



**Auditor of State
Betty Montgomery**

**ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY**

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**Auditor of State
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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of Ashtabula County Airport Authority, (the Airport Authority) a component unit of Ashtabula County, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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, 2004, and the changes in its financial position and its cash flows for its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2005, on our consideration of the Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

October 19, 2005

Ashtabula County Airport Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2004

The discussion and analysis of the Ashtabula County Airport Authority's financial performance provides an overall review of the Airport Authority's financial activities for the fiscal year ended December 31, 2004. 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 2004 are as follows:

- The Airport' net assets increased by \$672,706. This was primarily due to the receipt of capital grants from the Federal Aviation Administration (FAA).
- Operating revenues increased by \$35,619 and operating expenses increased by \$18,898, due to an increase in charges for services, and an increase in material and supply purchases, respectively.

Using this Annual Financial Report

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

A question typically asked about the Airport Authority's finances "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Airport and its activities in a way that helps answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* which is similar to the accounting used by most private-sector companies. The Airport charges a fee to customers to help it cover part of the services it provides. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Airport Authority's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the Airport Authority as a whole, the *financial position* of the Airport Authority has improved or diminished. The reader will need to consider other non-financial factors (e.g. fuel prices, FAA regulations, weather, etc.) in order to assess the overall health of the Airport.

The statement of cash flows provides information about how the Airport Authority finances and meets the cash flow needs of its operations.

Ashtabula County Airport Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2004

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 2004, compared to 2003:

(Table 1)
Net Assets

	2004	2003
Assets		
Current and Other Assets	\$ 786,865	\$ 321,213
Capital Assets	1,338,399	773,830
Total Assets	2,125,264	1,095,043
Liabilities		
Long-Term Liabilities	5,499	12,032
Other Liabilities	665,172	301,124
Total Liabilities	670,671	313,156
Net Assets		
Invested in Capital Assets Net of Debt	1,248,399	683,830
Unrestricted	206,194	98,057
Total Net Assets	\$ 1,454,593	\$ 781,887

Total assets increased by \$1,030,221 from 2003 to 2004. The majority of this increase is the result of additions in capital projects in process of \$588,659.

Total liabilities increased by \$357,515. This increase is primarily due to an increase in contracts payable and deferred revenue.

Total net assets increased by \$672,706. This increase is a result of an increase in capital grant revenue.

Table 2 shows the revenues, expenses and the changes in net assets for the year ended December 31, 2004 compared to the year ended December 31, 2003.

Ashtabula County Airport Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2004

(Table 2)
Changes in Net Assets

	2004	2003
Revenues		
<i>Operating Revenues:</i>		
Charges for Services	\$ 291,297	\$ 221,237
Operating Grants	15,000	15,000
Other Operating revenues	2,885	6,504
<i>Total Operating Revenues</i>	309,182	242,741
Expenses		
<i>Operating Expenses:</i>		
Personal services	77,570	77,260
Depreciation	31,276	26,163
Materials and supplies	154,770	114,313
Contractual services	46,328	78,876
Other Operating Expenses	5,566	0
<i>Total Expenses</i>	315,510	296,612
Operating Loss	(6,328)	(53,871)
Non-Operating Revenues (Expenses)		
Interest income	519	825
Capital grants	644,917	30,822
Donations	34,200	40,000
Other non-operating expenses	(602)	(602)
<i>Total Non-Operating Revenues (Expenses)</i>	679,034	71,045
Increase in Net Assets	\$ 672,706	\$ 17,174

Operating revenues increased by \$35,619 due primarily to an increase in charges for services. Operating expenses increased by \$18,898 due primarily to an increase in purchases of materials and supplies.

Ashtabula County Airport Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2004

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 2004 balances compared with 2003.

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

	<u>2004</u>	<u>2003</u>
Land	\$ 108,569	\$ 108,569
Construction in Progress	964,204	375,545
Buildings and Improvements	111,698	111,170
Improvements Other Than Buildings	1,587	1,719
Vehicles	128,754	147,034
Furniture and Fixtures	<u>23,587</u>	<u>29,793</u>
Totals	<u>\$ 1,338,399</u>	<u>\$ 773,830</u>

The \$564,569 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 9 provides capital asset activity during the 2004 year.

