

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008



Mary Taylor, CPA
Auditor of State

Board of Directors
Erie-Ottawa Regional Airport Authority
3255 East State Street
Port Clinton, Ohio 43452

We have reviewed the *Independent Auditor's Report* of the Erie-Ottawa Regional Airport Authority, Ottawa County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 19, 2009

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**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Erie-Ottawa Regional Airport Authority
3255 East State Street
Port Clinton, Ohio 43452

We have audited the accompanying financial statements of the Erie-Ottawa Regional Airport Authority, Ohio, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Erie-Ottawa Regional Airport Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

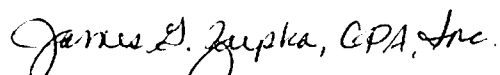
As discussed in Note 2, the accompanying financial statements and notes follow the modified cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Erie-Ottawa Regional Airport Authority, Ohio, as of December 31, 2008, and the respective changes in financial position - modified cash basis, and cash flows thereof for the year then ended in conformity with the accounting basis described in Note 2 to the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2009, on our consideration of the Erie-Ottawa Regional Airport Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Erie-Ottawa Regional Airport Authority, Ohio's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Erie Ottawa Regional Airport Authority, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



James G. Zupka, CPA, Inc.
Certified Public Accountants

April 17, 2009

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Unaudited)**

The management's discussion and analysis of the Erie-Ottawa Regional Airport Authority (the Airport), Ohio's financial performance provides an overview of the Airport's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the Airport's financial performance as a whole. Readers are encouraged to consider the information presented here as well as the basic financial statements to enhance their understanding of the Airport's financial performance.

Financial Highlights

The Airport's net assets decreased by \$78,255. Net assets were \$176,027 at December 31, 2008.

Operating revenues increased by \$72,964, while operating expenses increased by \$98,829. Capital grant revenue increased \$797,944, due to increased funding received from the FAA.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the 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.

Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the Airport's finances is, "Is the Airport better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Airport and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the modified cash basis of accounting. 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 only when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the Airport's net assets and changes in them. The Airport's net assets - the difference between assets and liabilities - is one way to measure the Airport's financial health, or financial position. Over time, increases or decreases in the Airport's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors (e.g., fuel prices, FAA regulations, weather, etc.) need to be considered in order to assess the overall financial health of the Airport.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Unaudited)**

Table 1 provides a summary of the Airport's net assets for 2008 compared to 2007:

Table 1 - Net Assets		
	2008	2007
Assets		
Current and Other Assets	\$ 182,024	\$ 258,875
Total Assets	<u>182,024</u>	<u>258,875</u>
Liabilities		
Current Liabilities	5,997	4,593
Total Liabilities	<u>5,997</u>	<u>4,593</u>
Net Assets		
Unrestricted	176,027	254,282
Total Net Assets	<u>176,027</u>	<u>254,282</u>

Total assets decreased by \$78,255 from 2007 to 2008.

Table 2 shows the revenues, expenses, and the changes in net assets for the year ended December 31, 2008, compared to the year ended December 31, 2007.

Table 2 - Revenues, Expenses, and Changes in Net Assets		
	2008	2007
Revenues		
Operating Revenues		
Charges for Services	\$ 378,808	\$ 326,010
Operating Grants	75,840	60,000
Other Operating Revenues	11,852	7,526
Total Operating Revenues	<u>466,500</u>	<u>393,536</u>
Non-Operating Revenues		
Land Rentals	31,296	25,512
Interest Income	1,494	4,450
Total Non-Operating Revenues	<u>32,790</u>	<u>29,962</u>
Total Revenues	<u>499,290</u>	<u>423,498</u>
Capital Grants	1,752,176	954,232
Total Revenues and Capital Grants	<u>2,251,466</u>	<u>1,377,730</u>
Expenses		
Operating Expenses		
Salaries and Employee Benefits	167,634	150,605
Fuel	212,582	151,494
Taxes and Income	17,804	19,799
Utilities	21,240	21,364
Repairs and Maintenance	34,910	22,323
Other Operating Expenses	30,037	19,793
Total Operating Expenses	<u>484,207</u>	<u>385,378</u>
Non-Operating Expenses		
Debt Payment	35,095	35,450
Project Expenses	1,810,419	869,362
Total Non-Operating Expenses	<u>1,845,514</u>	<u>904,812</u>
Total Expenses	<u>2,329,721</u>	<u>1,290,190</u>
Increase in Net Assets	<u>\$ (78,255)</u>	<u>\$ 87,540</u>

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Unaudited)**

Total revenues increased by \$873,736 due primarily to increased capital grant revenue.

