rate of 4.125 percent. Long-term obligations are included in the following table:

(Table 4)
Outstanding Debt, at December 31

	Business-Type Activities	
	2007	2006
Revenue Bonds	\$1,350,100	\$1,369,545

Additional information concerning the Airport's long-term obligations can be found in Note 5 to the basic financial statements.

Ashtabula County Airport Authority
Ashtabula County

Management's Discussion and Analysis
For the Year Ended December 31, 2007

Current Financial Issues

On August 13, 2007 the airport operator, Lakeside Aviation, LLC notified the Ashtabula County Airport Authority that they would abandon their 20 year lease effective at the close of business on September 30, 2007. Lakeside Aviation cited the lack of near term opportunities and the unfavorable economic conditions in the area as the reason for their actions. The lease agreement called for termination by mutual agreement as well as specific default conditions. None of these conditions existed at the time of notification. Lakeside left their fuel inventory, office computer and software, and other items of furniture and fixtures.

Negotiations to determine compensation for early termination were unproductive and the parties agreed to mediation as a preliminary step to seeking redress in court as required by the lease agreement. Mediation is scheduled for mid July, 2008. Given the lack of progress in discussions with the parent company, Erie Management Group, the prospects for a successful mediation outcome are minimal.

Lakeside Aviation/Erie Management Group had paid the last three months rent as a security deposit when the lease agreement was signed. These funds became forfeited at the termination.

Outlook:

The Ashtabula County Airport Authority resumed operation of the airport on October 1, 2007, re-hiring two employees from Lakeside Aviation that had previously worked for the Authority. The Airport Authority developed a budget for the remainder of 2007 and all of 2008. Without the support of Lakeside Aviation, the Authority expects that operating losses will occur in 2008, reflecting the conditions prior to the Lakeside lease. Discussions continue with the County Commissioners with regard to general fund support of airport operations.

FAA Airport Improvement Program grant funding is anticipated in Airport Authority planning thru 2010. The Robert S. Morrison Foundation has pledged support for the local matching funds required to implement these improvement plans. Near term capital improvement funding is assured by this pledge.

The Kent State University has proposed a program for the regional campus, located in Ashtabula that would train Aviation Maintenance Technicians. FAA approval of the program should be given by the end of 2008 and the University is currently seeking instructors for the program. The Authority expects to enter into a lease agreement with the University, which would require development of facilities in an existing hangar building, in the fourth quarter of 2008. The Airport Authority expects that the program and facility will give support to future development efforts and spur the development of infrastructure to support future growth at the airport.

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.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Statement of Net Assets
December 31, 2007

Assets	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$171,646
Fuel Inventory	30,733
Lease Receivable	152,225
Prepays	9,822
Due from Other Governments	975
Deferred Charges	8,664
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<i>Total Current Assets</i>	<i>374,065</i>
<i>Non-Current Assets:</i>	
Nondepreciable Capital Assets	473,190
Depreciable Capital Assets, Net	2,554,474
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<i>Total Non-Current Assets</i>	<i>3,027,664</i>
<i>Total Assets</i>	<i>\$3,401,729</i>
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Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	\$15,556
Accrued Wages	2,370
Due to Primary Government	90,000
Accrued Interest Payable	13,923
Intergovernmental Payable	1,412
Deferred Revenue	975
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<i>Total Current Liabilities</i>	<i>124,236</i>
<i>Non-Current Liabilities:</i>	
Due Within One Year	26,500
Due In More than One Year	1,323,600
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<i>Total Non-Current Liabilities</i>	<i>1,350,100</i>
<i>Total Liabilities</i>	<i>1,474,336</i>
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Net Assets	
Invested in Capital Assets, Net of Related Debt	1,587,567
Unrestricted	339,826
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<i>Total Net Assets</i>	<i>1,927,393</i>
<i>Total Liabilities and Net Assets</i>	<i>\$3,401,729</i>
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See accompanying notes to the basic financial statements

Ashtabula County Airport Authority
Ashtabula County, Ohio

Statement of Revenues, Expenses and Changes in Net Assets
For the year ended December 31, 2007

Operating Revenue	
Sales	\$52,082
Rent	41,450
Lease	126,110
Other Operating Revenues	1,980
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<i>Total Operating Revenue</i>	221,622
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Operating Expenses	
Personal Services	16,071
Fringe Benefits	8,632
Contractual Services	75,276
Materials and Supplies	55,164
Depreciation	129,836
Other Operating Expenses	7,866
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<i>Total Operating Expenses</i>	292,845
	<hr/>
<i>Operating Loss</i>	(71,223)
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Non-Operating Revenues (Expenses)	
Interest Income	1,990
Capital Grants	181,663
Other Non-Operating Revenue	36,520
Interest and Fiscal Charges	(56,764)
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<i>Total Non-Operating Revenues (Expenses)</i>	163,409
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<i>Increase In Net Assets</i>	92,186
	<hr/>
<i>Net Assets, Beginning of Year</i>	1,835,207
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<i>Net Assets, End of Year</i>	\$1,927,393
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See accompanying notes to the basic financial statements

