NORTHEAST OHIO REGIONAL AIRPORT AUTHORITY
ASHTABULA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2015

Dave Yost • Auditor of State

NORTHEAST OHIO REGIONAL AIRPORT AUTHORITY
ASHTABULA COUNTY

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INDEPENDENT AUDITOR'S REPORT

Northeast Ohio Regional Airport Authority
Ashtabula County
P.O. Box 379
Jefferson, Ohio 44047

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Northeast Ohio Regional Airport Authority, Ashtabula County, Ohio, a component unit of Ashtabula County (the Airport), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northeast Ohio Regional Airport Authority, Ashtabula County, Ohio, as of December 31, 2015, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3A to the financial statements, during the year ended December 31, 2015, the Airport adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information and Other Information

Our audit was conducted to opine on the Airport's basic financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2016, 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

Dave Yost
Auditor of State
Columbus, Ohio

June 8, 2016

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The discussion and analysis of the Northeast Ohio Regional Airport Authority's (the "Airport") financial performance provides an overall review of the Airport's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the Airport's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Airport's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The Airport's net position increased by $1,625,582, or 56 percent.

- During 2015, the Airport had an operating loss of $612,679 but total net position increased by $1,625,582. Capital grants of $1,843,714 coupled with contributions and donations made to the Airport from the County and private donors of $125,000 and $373,057, respectively, totaling $498,057 helped to keep the Airport operating.

- The Airport was able to make its annual principal and interest payments on its outstanding revenue bond in the amount of $35,200 and $53,156, respectively. The Airport did not make additional principal payments during the year.

- Previously, the Airport entered into a rental agreement to allow an outside party to manage and farm approximately 190 acres of its land at a price of $105 per acre per year, or $19,950. The agreement commenced on April 1, 2013 and expires on March 31, 2018.

- The Airport implemented GASB 68 during the fiscal year, which resulted in the inclusion of a net pension liability of $92,026. For more information on this liability see Note 7 to the basic financial statements.

Using this Annual Financial Report

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

A question typically asked about the Airport's finances "How did we do financially during 2015?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Airport and its activities in a way that helps answer this question. These statements include *all assets, deferred outflows of resources, liabilities and deferred inflows of resources* using the *accrual basis of accounting* which is similar to the accounting used by most private-sector companies. The Airport charges a fee to customers to help it cover part of the services it provides. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Airport's *net position* and *changes in that net position*. This change in net position is important because it tells the reader that, for the Airport as a whole, the *financial position* of the

Airport has improved or diminished. The reader will need to consider other non-financial factors (e.g. fuel prices, FAA regulations, weather, etc.) in order to assess the overall health of the Airport.

The Airport as a Whole

Recall that the Statement of Net Position provides the perspective of the Airport as a whole. Table 1 provides a summary of the Airport's net position for 2015, compared to 2014:

(Table 1)
Net Position

	Business-Type Activities		
		(Restated)	
	2015	2014	Change
Assets			
Current and Other Assets	$636,113	$860,383	($224,270)
Capital Assets, Net of Depreciation	5,219,412	3,666,448	1,552,964
Total Assets	5,855,525	4,526,831	1,328,694
Deferred Outflows of Resources			
Pension - OPERS	17,621	11,262	6,359
Liabilities			
Current and Other Liabilities	189,067	428,141	239,074
Long-Term Liabilities:			
Due Within One Year	36,600	35,200	(1,400)
Due in More than One Year:			
Net Pension Liability	92,026	89,948	(2,078)
USDA Loan	1,012,200	1,048,800	36,600
Total Liabilities	1,329,893	1,602,089	272,196
Deferred Inflows of Resources			
Rent Revenue	19,950	39,900	19,950
Pension - OPERS	1,617	0	1,617
Total	21,567	39,900	21,567
Net Position			
Net Investment in Capital Assets	4,170,612	2,582,448	1,588,164
Restricted for Debt Service	115,002	97,709	17,293
Unrestricted	236,072	215,947	20,125
Total Net Position	$4,521,686	$2,896,104	$1,625,582

During 2015, the Airport adopted GASB Statement No 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Airport's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability.* GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB No. 68, the net pension liability equals the Airport's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the Airport, part of a bargained-for benefit to the employee, and should accordingly be reported by the Airport as a liability since they received the benefit of the exchange. However, the Airport is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the Airport. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB No. 68, the Airport's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB No. 68, the Airport is reporting a net pension liability and deferred outflows and inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, downward by $78,686.

