



**NORTHEAST OHIO REGIONAL AIRPORT
ASHTABULA COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2012**



Dave Yost • Auditor of State

Board of Trustees
Northeast Ohio Regional Airport Authority
2382 Airport Road
Jefferson, Ohio 44047

We have reviewed the *Independent Auditor's Report* of the Northeast Ohio Regional Airport Authority, Ashtabula County, prepared by Canter & Associates, for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted this report 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 Northeast Ohio Regional Airport Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 4, 2013

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**NORTHEAST OHIO REGIONAL AIRPORT
ASHTABULA COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

Northeast Ohio Regional Airport
Ashtabula County
2382 Airport Road
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the accompanying financial statements of the Northeast Ohio Regional Airport (the Airport), a component unit of Ashtabula County, Ohio as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Northeast Ohio Regional Airport as of December 31, 2012 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, in 2012, the Airport adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Ohio Regional Airport's internal control over financial reporting and compliance.

CANTER & ASSOCIATES



Poland, Ohio

June 20, 2013

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)

The discussion and analysis of the Northeast Ohio Regional Airport's (the "Airport") financial performance provides an overall review of the Airport's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the Airport's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Airport's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- The Airport's net position decreased by \$131,260, or 5 percent.
- During 2012, the Airport had an operating loss of \$616,984 and total net position decreased by \$131,260. Contributions made to the Airport from the County and private donors of \$95,000 and \$259,440, respectively, totaling \$354,440 helped to keep the Airport operating.
- The Airport was able to make its annual principal and interest payments on its outstanding revenue bond in the amount of \$31,100 and \$51,039, respectively.
- During 2012 the Airport's Board determined that the waste-water treatment plant that it was reporting and carrying on its books actually belonged to Ashtabula County. Therefore the historical cost of this asset and the corresponding accumulated depreciation were removed, resulting in a \$307,169 restatement of beginning net position. See note 3 for more information on the restatement of beginning net position.

Using this Annual Financial Report

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

A question typically asked about the Airport's finances "How did we do financially during 2012?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Airport and its activities in a way that helps answer this question. These statements include *all assets 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's *net position* and *changes in that net position*. This change in net position is important because it tells the reader that, for the Airport as a whole, the *financial position* of the Airport has improved or diminished. The reader will need to consider other non-financial factors (e.g. fuel prices, FAA regulations, weather, etc.) in order to assess the overall health of the Airport.

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)

The Airport as a Whole

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

Table 1 provides a summary of the Airport's net position for 2012, compared to 2011:

(Table 1)
Net Position

	Business-Type Activities (Restated)		
	2012	2011	Change
Assets			
Current and Other Assets	\$537,730	\$399,610	\$138,120
Capital Assets, Net of Depreciation	3,337,434	3,469,562	(132,128)
Total Assets	3,875,164	3,869,172	5,992
Liabilities			
Long-Term Liabilities	1,206,200	1,237,300	(31,100)
Other Liabilities	204,410	36,058	168,352
Total Liabilities	1,410,610	1,273,358	137,252
Net Position			
Net Investment in Capital Assets	2,131,234	2,227,305	(96,071)
Restricted for Debt Service	57,471	71,664	(14,193)
Unrestricted	275,849	296,845	(20,996)
Total Net Position	\$2,464,554	\$2,595,814	(\$131,260)

Total assets increased \$5,992 during 2012. This slight increase was the result of an increase in other current assets, most notably intergovernmental receivables related to the Airport's environmental assessment project.

Total liabilities increased by \$137,252 during 2012, which is an 11 percent change from the prior year. This increase is due to the contracts payable reported which are related to the start of various Airport projects. Long-term liabilities decreased due to the Airport making its scheduled principal payment of \$31,100 on the revenue bonds.

In total, net position of the Airport decreased by \$131,260 which can be attributed mostly to the waste-water treatment plant being removed from the Airport's asset listing, as well as current year depreciation on the Airport's assets exceeding capital acquisitions.