Ashtabula County Airport Authority
Ashtabula County, Ohio

Statement of Cash Flows
For the year ended December 31, 2007

Cash Flows From Operating Activities:	
Cash Received from Customers	\$63,032
Cash Received from Lease	109,460
Other Operating Revenue	1,980
Cash Paid for Goods and Services	(151,230)
Cash Paid to Employees	(20,883)
Other Operating Expenses	(10,183)
	<u>(7,824)</u>
<i>Net Cash Provided by/(Used for) Operating Activities</i>	
Cash Flows From Non-Capital Financing Activities:	
Other Non-Operating Receipts	11,032
	<u>11,032</u>
Cash Flows From Investing Activities:	
Interest on Investments	1,990
	<u>1,990</u>
Cash Flows From Capital and Related Financing Activities:	
Proceeds from Loans	6,055
Capital Grants	190,298
Payment for Capital Acquisitions	(71,227)
Principal Payments on Debt	(25,500)
Interest Payments	(55,786)
	<u>(49,968)</u>
<i>Net Cash Provided by/(Used for) Capital and Related Financing Activities</i>	
	<u>43,840</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	49,038
Cash and Cash Equivalents at Beginning of Year	122,608
Cash and Cash Equivalents at End of Year	<u>\$171,646</u>
Reconciliation of Operating Loss to	
Net Cash Provided by/(Used for) Operating Activities	
Operating Loss	<u>(\$71,223)</u>
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation	129,836
<i>(Increase) Decrease in Assets:</i>	
Inventory	(5,245)
Preaids	(9,822)
Lease Receivable	(16,650)
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	2,786
Accrued Wages	2,370
Due to Other Governments	(9,876)
Customer Deposits	(30,000)
	<u>63,399</u>
Total Adjustments	<u>63,399</u>
Net Cash Provided by/(Used for) Operating Activities	<u>(\$7,824)</u>

See accompanying notes to the basic financial statements

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2007

Note 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.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources are generally applicable to the primary government. The Airport also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Airport has elected not to apply FASB Pronouncements and Interpretations issued after November 30, 1989. The more significant of the Airport's accounting policies are described below.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2007

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 statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Airport finances and meets the cash flow needs of its enterprise activity.

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

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

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

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.

C. Cash and Cash Equivalents

The Airport maintains interest bearing depository accounts. All funds of the Airport are maintained in these accounts. These interest bearing depository accounts are presented in the 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 2007 amounted to \$1,990.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2007

D. Fuel Inventory

Inventory consists of two types of aviation fuel for sale to customers and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when sold or used.

E. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the revenue bonds are being amortized using the straight line method over the life of the bonds. The straight-line method of amortization is not materially different from the effective interest method. On the basic financial statements bond issuance costs are expended in the year the bonds are issued.

F. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. The Airport maintains a capitalization threshold of one hundred dollars.

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 capital 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 and Improvements
25 years	Improvements other than Buildings
5 years	Vehicles
3-20 years	Furniture and Equipment

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Airport, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At year-end, the Airport had no restricted assets.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Airport, these revenues are charges for services and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Airport. Revenues and expenses which do not meet these definitions are reported as non-operating.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2007

I. 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.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Note 3 – Deposits and Investments

State statues classify monies held by the Airport into three categories.

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash by the Airport 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 be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2007

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 2007, the Airport Authority had no investments.

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 \$171,646, of which \$689 was cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, \$70,298 of the Airport Authority's bank balance of \$170,298 was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2007

Note 4 – Due to Primary Government

The Airport Authority has a short-term obligation to the primary government of \$90,000 at December 31, 2007. This obligation was incurred in 1997 for the purchase of a refueler truck by the County to be used for Airport operations. It was to be repaid in equal installments through 2002. No payments have been made on this obligation; therefore the entire balance is recorded as a current obligation.

Note 5 – Long-Term Obligations

During 2005, the Airport Authority issued revenue bonds where the government income derived from the constructed assets will be used to retire the debt. The interest rate on the revenue bonds is 4.125 percent and they are scheduled to mature in 2035. Changes in the long-term obligations during 2007 were as follows:

	Amount Outstanding 1/1/2007	Additions	Reductions	Amount Outstanding 12/31/2007	Amount Due In One Year
<i>Business-Type Activities</i>					
Revenue Bonds	\$1,369,545	\$6,055	\$25,500	\$1,350,100	\$26,500

The annual requirements to retire this debt are as follows:

	2005 Revenue Bonds		
	Principal	Interest	Total
2008	\$26,500	\$55,692	\$82,192
2009	27,600	54,599	82,199
2010	28,700	53,460	82,160
2011	30,000	52,276	82,276
2012	31,100	51,039	82,139
2013 - 2017	176,200	234,832	411,032
2018 - 2022	215,600	195,372	410,972
2023 - 2027	263,800	147,081	410,881
2028 - 2032	323,000	87,982	410,982
2033- 2035	227,600	19,030	246,630
<i>Total</i>	\$1,350,100	\$951,363	\$2,301,463

Note 6 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Airport Authority participated 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.