- Ground rental and fuel fees include annual increases. The increases are based upon a function of the Consumer Price Index.
- Operating revenues increased by \$72,964 due mainly to an increase in charges and services.
- In 2008, the Airport implemented daily/monthly parking fees for all cars.
- Capital contributions consisted of grants from the FAA. Grants were received for the Airport's runway and safety area rehabilitation which included runway paving and expansion.

Operating expenses increased by \$98,829 primarily due to higher fuel and an increase in wages.

- Administration and maintenance of the Airport falls under the direction of its Executive Director and staff.
- All other expenses have remained steady, with no unexpected increases for utility costs and maintenance.

Debt

The Authority had no new debt in 2008. Note 4 to the financial statements details the debt obligation of the Authority.

Operational Highlights

Construction of the 9/27 runway shift was approximately 95 percent completed in 2008. The widening of the total length of 9/27 and new lighting will give the Airport a 5,646 foot east-west runway. The airport will receive 95 percent funding from the FAA as in the past.

Future Outlook

Engineering for repairs on runway 18/36 was contracted for in 2008 and repairs will be made in 2009. The FAA will furnish 95 percent of the funding.

Contacting the Airport's Finance Management

This financial report is designed to provide Erie County and Ottawa County 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 questions about this report or need additional financial information, contact Jack Stables at the Erie-Ottawa Regional Airport Authority, 3255 East State Road, Port Clinton, Ohio 43452.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

ASSETS

Current Assets

Cash and Cash Equivalents \$ 182,024

Total Current Assets 182,024

TOTAL ASSETS \$ 182,024

LIABILITIES AND NET ASSETS

Liabilities

Payroll Tax Withholdings \$ 5,997

Total Liabilities 5,997

Net Assets

Unrestricted 176,027

Total Net Assets 176,027

TOTAL LIABILITIES AND NET ASSETS \$ 182,024

See accompanying notes to the financial statements.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS -
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

REVENUE AND EXPENSES

Operating Revenues

Operating Grants	\$ 75,840
Charges for Services	378,808
Other Operating Revenue	<u>11,852</u>
Total Operating Revenues	<u>466,500</u>

Operating Expenses

Salaries and Employee Benefits	167,634
Fuel for Resale	212,582
Taxes and Insurance	17,804
Utilities	21,240
Repairs and Maintenance	34,910
Other Supplies and Expenses	<u>30,037</u>
Total Operating Expenses	<u>484,207</u>
Operating Income or (Loss)	<u>(17,707)</u>

Non-Operating Revenues (Expenses)

Land Rentals	31,296
Interest Income	1,494
Debt Payment	<u>(35,095)</u>
Total Non-Operating Revenue (Expenses)	<u>(2,305)</u>
Loss Before Capital Activity	<u>(20,012)</u>

Capital Activity

Capital Grants	1,666,073
Capital Subsidy - County	86,103
Project Expenses	<u>(1,810,419)</u>
Net Capital Activity	<u>(58,243)</u>
Increase (Decrease) in Net Assets	<u>(78,255)</u>

Total Net Assets - Beginning of Year	<u>254,282</u>
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Total Net Assets - End of Year	<u><u>\$ 176,027</u></u>
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See accompanying notes to the financial statements.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 378,808
Operating Grants	75,840
Cost of Supplies Sold to Customers	(212,582)
Payments for Employee Services and Benefits	(166,230)
Other Payments	<u>(92,139)</u>
Net Cash Used for Operating Activities	<u>(16,303)</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Project Expenses	(1,810,419)
Debt Payments	(35,095)
Capital Grants	1,666,073
County Subsidy	86,103
Other Receipts	<u>31,296</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(62,042)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest	<u>1,494</u>
Net Cash Provided by Investing Activities	<u>1,494</u>
Net Decrease in Cash and Cash Equivalents	(76,851)
 Cash and Cash Equivalents - Beginning of Year	 <u>258,875</u>
 Cash and Cash Equivalents - End of Year	 <u>\$ 182,024</u>
 <u>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities</u>	
Operating Loss	\$ (17,707)
Payroll Tax Withholding - Change	<u>1,404</u>
Net Cash Used for Operating Activities	<u>\$ (16,303)</u>