Total assets increased $1,328,694 during 2015. This increase was the result of an increase in capital assets of over $1.6 million related to the runway extension project.

Total liabilities decreased by $272,196 during 2015, which is a 17 percent change from the prior year. This change is due to a decrease in accounts payable related to various Airport projects. Long-term liabilities decreased due to the Airport making its scheduled principal payment of $35,200.

Deferred inflows of resources represents a receivable for rent revenue that will be collected beyond next year and pension related to OPERS.

In total, net position of the Airport increased by $1,625,582 which can be attributed mostly to the increase in capital assets during the year.

Table 2 shows the revenues, expenses and the changes in net position for the year ended December 31, 2015 compared to the year ended December 31, 2014.

(Table 2)
Changes in Net Position

	Business-Type Activities		
	2015	2014	Change
Revenues			
Operating Revenues:			
Charges for Services	$277,512	$282,588	($5,076)
Other Operating Revenues	2,286	228	2,058
Total Operating Revenues:	279,798	282,816	(3,018)
Expenses			
Operating Expenses:			
Personal Services	104,958	95,973	(8,985)
Fringe Benefits	29,512	15,201	(14,311)
Contractual Services	289,228	255,324	(33,904)
Materials and Supplies	182,509	226,738	44,229
Depreciation	166,126	162,094	(4,032)
Other Operating Expenses	120,144	56,464	(63,680)
Total Operating Expenses:	892,477	811,794	(80,683)
Operating Loss	(612,679)	(528,978)	(83,701)
Non-Operating Revenues (Expenses):			
Interest Income	306	521	(215)
Capital Grants	1,843,714	679,725	1,163,989
Contributions and Donations	373,057	629,030	(255,973)
Intergovernmental Revenue (County)	125,000	95,000	30,000
Land Rent/Management Proceeds	19,950	19,950	0
Engineering and Capital Related Expenses	(71,580)	(715,891)	644,311
Interest and Fiscal Charges	(52,186)	(53,653)	1,467
Total Non-Operating Revenues (Expenses):	2,238,261	654,682	1,583,579
Change in Net Position	1,625,582	125,704	1,499,878
Net Position Beginning of Year - Restated	2,896,104	n/a	n/a
Net Position End of Year	$4,521,686	$2,896,104	$1,625,582

The information necessary to restate the 2014 beginning balances and 2014 pension expense amounts for the effects of the initial implementation of GASB No. 68 is not available. Therefore, 2014 functional expenses still include pension expense of $11,262 computed under GASB No. 27. GASB No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB No. 68, the 2015 statements report pension expense of $10,047.

In order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 GASB 68 program expenses	$1,016,243
Pension expense under GASB 68	(10,047)
2015 contractually required contributions	12,711
Adjusted 2015 program expenses	1,018,907
Total 2014 program expenses under GASB 27	1,581,338
Decrease in program expenses not related to pension	($562,431)

Operating revenues decreased by $3,018, or just over one percent from the previous year. Operating expenses increased by $80,683 from the prior year due mostly to increases in other operating and contractual services expenses. The Airport's total net position increased $1,625,582 from the prior year.

Capital Assets

The largest portion of the Airport's net position each year is its net investment in capital assets. The Airport uses these capital assets to provide services to the businesses and public using the Airport. Table 3 shows 2015 balances compared with 2014.

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

	Business-Type Activities		
	2015	(Restated) 2014	Change
Land	$345,174	$108,569	$236,605
Construction in Progress	1,747,712	322,570	1,425,142
Buildings and Improvements	1,345,374	1,378,030	(32,656)
Improvements Other Than Buildings	1,503,123	1,545,769	(42,646)
Vehicles	216,940	241,481	(24,541)
Furniture and Equipment	61,089	70,029	(8,940)
Totals	$5,219,412	$3,666,448	$1,552,964

The $1,552,964 increase in capital assets was due to current year capital additions of $1,719,090 exceeding current year depreciation of $166,126 during 2015. Note 11 of the basic financial statements provides a more detailed look at the capital asset activity during 2015.