Ashtabula County Airport Authority
Ashtabula County, Ohio

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December 31, 2007

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). 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 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 which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2007 was 13.85 percent of covered payroll, of which 5.0 to 6.0 percent was used to fund health care coverage for retirees. The contribution rate is determined actuarially. 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, 2007, 2006 and 2005 were \$2,061, \$4,900 and \$7,518, respectively. 76 percent has been contributed for 2007, and one hundred percent has been contributed for 2006 and 2005. There were no contributions made to the member directed plan for 2007.

Note 7 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.0 percent from January 1 through June 30, 2007 and 6.0 percent from July 1 through December 31, 2007 were the portions that were used to fund health care.

Ashtabula County Airport Authority
Ashtabula County, Ohio

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December 31, 2007

Benefits are advanced-funded on an actuarially determined basis. The individual entry age actuarial cost method of valuation is used in determining the present value of the OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.5 percent to 6.3 percent.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5 to 5.0 percent for the next eight years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.0 percent (the projected wage inflation rate).

All investments are carried at market value. 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 annually, not to exceed a 12 percent corridor.

At December 31, 2007, the number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. Actual contributions for 2007 which were used to fund postemployment benefits were \$893. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 8 – 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 also eligible for five paid sick days. Employment anniversary dates will be used in establishing eligibility. There was no material liability for accrued but unused personal or sick days as of December 31, 2007.

B. Vacation

Full time employees are eligible for paid vacation time. Vacation time may not be carried over to the following year unless, prior to written approval from the Board is granted. Eligible employees will not be paid for any earned but unused vacation upon termination.

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2007

Note 9 - 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.

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

Note 10 - Capital Assets

A summary of the Airport's capital assets at December 31, 2007 follows:

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
<i>Capital Assets, not being depreciated:</i>				
Land	\$108,569	\$0	\$0	\$108,569
Construction in Progress	341,299	23,322	0	364,621
<i>Total Capital Assets, not being depreciated:</i>	449,868	23,322	0	473,190
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	1,642,904	31,185	0	1,674,089
Improvements other than Buildings	1,205,235	0	0	1,205,235
Vehicles	413,764	0	0	413,764
Furniture and Equipment	31,567	0	0	31,567
<i>Total Capital Assets, being depreciated:</i>	3,293,470	31,185	0	3,324,655
Less Accumulated Depreciation:				
Buildings and Improvements	(130,860)	(66,963)	0	(197,823)
Improvements other than Buildings	(181,839)	(42,719)	0	(224,558)
Vehicles	(308,326)	(13,841)	0	(322,167)
Furniture and Equipment	(19,320)	(6,313)	0	(25,633)
<i>Total Accumulated Depreciation</i>	(640,345)	(129,836)	0	(770,181)
<i>Total Capital Assets being depreciated, net</i>	2,653,125	(98,651)	0	2,554,474
Total Capital Assets, Net	\$3,102,993	(\$75,329)	\$0	\$3,027,664

Ashtabula County Airport Authority
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2007

Note 11 - Lease Agreement

On May 23, 2005, the Airport Authority entered into a twenty-year lease with Lakeside Aviation, LLC for the real property of the Airport, 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.

On August 13, 2007 the airport operator, Lakeside Aviation, LLC notified the Airport Authority that they would abandon their 20 year lease effective at the close of business on September 30, 2007. Lakeside Aviation cited the lack of near term opportunities and the unfavorable economic conditions in the area as the reason for their actions. The lease agreement called for termination by mutual agreement as well as specific default conditions. None of these conditions existed at the time of notification.

Note 12 – Mediation/Pending Litigation

Based upon the lease agreement with Lakeside Aviation, LLC, a termination of the lease had to be agreed upon by both parties involved as well as meet other specific default conditions, neither of which were met at the time of cancellation. Negotiations to determine compensation for early termination were unproductive and the parties agreed to mediation as a preliminary step to seeking redress in court as required by the lease agreement. Mediation is scheduled for mid July, 2008.

As of July 21, 2008 the Airport and Lakeside has come to a preliminary settlement. Lakeside Aviation has forfeited \$30,000 of deposits held by the Airport, which was recognized as rent as of December 31, 2007. Lakeside also left approximately \$27,996 of fuel that the Airport recorded as inventory and recognized as Other Non-Operating Revenue. Lakeside has also agreed to pay the Airport \$50,000 to settle and release all remaining claims the Airport has within 5 days of the execution of the agreement. The Airport signed and sent the agreement on July 21, 2008 and is awaiting signature and payment from Lakeside as of July 24, 2008.

**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, 2007, and have issued our report thereon dated July 24, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Airport's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Airport's financial statements that is more than inconsequential will not be prevented or detected by the Airport's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Airport's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of the Airport, in a separate letter dated July 24, 2008.

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



Canter & Company

Youngstown, Ohio

July 24, 2008



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 23, 2008**