See accompanying notes to the financial statements.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1: REPORTING ENTITY

The Erie-Ottawa Regional Airport Authority (the Airport) was established pursuant to Ohio Revised Code Section 308.03 by resolution of the Erie Ottawa County Commissioners. The Airport is governed by an 9 member Board of Directors, 8 of whom are appointed by the Board of County Commissioners (4 appointed by Erie and 4 appointed by Ottawa). The 9th member is appointed at large by the other 8 Board members. The Board 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. The members serve without compensation, as outlined in Section 308.04 of the Ohio Revised Code.

The reporting entity for the Airport is comprised of all departments, boards, and agencies that are not legally separate from the Airport, any component units of the Airport, and any other organizations that would need to be included to ensure that the financial statements of the Airport are not misleading.

Component units are legally separate organizations for which the Airport is financially accountable. The Airport is financially accountable for an organization if the Airport 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; the Airport is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the Airport is obligated for the debt of the organization. Based on the application of these criteria, the Airport has no component units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Airport have been prepared on the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Airport applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Airport's accounting policies are described below.

Basis of Presentation

The Airport's financial statements consist of a statement of net assets, a statement of revenue, expenses, and change in net assets, and a statement of cash flows.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)

The Airport uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balances set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

All assets and all liabilities recorded on the cash basis associated with the operation of the Airport are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Airport finances and meets the cash flow needs of its enterprise activity.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Airport's financial statements are prepared using the modified cash basis of accounting. The modification to the cash basis is due to the recognition of payroll withholdings as a liability.

Revenue is recorded on the modified cash basis when the cash is received. Expenses are recognized at the time they are paid.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Airport considers all highly liquid investments with a maturity of 3 months or less (demand deposits with banks) to be cash equivalents. During 2008, the Airport's investments were limited to interest bearing deposit accounts.

Net Assets

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

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Operating Revenues and Expenses

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

Grants

Grants received for the acquisition or construction of capital assets are recorded as capital grant revenue when received. Grants are only recorded as revenue upon receipt of the grant funds.

NOTE 3: **DEPOSITS**

The following information is provided to give an indication of the steps the Airport takes to protect its cash deposits and the level of risk assumed for certain investments.

Ohio Revised Code authorizes the Airport to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; obligations of the United States government, its agencies and instrumentalities; bonds and other obligations of the State of Ohio; certain money market mutual funds and secured repurchase agreements and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited.

At year-end, the carrying amount of the Airport's deposits was \$182,024, and the bank balance was \$185,313. Of the bank balance, \$185,313, was covered by federal depository insurance provided by the Federal Deposit Insurance Corporation (FDIC), and \$0 was uncollateralized and uninsured. Although securities were held by the pledging financial institution's trust department or agent in the Airport's name and all Ohio Revised Code requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Airport to a successful claim by the FDIC.

The Airport had no investments at December 31, 2008.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)

NOTE 4: **DEBT**

The Airport undertook construction of hangar units for rental, which were financed through a bond issued by Ottawa County in the amount of \$465,000. The Airport makes the payment for this debt from its operating funds. The amount of debt retired in 2008 is as follows:

Ending Balance at <u>01/01/08</u>	<u>Payment</u>	Balance <u>12/31/08</u>
\$ 365,000	\$ (20,000)	\$ 345,000

The amortization of the debt is as follows:

For the Year ended <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Payments</u>
2009	\$ 20,000	\$ 14,585	\$ 34,585
2010	20,000	14,095	34,095
2011	20,000	13,495	33,495
2012	20,000	12,895	32,895
2013	20,000	12,245	32,245
2014-2018	120,000	46,593	166,593
2019-2022	<u>125,000</u>	<u>14,520</u>	<u>139,520</u>
Totals	<u>\$ 345,000</u>	<u>\$ 128,428</u>	<u>\$ 473,428</u>

NOTE 5: **PENSION PLAN**

Ohio Public Employees Retirement System

The Airport 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 member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature 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.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)

NOTE 5: **PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the year ended December 31, 2008, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Airport's contribution rate for pension benefits for 2008 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Airport's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were \$19,958, \$17,686, and \$16,087, respectively; 100 percent has been contributed for 2008, 2007, and 2006. Contributions to the member directed plan for 2008 were \$1,908 made by the Airport and \$1,363 made by the plan members.