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)

Table 2 shows the revenues, expenses and the changes in net position for the year ended December 31, 2012 compared to the year ended December 31, 2011.

(Table 2)
Changes in Net Position

	Business-Type Activities		
	2012	2011	Change
Revenues			
<i>Operating Revenues:</i>			
Charges for Services	\$322,537	\$366,709	(\$44,172)
Other Operating revenues	2,472	2,542	(70)
Total Operating Revenues	325,009	369,251	(44,242)
Expenses			
<i>Operating Expenses:</i>			
Personal services	59,891	55,635	4,256
Fringe Benefits	15,324	10,008	5,316
Depreciation	142,128	143,860	(1,732)
Materials and Supplies	233,350	281,056	(47,706)
Contractual services	485,033	251,795	233,238
Other Operating Expenses	6,267	11,269	(5,002)
Total Expenses	941,993	753,623	188,370
Operating Loss	(616,984)	(384,372)	(232,612)
Non-Operating Revenues (Expenses)			
Interest income	594	634	(40)
Capital grants	182,164	0	182,164
Contributions and Donations	259,440	430,989	(171,549)
Other non-operating revenue	3,480	91,308	(87,828)
Interest and Fiscal Charges	(54,954)	(57,571)	2,617
Intergovernmental Revenue (County)	95,000	84,619	10,381
Gain on Expired Lease Transactions	0	85,190	(85,190)
Total Non-Operating Revenues (Expenses)	485,724	635,169	(149,445)
Change in Net Position	(131,260)	250,797	(382,057)
Net Position Beginning of Year - Restated	2,595,814	2,345,017	250,797
Net Position End of Year	\$2,464,554	\$2,595,814	(\$131,260)

Operating revenues decreased by \$44,242 due primarily to a slight decrease in fuel sales and rent and lease revenues also being down slightly from the previous year. Operating expenses increased by \$188,370 from the prior year due to an increase in contractual services expense. The increase in contractual services expenses are related to the environmental assessment work done at the Airport. The Airport's total net position decreased \$131,260 from the prior year.

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)

Capital Assets

The largest portion of the Airport's net position each year is its net investment in capital assets. The Airport uses these capital assets to provide services to the businesses and public using the Airport. Table 3 shows 2012 balances compared with 2011.

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

	Business-Type Activities		
	2012	Restated 2011	Change
Land	\$108,569	\$108,569	\$0
Buildings and Improvements	1,454,044	1,494,291	(40,247)
Improvements Other Than Buildings	1,659,975	1,728,543	(68,568)
Vehicles	54,711	66,852	(12,141)
Furniture and Equipment	60,135	71,307	(11,172)
Totals	\$3,337,434	\$3,469,562	(\$132,128)

The \$132,128 decrease in capital assets was due to current year depreciation of \$142,128 exceeding the \$10,000 worth of capital additions during 2012. Note 10 of the basic financial statements provides a more detailed look at the capital asset activity during 2012.

Debt

In 2006, the Airport issued revenue bonds in the amount of \$1,400,000 in order to finance new hangar construction. The revenue bonds will mature in thirty years and have an interest rate of 4.125 percent. The Airport's outstanding long-term obligations are included in the following table:

(Table 4)
Outstanding Debt, at December 31

	2012	2011	Change
Revenue Bonds	\$1,206,200	\$1,237,300	\$31,100

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

Current Financial Issues

Financial performance in 2012 continued to be driven by the national economic environment. Fuel sales for both turbine (Jet A) and piston (100LL) aircraft remain depressed compared to levels prior to 2007. 100LL fuel sales (gallons) decreased from 2011 but are significantly lower than the Airport experienced in 2007. Jet fuel sales volumes increased, reflecting increasing business travel. The Airport expects this trend to continue and for income to remain at lower levels until the economy recovers. Hangar occupancy has dropped due to customers selling aircraft for both economic and personal reasons. Pilots purchasing their first aircraft or

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2012
(UNAUDITED)

“trading up” have traditionally replaced those selling but we have not observed increases in student activity or trading up. Other airports in the region have vacancies so our situation is not unique.