Debt

The outstanding debt for the Airport Authority as of December 31, 2004 and 2003 was \$90,000, which is a long-term obligation due to the primary government. No payments have been made on this obligation.

Current Financial Issues

Although the Airport was able to reduce operating losses during the year, most of the performance gain came from increases in fees and profit margins. Continuing to raise these items would rapidly price the airport out of business as customers find other service providers. The Airport Authority has a policy of maintaining prices that are considered "high average" in our service area.

Operating expenses increased 18% in the period as two pieces of equipment required overhaul and other facilities required maintenance. Most of the county owned infrastructure is approaching 40 years of age and will require more, rather than less maintenance. Other costs such as payroll and energy have been contained by reducing services and wage freezes. Energy costs are roughly the same as 2001 due to strict controls on electrical energy use. Natural gas is provided free from an energy easement. This may not continue indefinitely and the possibility of significant costs increase in the future as this supply ends is possible.

Ashtabula County Airport Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2004

Current Financial Issues (continued)

The airport ended the year with accounts payable of \$28,706 and contracts payable of \$257,202. The airport has unrestricted net assets of \$206,194. This is typical of what is experienced each year. The problem is most serious in the winter when income is lower but expenses are higher. Payment of bills was spread over the first three months of 2005. In the end, the Airport Authority authorized using a portion of restricted capital funds to pay bills so that we could maintain our credit status with suppliers.

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

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

Contacting the Airport Authority's Finance Department

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

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Ashtabula County Airport Authority
Ashtabula County
Statement of Net Assets
December 31, 2004

Assets	
Current Assets:	
Cash and Cash equivalents	\$ 281,169
Accounts Receivable	3,638
Lease Receivable	102,275
Due from Other Governments	380,978
Materials and Supplies Inventory	<u>18,805</u>
<i>Total Current Assets</i>	<u>786,865</u>
Non-Current Assets	
Nondepreciable Capital Assets	1,072,773
Depreciable Capital Assets, Net	<u>265,626</u>
<i>Total Non-Current Assets</i>	<u>1,338,399</u>
<i>Total Assets</i>	<u><u>\$ 2,125,264</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 28,706
Accrued Wages and Benefits	1,078
Contracts Payable	257,202
Due to Primary Government	90,000
Intergovernmental Payable	9,409
Deferred Revenue	<u>278,777</u>
<i>Total Current Liabilities</i>	<u>665,172</u>
Non-Current Liabilities:	
Due Within One Year	2,514
Due in More than One Year	<u>2,985</u>
<i>Total Non-Current Liabilities</i>	<u>5,499</u>
<i>Total Liabilities</i>	<u>670,671</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,248,399
Unrestricted	<u>206,194</u>
<i>Total Net Assets</i>	<u>1,454,593</u>
<i>Total Liabilities and Net Assets</i>	<u><u>\$ 2,125,264</u></u>

See accompanying notes to the basic financial statements

Ashtabula County Airport Authority
Ashtabula County
Statement of Revenues, Expenses and Changes in Net Assets
December 31, 2004

OPERATING REVENUES	
Sales	\$ 201,832
Operating Grants	15,000
Rent	72,815
Lease	16,650
Other operating income	2,885
	309,182
 <i>Total Operating Revenue</i>	
	309,182
OPERATING EXPENSES	
Personal Services	77,570
Depreciation	31,276
Contractual Services	46,328
Supplies and Materials	154,770
Other operating expenses	5,566
	315,510
 <i>Total Operating Expenses</i>	
	315,510
 <i>Operating Loss</i>	 (6,328)
 NON-OPERATING REVENUES (EXPENSES)	
Interest income	519
Capital Grants	644,917
Donations	34,200
Interest and Fiscal Charges	(602)
	679,034
 <i>Total Non-operating Revenues (Expenses)</i>	
	679,034
 <i>Increase In Net Assets</i>	 672,706
 <i>Net Assets, Beginning of Year</i>	 781,887
	781,887
 <i>Net Assets, End of Year</i>	 \$ 1,454,593
	1,454,593

See accompanying notes to the basic financial statements.

