



Dave Yost • Auditor of State

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
OTTAWA COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Erie-Ottawa Regional Airport Authority
Ottawa County
3255 East State Road
Port Clinton, Ohio 43452-8004

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Erie-Ottawa Regional Airport Authority, Ottawa County, Ohio (the Airport) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Airport's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Airport's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Airport prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Airport as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Erie-Ottawa Regional Airport Authority, Ottawa County, Ohio as of December 31, 2012 and 2011, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011, the Airport changed its financial statement presentation to conform to presentation methods the Auditor of State prescribes or permits. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, on our consideration of the Airport'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the Airport's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 24, 2014

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
OTTAWA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Operating Cash Receipts:		
Charges for Services	\$786,018	\$532,707
Operating Cash Disbursements:		
Salaries and Employee Benefits	181,946	198,958
Fuel for Resale	459,623	265,381
Insurance	32,478	34,220
Utilities	20,474	20,802
Other Contractual Services	17,301	22,192
Office Supplies and Materials	5,076	4,221
Advertising & Printing	200	66
Total Operating Cash Disbursements	717,098	545,840
Operating Income/(Loss)	68,920	(13,133)
Non-Operating Cash Receipts:		
Grants	154,951	110,582
Earnings on Investments	43	98
Miscellaneous	30,772	17,556
Total Non-Operating Cash Receipts	185,766	128,236
Non-Operating Cash Disbursements:		
Principle Retirement	20,000	20,000
Interest and Fiscal Charges	12,905	13,495
Equipment	45,070	13,309
Capital Outlay	156,017	37,259
Other Non-Operating Disbursements	24,914	20,152
Total Non-Operating Cash Disbursements	258,906	104,215
Net Receipts Over/(Under) Disbursements	(4,220)	10,888
Fund Balances, January 1 (Restated for 2011)	142,712	131,824
Fund Balances, December 31	\$138,492	\$142,712

The notes to the financial statements are an integral part of this statement.

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Erie-Ottawa Regional Airport Authority, Ottawa County, Ohio (the Airport) as a body corporate and politic. The Airport is governed by a nine-member Board of Directors; four of whom are appointed by the Ottawa County Board of County Commissioners, 4 of whom are appointed by the Erie County Board of Commissioners. The remaining member is appointed at-large by the other eight Board members. The Airport is responsible for the safe and efficient operation and maintenance of the Erie-Ottawa Regional Airport Authority.

The Airport's management believes these financial statements present all activities for which the Airport is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Airport recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Airport's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Property, Plant, and Equipment

The Airport records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. CHANGES IN FINANCIAL STATEMENT PRESENTATION

In 2010, the Airport reported financial statements on a modified cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34. Starting in 2011, the Airport reported on a regulatory basis. This change in presentation resulted in the previously reported fund balance/net assets to be restated from \$125,489 to \$131,824 due to the elimination of payroll withholding liabilities previously reported on the modified cash basis.

3. EQUITY IN DEPOSITS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2011
(Continued)**

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$138,492</u>	<u>\$142,712</u>

Deposits are insured by the Federal Depository Insurance Corporation.

4. DEBT

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Airport Improvement Bond	<u>\$265,500</u>	3.96%

The Airport undertook construction of hangar units for rental, which were financed through a 2003 Series General Obligation Bond issued by Ottawa County in the amount of \$465,000. The Airport makes the payment for this debt from its operating funds directly to the Ottawa County Commissioners.

Amortization of the above debt, including interest, is scheduled as follows:

	Airport Improvement Bond
Year Ending December 31:	<u>Bond</u>
2013	\$31,646
2014	36,345
2015	35,945
2016	35,545
2017	35,096
2018-2022	167,325
Total	<u>\$341,902</u>

5. RETIREMENT SYSTEM

The Airport's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10%, respectively, of their gross salaries and the Airport contributed an amount equaling 14%, respectively, of participants' gross salaries. The Airport has paid all contributions required through December 31, 2012.

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2011
(Continued)**

6. RISK MANAGEMENT

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.



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

Erie-Ottawa Regional Airport Authority
Ottawa County
3255 East State Road
Port Clinton, Ohio 43452-8004

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Erie-Ottawa Regional Airport Authority, Ottawa County, Ohio (the Airport) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2014, wherein we noted the Airport followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Board changed the financial statement presentation in 2011.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Airport's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Airport's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies in internal control. We consider findings 2012-001 and 2012-002 to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Airport'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, opining 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*.

Entity's Response to Findings

The Airport's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Airport's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Airport's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 24, 2014

**ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Significant Deficiency

Testing over cash reconciliations and various receipt cycles identified instances in which adjusting entries were back dated for posting to the accounting records. The Bookkeeper is solely responsible for all aspects of the accounting function including the receipt and disbursement of monies, posting to the accounting records, and reconciliation of all accounts. While the Airport has implemented control procedures over the receipt and disbursement cycles, such as requiring an independent review of disbursements to ensure they are properly supported, the back dating of adjusting entries results in changes to posted historical data. As such the reports that were generated from the system and used by management to monitor activity would be inaccurate thereby limiting the effectiveness of these monitoring activities. This condition could also permit errors in the cash reconciliation process to occur and go undetected increasing the susceptibility of monies to theft which could be concealed through the reconciliation process.

To ensure the Board's financial statements are complete and accurate, The Board should adopt policies and procedures which document the allowable reasons an adjusting entry can be made and the approval process required before the adjustment should be posted. These procedures should include a process through which adjusting entries are assigned a unique numerical identifier for tracking. Documentation regarding the date, purpose, amount, and approval from an individual independent of the accounting process such as the Director, his designee, or a member of the Board should be created and retained on file. Adjusting entries should be recorded to the system at the time they are identified rather than back dating the transaction in order to preserve the integrity of standing data within the accounting system.

Officials' Response:

The Airport has taken steps to implement formal written policies and procedures to address the weakness identified above.

FINDING NUMBER 2012-002

Significant Deficiency

The Bookkeeper is responsible for the billing, collection, and recording of charges for service receipts generated through the sale of fuel resulting in a lack of appropriate segregation of duties. Additionally, the Airport has no process in place to monitor the billings and collections for this receipt cycle. Our test of charges for service receipts generated from the sale of fuel identified three sales that were not subsequently billed to the individuals. Upon bringing this condition to management's attention management conducted additional internal reviews identifying other accounts that appeared to have not been properly billed.

The failure to ensure all accounts are properly billed results in a lack of revenues generated from the sale of fuel. The lack of segregation of duties in this cycle is common for entities of similar size, however the absence of appropriate monitoring by individuals independent of this cycle could allow for shortages in cash receipts or errors in the billing and crediting to customer accounts to occur and go undetected. The Airport should implement formal policies and procedures for the monitoring of fuel sales. Procedures should include a reconciliation of fuel sold per tickets generated at the time of sale to billings to ensure all sales have been properly billed. Additionally, independent reviews over the billing cycle should be

conducted at random times throughout the year by an individual independent of the cycle such as the Director, his designee, or a member of the Board.

Officials' Response:

The Airport has taken steps to implement formal written policies and procedures to address the weakness identified above.



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ERIE-OTTAWA REGIONAL AIRPORT

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
FEBRUARY 11, 2014**

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