The Airport received significant support from foundations, business and personal donations in 2012. \$259,440 in unrestricted gifts was received during the year. These funds were used to repair Airport infrastructure and promote Airport development. The County Commissioners also allocated \$95,000 from the General Fund to support Airport operations in 2012.

Outlook:

It is not likely that the National Economic situation will quickly resolve itself. In August of 2011, the Airport engaged the firm, R.A. Wiedeman and Associates of Georgetown, Kentucky, to develop a strategic plan for the Airport which would focus our efforts on developing the various markets that the Airport serves. The plan would include rebranding the Airport, marketing plans and materials, and strategic tasks which would focus our limited resources in productive activities. The plan was completed in 2012 and the rebranding effort started with renaming the Airport the Northeast Ohio Regional Airport. This rebranding recognizes that the Airport customer base has to be focused on regional rather than local customer services if we are to be financially self-supporting. Analysis has indicated that energy development activities in the region have the potential to dramatically increase business. Efforts are being taken to coordinate marketing with regional tourist and recreational promotions as well as the activities of the newly constructed sports center in Geneva, Ohio.

The Ashtabula County Commissioners have pledged a \$95,000 contribution from the General Fund for support of Airport operations.

In 2011, the FAA proposed a change to the Airport Reference Code (ARC) that could have potentially reduced the amount of FAA-AIP grant funding to the Airport. Part of the strategic plan being developed is to enhance the Airport's ability to serve business jet traffic. The proposed reduction in the ARC would have had an adverse, long term impact on the amount of funds available for facility renewal and expansion. An intense effort to maintain the current status of the Airport which included our district Congressional Representative, county political leaders, engineers, legal and environmental consultants was successful. Revised capital funding plans have been approved by the FAA and the flow of grant funds resumed during 2012.

Contacting the Airport's Finance Department

This financial report is designed to provide our citizens, taxpayers, airport users, and all interested parties with a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dwight Bowden, President of the Northeast Ohio Regional Airport, 2382 Airport Road, Jefferson, Ohio 44047.

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Statement of Net Position
December 31, 2012

Assets	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$227,926
Accounts Receivable	264
Prepaid Assets	14,393
Fuel Inventory	51,842
Lease Receivable	96,875
Due from Other Governments	146,430
	<hr/>
<i>Total Current Assets</i>	<i>537,730</i>
<i>Non-Current Assets:</i>	
Nondepreciable Capital Assets	108,569
Depreciable Capital Assets, Net	3,228,865
	<hr/>
<i>Total Non-Current Assets</i>	<i>3,337,434</i>
<i>Total Assets</i>	<i>\$3,875,164</i>
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Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	\$27,335
Contracts Payable	154,203
Accrued Wages	268
Accrued Interest Payable	12,439
Unearned Revenue	10,165
	<hr/>
<i>Total Current Liabilities</i>	<i>204,410</i>
<i>Non-Current Liabilities:</i>	
Due Within One Year	32,500
Due In More than One Year	1,173,700
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<i>Total Non-Current Liabilities</i>	<i>1,206,200</i>
<i>Total Liabilities</i>	<i>1,410,610</i>
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Net Position	
Net Investment in Capital Assets	2,131,234
Restricted for Debt Service	57,471
Unrestricted	275,849
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<i>Total Net Position</i>	<i>2,464,554</i>
<i>Total Liabilities and Net Position</i>	<i>\$3,875,164</i>
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See accompanying notes to the basic financial statements