Ashtabula County Airport Authority
Ashtabula County
Statement of Cash Flows
December 31, 2004

Cash Flows From Operating Activities:	
Cash Received from Operating Grants	\$ 15,000
Cash Received from Customers	270,330
Cash Paid for Goods and Services	(211,227)
Cash Paid to Employees	(81,066)
Other Operating Revenue	2,885
Other Operating Expenses	<u>(5,460)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(9,538)</u>
Cash Flows From Non-Capital Financing Activities:	
Donations	<u>34,200</u>
<i>Net Cash Provided by Non-capital Activities</i>	<u>34,200</u>
Cash Flows From Investing Activities:	
Interest on Investments	<u>519</u>
<i>Net Cash Provided by Investing Activities</i>	<u>519</u>
Cash Flows From Capital and Related Activities:	
Capital Grants	563,693
Payment for Capital Acquisitions	(338,643)
Principal Payments on Debt	(6,533)
Interest Payments	<u>(602)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>217,915</u>
Net Increase in Cash and Cash Equivalents	243,096
Cash and Cash Equivalents at Beginning of Year	<u>38,073</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 281,169</u></u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities	
Operating Loss	\$ (6,328)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation	31,276
(Increase) Decrease in Assets:	
Accounts Receivable	770
Lease Receivable	(16,650)
Inventory	3,354
Increase (Decrease) in Liabilities:	
Accounts Payable	6,848
Contracts Payable	(23,307)
Accrued Wages and Benefits	(2,183)
Due to Other Governments	1,769
Deferred Revenue	<u>(5,087)</u>
Total Adjustments	<u>(3,210)</u>
Net Cash Used for Operating Activities	<u><u>\$ (9,538)</u></u>

See accompanying notes to the basic financial statements

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**ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. DESCRIPTION OF ASHTABULA COUNTY AIRPORT AUTHORITY AND REPORTING ENTITY

A. The Airport Authority

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

B. Reporting Entity

The Airport has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. A reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements of the Airport are not misleading. The stand-alone government consists of all departments, boards and agencies that are not legally separate from the Airport.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

C. Cash and Cash Equivalents

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general operating fund during 2004 amounted to \$519.

**ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Inventories

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

E. Capital Assets

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

Donated capital assets are recorded at their fair market values as of the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund's capital assets.

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

<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

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. EQUITY IN CASH AND INVESTMENTS

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Airport treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

3. EQUITY IN CASH AND INVESTMENTS (Continued)

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the Authority lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Authority's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days in an amount not to exceed ten percent of the Airport Authority's total average portfolio.

**ASHTABULA COUNTY AIRPORT AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

3. EQUITY IN CASH AND INVESTMENTS (Continued)

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

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

At year end, the carrying amount of the Airport's deposits was \$281,169, of which \$195 was cash on hand, and the bank balance was \$49,151. The entire bank balance was covered by Federal depository insurance.

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

4. DEBT

The Airport has a long-term obligation to the primary government of \$90,000 at December 31, 2004. This obligation is due to the purchase of a refueler truck by the County during 1997 to be used for Airport operations. No payments have been made on this obligation. Principal and interest payments due on the refueler truck as of December 31, 2004 are as follows:

For Year Ending December 31,	Due to Primary Government		Total
	Principal	Interest	
2005	\$ 18,000	\$ 1,020	\$ 19,020
2006	18,000	1,020	19,020
2007	18,000	1,020	19,020
2008	18,000	1,020	19,020
2009	18,000	1,020	19,020
Total	<u>\$ 90,000</u>	<u>\$ 5,100</u>	<u>\$ 95,100</u>

**ASHTABULA COUNTY AIRPORT AUTHORITY
ASHTABULA COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

5. CAPITAL LEASES

The Airport has entered into a capitalized lease for the acquisitions of a tractor and a credit card machine. The leases meet the criteria of a capital lease as defined by Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Fixed assets acquired by lease have been capitalized in the Airport enterprise account in the amount of \$25,000 for the tractor and \$7,543 for the credit card machine which represent the present value of the lease payments at the time of the acquisition. Corresponding liabilities were recorded in the Airport enterprise account.