NOTE 6: **OTHER POST-EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 5, the Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 local employer contribution rate was 14 percent of covered payroll, 7.0 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)

NOTE 6: **OTHER POST-EMPLOYMENT BENEFITS** (Continued)

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 4 percent for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

The number of active contributing participants in the traditional and combined plans was 363,503. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2007 (the latest information available) were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17.0 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employee contribution rates will increase January 1, 2006, January 1, 2007 and January 1, 2008, which will allow additional funds to be allocated to the Health Care Plan.

NOTE 7: **RISK MANAGEMENT**

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injury to employees; and natural disasters. Through Ottawa County, the Airport is covered under the County Risk Sharing Authority, Inc. (CORSA). CORSA is a risk sharing pool made up of 39 counties in Ohio and was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group of primary and excess insurance/self-insurance and risk management program. CORSA insured the Airport for general liability, errors and omissions, and property. The Airport has purchased commercial insurance for aviation, airport hangerkeepers liability, and vehicles. The Airport also carries a bond on key management positions.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(CONTINUED)

NOTE 8: **CONTINGENT LIABILITY**

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 the 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, 2008.

**ERIE OTTAWA REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Transportation</u>		
<u>Direct Programs</u>		
<i>Federal Aviation Administration</i>		
Airport Improvement Program	20.106	\$ 1,719,898
<i>Federal Aviation Administration</i>		<u>1,719,898</u>
Total U.S. Department of Transportation		<u>1,719,898</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,719,898</u>

NOTE - This schedule is prepared on the cash basis of accounting.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Garfield Hts., Ohio 44125

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**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**

Board of Directors
Erie-Ottawa Regional Airport Authority
3255 East State Street
Port Clinton, Ohio 43452

We have audited the financial statements of the Erie-Ottawa Regional Airport Authority, Ohio, (the Airport), as of and for the year ended December 31, 2008, and have issued our report thereon dated April 17, 2009, wherein, we noted the Erie-Ottawa Regional Airport Authority, Ohio, followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Erie-Ottawa Regional Airport Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Erie-Ottawa Regional Airport Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Erie-Ottawa Regional Airport Authority, Ohio's internal control over financial reporting.

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


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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka, CPA, Inc.
Certified Public Accountants

April 17, 2009

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

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

Board of Directors
Erie-Ottawa Regional Airport Authority
3255 East State Street
Port Clinton, Ohio 43452

Compliance

We have audited the compliance of the Erie-Ottawa Regional Airport Authority, Ohio with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. Erie-Ottawa Regional Airport Authority, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Erie-Ottawa Regional Airport Authority, Ohio's management. Our responsibility is to express an opinion on the Erie-Ottawa Regional Airport Authority, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Erie-Ottawa Regional Airport Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Erie-Ottawa Regional Airport Authority, Ohio's compliance with those requirements.

In our opinion, the Erie-Ottawa Regional Airport Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the Erie-Ottawa Regional Airport Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Erie-Ottawa Regional Airport Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Erie-Ottawa Regional Airport Authority, Ohio's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Erie-Ottawa Regional Airport Authority, Ohio's internal control.

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



James G. Zupka, CPA, Inc.
Certified Public Accountants

April 17, 2009

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

2008 (i)	Type of Financial Statement Opinion	Unqualified
2008 (ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2008 (ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2008 (iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2008 (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2008 (iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2008 (v)	Type of Major Programs' Compliance Opinion	Unqualified
2008 (vi)	Are there any reportable findings under .510?	No
2008 (vii)	Major Programs (list):	
	Airport Improvement Program - CFDA # 20.106	
2008 (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000
2008 (ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008**

The prior year audit report, as of December 31, 2007, did not contain any audit findings or management comments.



Mary Taylor, CPA
Auditor of State

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY

OTTAWA 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
JUNE 2, 2009**