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2012

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Operating Revenue	
Sales	\$228,371
Rent	86,666
Leases	7,500
Other Operating Revenues	2,472
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<i>Total Operating Revenue</i>	<i>325,009</i>
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Operating Expenses	
Personal Services	59,891
Fringe Benefits	15,324
Contractual Services	485,033
Materials and Supplies	233,350
Depreciation	142,128
Other Operating Expenses	6,267
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<i>Total Operating Expenses</i>	<i>941,993</i>
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<i>Operating Loss</i>	<i>(616,984)</i>
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Non-Operating Revenues (Expenses)	
Interest Income	594
Capital Grants	182,164
Contributions and Donations	259,440
Other Non-Operating Revenue	3,480
Interest and Fiscal Charges	(54,954)
Intergovernmental Revenue - County Appropriation	95,000
	<hr/>
<i>Total Non-Operating Revenues (Expenses)</i>	<i>485,724</i>
	<hr/>
<i>Change In Net Position</i>	<i>(131,260)</i>
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<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<i>2,595,814</i>
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<i>Net Position End of Year</i>	<i>\$2,464,554</i>
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See accompanying notes to the basic financial statements

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Statement of Cash Flows
For the year ended December 31, 2012

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Cash Flows From Operating Activities:	
Cash Received from Customers	\$328,158
Other Operating Revenue	2,472
Cash Paid for Goods and Services	(548,061)
Cash Paid to Employees	(77,149)
Other Operating Expenses	(16,615)
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<i>Net Cash Used for Operating Activities</i>	<i>(311,195)</i>
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Cash Flows From Non-Capital Financing Activities:	
Other Non-Operating Receipts	3,480
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Cash Flows From Investing Activities:	
Interest on Investments	594
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Cash Flows From Capital and Related Financing Activities:	
Contributions and Donations	354,440
Capital Grants	35,734
Payment for Capital Acquisitions	(10,000)
Principal Payments on Debt	(31,100)
Interest Payments	(55,275)
	<hr/>
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<i>293,799</i>
	<hr/>
Net Decrease in Cash and Cash Equivalents	(13,322)
Cash and Cash Equivalents at Beginning of Year	241,248
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Cash and Cash Equivalents at End of Year	<u><u>\$227,926</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$616,984)
	<hr/>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	142,128
<i>(Increase) Decrease in Assets:</i>	
Accounts Receivable	1,464
Prepaid Assets	(2,395)
Inventory	(6,893)
Leases Receivable	2,812
<i>Increase (Decrease) in Liabilities:</i>	
Accounts Payable	12,857
Contracts Payable	154,203
Accrued Wages	268
Unearned Revenue	1,345
	<hr/>
Total Adjustments	305,789
	<hr/>
Net Cash Used for Operating Activities	<u><u>(\$311,195)</u></u>

See accompanying notes to the basic financial statements

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2012

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

A. The Airport

The Northeast Ohio Regional Airport, Ashtabula County, (the Airport) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Airport is directed by a nine member Board, appointed by the County commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rates, rentals and other charges; the authority to acquire, construct, operate, manage and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing any facility or permanent improvement. Since the Airport imposes a financial burden on the County, the Airport is reflected as a component unit of Ashtabula County. The Airport has a December 31 year end.

B. Reporting Entity

The Airport has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Airport are not misleading. The primary government consists of all departments, boards and agencies that are not legally separate from the Airport.

Component units are legally separate organizations for which a primary government is financially accountable. The Airport is financially accountable for an organization if the primary government appoints a voting majority of the organization's governing board and (1) the Airport is able to significantly influence the programs or services performed or provided by the organization; or (2) the Airport is legally entitled to or can otherwise access the organization's resources; or (3) the Airport is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or (4) the Airport is obligated for the debt of the organization. Under the criteria specified in Statement No. 14, the Airport has no component units. Accordingly, the accompanying financial statements include only the accounts and transactions of the Airport. The Airport is, however, considered to be a component unit of Ashtabula County ("the County") by virtue of the fact the Airport's Board of Trustees is appointed by the County and the Airport imposes a financial burden on the County. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Airport is not financially accountable for any other organization.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources are generally applicable to the primary government. The more significant of the Airport's accounting policies are described below.