The following schedule is an analysis of equipment leased under capital leases as of December 31, 2004:

	Tractor	Credit Card Machine
Equipment	\$ 25,000	\$ 7,543
Less: Accumulated Depreciation	(25,000)	(1,886)
Carrying Value	\$ 0	\$ 5,657

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

For Year Ending December 31,	Credit Card Machine
2005	\$ 2,514
2006	2,514
2007	471
Total minimum lease payments	5,499
Less: Amount representing interest	0
Present value of minimum lease payments	\$ 5,499

6. DEFINED BENEFIT PENSION PLAN

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Airport Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). 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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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6. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Airport Authority's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Airport Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$8,521 \$8,002 and \$8,857 respectively; 100 percent for all three years has been contributed.

7. POSTEMPLOYMENT BENEFIT

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 employer contribution rate was 13.55% of covered payroll; 4% was the portion that was used to fund health care for 2004.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 1% and 6% annually for the next eight years and 4% annually after eight years.

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

The number of active contributing participants was 369,885. The Airport's actual contributions for 2004 which were used to fund postemployment benefits were \$2,515. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

**ASHTABULA COUNTY AIRPORT AUTHORITY
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7. POSTEMPLOYMENT BENEFIT (Continued)

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

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 eligible for five paid sick days.

Employment anniversary dates will be used in establishing eligibility. The banked liability will have no value for time off or for payment for unused days upon termination.

B. Vacation

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

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

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10. CAPITAL ASSETS

A summary of the Airport's capital assets at December 31, 2004 follows:

	Balance <u>12/31/2003</u>	Additions	Deletions	Balance <u>12/31/2004</u>
<i>Nondepreciable Capital Assets</i>				
Land	\$ 108,569	\$ 0	\$ 0	\$ 108,569
Construction in Progress	<u>375,545</u>	<u>588,659</u>		<u>964,204</u>
<i>Total Nondepreciable Capital Assets</i>	<u>484,114</u>	<u>588,659</u>	<u>0</u>	<u>1,072,773</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	162,854	7,186	0	170,040
Improvements Other than Buildings	140,576	0	0	140,576
Vehicles	413,959	0	0	413,959
Furniture and Equipment	<u>37,520</u>	<u>0</u>	<u>0</u>	<u>37,520</u>
<i>Total Capital Assets Being Depreciated</i>	<u>754,909</u>	<u>7,186</u>	<u>0</u>	<u>762,095</u>
<i>Less: Accumulated Depreciation</i>				
Buildings and Improvements	(51,684)	(6,658)	0	(58,342)
Improvements Other than Buildings	(138,857)	(132)	0	(138,989)
Vehicles	(266,925)	(18,280)	0	(285,205)
Furniture and Equipment	<u>(7,727)</u>	<u>(6,206)</u>	<u>0</u>	<u>(13,933)</u>
<i>Total Accumulated Depreciation</i>	<u>(465,193)</u>	<u>(31,276)</u>	<u>0</u>	<u>(496,469)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>289,716</u>	<u>(24,090)</u>	<u>0</u>	<u>265,626</u>
<i>Business-Type Capital Assets, Net</i>	<u>\$ 773,830</u>	<u>\$ 564,569</u>	<u>\$ 0</u>	<u>\$ 1,338,399</u>

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the Ashtabula County Airport Authority (the Airport Authority), a component unit of Ashtabula County, as of and for the year ended December 31, 2004, and have issued our report thereon dated October 19, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting in order to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered material weaknesses. In a separate letter to the Airport Authority's management dated October 19, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Airport Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Ashtabula County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 19, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

ASHTABULA COUNTY AIRPORT AUTHORITY

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2006**