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2012

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Proprietary accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, all liabilities and deferred inflows of resources are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Airport finances and meets the cash flow needs of its enterprise activity.

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

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

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

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

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

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2012

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Airport, there were no deferred outflows of resources to report.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Airport, there were no deferred inflows of resources to report.

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 2012 amounted to \$594.

For the purposes of the Statement of Cash Flows, the Airport considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the basic financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

E. Fuel Inventory

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

F. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Airport maintains a capitalization threshold of one hundred dollars.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. All reported capital assets except land is depreciated. Depreciation in the enterprise fund is computed using the straight-line basis over the following estimated useful lives:

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2012

<u>Estimated Lives</u>	<u>Description</u>
25 - 40 years	Buildings and Improvements
25 - 40 years	Improvements other than Buildings
5 -10 years	Vehicles
3 - 20 years	Furniture and Equipment

G. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for debt service represents monies set aside for the repayment of debt.

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

H. Operating Revenues and Expenses

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

I. 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. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Airport and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2012.

Note 3 – Change in Accounting Principles & Restatement of Prior Year Net Position

A. Change in Accounting Principles

For 2012, the Airport has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Agreements”, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements”, Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, Statement No. 64, “Derivative Instruments: Application of

Northeast Ohio Regional Airport
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Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53” Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 65, “Items Previously Reported as Assets and Liabilities”.

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the Airport’s financial statements.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Airport’s financial statements however it slightly modified note disclosure.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Airport’s 2012 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the Airport’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Airport’s 2012 financial statements and resulted in a restatement of beginning net position.

B. Restatement of Prior Year Net Position

	Northeast Ohio Regional Airport
Net Position at 12/31/11, as previously reported	\$2,910,399
Restatement of Capital Assets	(307,169)
Restatement of Deferred Charges (GASB 65)	(7,416)
Adjusted Net Position at 12/31/11	<u>\$2,595,814</u>

Note 4 – 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, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Airport, and must be purchased with the expectation that it will be held to maturity.

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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's name. During 2012, the Airport had no investments.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of bank failure, the Airport's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Airport.

At year-end, the carrying amount of the Airport's deposits was \$227,926, of which \$2,640 was cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, all of the Airport's bank balance of \$227,765 was covered by the Federal Deposit Insurance Corporation.

Note 5 – Operating Lease Agreements

In prior years, the Airport entered into four operating lease agreements for hangar improvements. The hangar improvements were paid for by tenants in exchange for the free use of the hangars for an agreed upon number of years. The terms of these agreements state that the assets will become property of the Airport at conclusion of the agreement.

Two of these hangar have agreements expired and as a result, the assets reverted to the Airport and were capitalized at their current fair market value. The Airport recognized a gain on expired lease transactions in the amount of \$85,190, which is the difference between the leases receivable being carried on the Airport's statement of net position and the fair market value of the assets acquired. This same accounting treatment will be applied to the two remaining leases upon expiration.

Northeast Ohio Regional Airport
Ashtabula County, Ohio

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Note 6 – Long-Term Obligations

During 2005, the Airport issued revenue bonds where the government income derived from the constructed assets will be used to retire the debt. The interest rate on the revenue bonds is 4.125 percent and they are scheduled to mature in 2035. Changes in the long-term obligations during 2012 were as follows:

	Amount Outstanding 1/1/2012	Additions	Reductions	Amount Outstanding 12/31/2012	Amount Due In One Year
<i>Business-Type Activities</i>					
Revenue Bonds	\$1,237,300	\$0	\$31,100	\$1,206,200	\$32,500

The annual requirements to retire this debt are as follows:

	2005 Revenue Bonds		
	Principal	Interest	Total
2013	\$32,500	\$49,756	\$82,256
2014	33,700	48,415	82,115
2015	35,200	47,025	82,225
2016	36,600	45,573	82,173
2017	38,200	44,063	82,263
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>	\$1,206,200	\$684,297	\$1,890,497

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System(OPERS)

The Airport 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. 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, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of both 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. For the year ended December 31, 2012, members in state and local classifications contributed 10.0 percent of covered payroll.

The Airport's contribution rate for 2012 was 14.0 percent of covered payroll, of which 4.0 percent was used to fund health care coverage for retirees. The employer contribution rate is determined actuarially. State statute sets a maximum contribution rate for the Airport at 14.0 percent.

The Airport's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011 and 2010 were \$8,778, \$8,092 and \$5,518, respectively. 100 percent has been contributed for 2012, 2011 and 2010. There were no contributions made to the member directed plan for 2012.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2012

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS’ post employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 percent for 2012. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Airport’s contribution allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011 and 2010 were \$2,508, \$2,312 and \$2,017 respectively. 100 percent has been contributed for 2012, 2011 and 2010.

OPERS Board of Trustees Adopts Changes to Health Care Plan - Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Note 9 – Other Employee Benefits

A. Sick and Personal Absence Days

Full time employees are eligible for one paid personal absence day annually which can be used for personal business. Employees are also eligible for five paid sick days, which can be used for illness or sickness. Employment anniversary dates are used in establishing eligibility. The banked liability has no value for time off or for payment of unused days upon termination. Therefore, there was no liability for accrued but unused personal or sick days as of December 31, 2012.

Northeast Ohio Regional Airport
Ashtabula County, Ohio

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B. Vacation

Full time employees are eligible for paid vacation time depending upon length of service. Vacation time may not be carried over to the following year unless, prior written approval from the Board is granted. Eligible employees will not be paid for any earned but unused vacation upon termination. Therefore, there was no liability for accrued but unused vacation days as of December 31, 2012.

Note 10 - Capital Assets

A summary of the Airport's capital assets at December 31, 2012 follows:

	Restated Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012
<i>Capital Assets, not being depreciated:</i>				
Land	\$108,569	\$0	\$0	\$108,569
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	1,872,075	10,000	0	1,882,075
Improvements other than Buildings	2,220,260	0	0	2,220,260
Vehicles	421,724	0	0	421,724
Furniture and Equipment	111,705	0	0	111,705
<i>Total Capital Assets, being depreciated:</i>	4,625,764	10,000	0	4,635,764
Less Accumulated Depreciation:				
Buildings and Improvements	(377,784)	(50,247)	0	(428,031)
Improvements other than Buildings	(491,717)	(68,568)	0	(560,285)
Vehicles	(354,872)	(12,141)	0	(367,013)
Furniture and Equipment	(40,398)	(11,172)	0	(51,570)
<i>Total Accumulated Depreciation</i>	(1,264,771)	(142,128)	0	(1,406,899)
<i>Total Capital Assets being depreciated, net</i>	3,360,993	(132,128)	0	3,228,865
Total Capital Assets, Net	\$3,469,562	(\$132,128)	\$0	\$3,337,434

Northeast Ohio Regional Airport
Ashtabula County, Ohio

Notes to the Basic Financial Statements
December 31, 2012

Note 11 - Risk Management

Commercial Insurance

The Airport has obtained commercial insurance for the following risks:

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

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

Note 12 – Contingencies

A. Grants

The Airport receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits may require refunding to grantor agencies. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Airport as of December 31, 2012.

B. Litigation

The Airport is not currently party to any legal proceedings outside of the normal course of business that would have a material effect on the financial statements.



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S 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*

Northeast Ohio Regional Airport
Ashtabula County
2382 Airport Road
Jefferson, OH 44047

To the Board of Trustees:

We have audited, in accordance with the 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, the financial statements of the Northeast Ohio Regional Airport (the "Airport"), a component unit of Ashtabula County, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements, and have issued our report thereon dated June 20, 2013 wherein we noted the Airport adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CANTER & ASSOCIATES



Poland, Ohio
June 20, 2013

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Dave Yost • Auditor of State

NORTHEAST OHIO REGIONAL AIRPORT AUTHORITY

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 17, 2013**