Debt

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

(Table 4)
Outstanding Debt, at December 31

	2015	2014	Change
Revenue Bonds	$1,048,800	$1,084,000	$35,200

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

Current Financial Issues

The Northeast Ohio Regional Airport generates revenue from two activities. One, the sale of aviation fuels for jet aircraft (Jet A) and piston powered aircraft (100LL gasoline). Second, rental of hangar units or space in community hangars. Other revenue sources are minimal and include sales of lubrications oils, navigation charts, parking and handling fees.

Fuel sales for Jet A increased 20 percent from 2014, to 32,000 gallons, generating $69,877 in revenue. Fuel sales for 100LL, typically used in light piston powered aircraft, decreased 40 percent generating $9,362 in revenue. Markets for the tow fuels are significantly different with Jet or Turbine fuels being used by business jets piloted by professional crews. 100LL fuel is used in single and twin engine aircraft used for a variety of activities ranging from business or personal travel to simple local flying activity. The reduction in fuel sales for 100LL reflects a national trend driven by the total cost of flying and a reduction in the number of pilots and aircraft. Jet A sales are driven by the travel needs of various businesses. The business jets are significantly more capable of flying in adverse weather allowing operations at times, and in conditions, not possible with private aircraft. Hence, there is less seasonality in the income stream generated by business jets.

Hangar rentals decreased 19 percent from 2014, to $68,495 in 2015. Hangar rental income peaked in 2011 at $110,480, while 2015 rental income decreased 38 percent. These revenue decreases are due to the loss of hangar tenants resulting in owners quitting aviation and selling their aircraft or owners relocating to other airports.

All of the adverse trends are part of a weak local and national economy. This is mostly reflected in the personal use of aircraft and the cost of owning and operating an aircraft or renting from a flight school or flying club. Learning to fly or operating an aircraft is an expensive activity and requires a healthy economy and good paying jobs in order to thrive. On the positive side, business travel continues to grow. Jet A fuel sales reflect increased visits from economic partners with operations in the region. In 2015 we saw the fuel retailer SHEETZ start to use the Airport joining a long list of other national business.

Outlook:

We think that business travel will continue to grow and revenue generation from this business segment will continue to be a significant part of Airport financial performance. Personal aviation is not expected to quickly respond to efforts by various special interest organizations to promote flying and grow the pilot population.

Past efforts to exploit the Oil-Gas development activity in the region will be halted because drilling activity is expected to remain in southern Ohio rather than moving north as was thought. The funds allocated for this effort will be directed to promoting increased hangar occupancy.

The Republican National Convention will be in Cleveland this summer and this represents an opportunity to capture some of the traffic going to the convention. The main selling point for the Airport is our runway capability and our location outside of restricted airspace. This along with access to interstate highways should result in improved revenue generation.

The inventory glut of petroleum should continue to depress wholesale fuel prices and allow favorable margins at the retail level as well as lower average retail prices that may encourage increased flying activity.

Policies and actions are in place to improve both Airport operating performance and financial performance in light of significant challenges. The County Commissioners also allocated $125,000 from the General fund to support Airport operations in 2015.

The Airport is currently involved in a renewal cycle that will replace the 50 year old runway and extend it 700 feet, clear obstacles on the approach paths, establish runway safety areas and drainage, and control additional acreage in the Airport vicinity. These projects are funded by FAA, ODOT, and local sources with a total projects cost exceeding $7 million. When completed in 2017 the Airport should be more attractive to both business and personal aviation activities.

Contacting the Airport's Finance Department

This financial report is designed to provide our citizens, taxpayers, Airport users, and all interested parties with a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dwight Bowden, President of Ashtabula County Airport Authority dba the Northeast Ohio Regional Airport Authority, 2382 Airport Road, P.O. Box 379, Jefferson, Ohio 44047.

Northeast Ohio Regional Airport Authority
Ashtabula County, Ohio

Statement of Net Position
December 31, 2015

Assets	
Current Assets:	
Cash and Cash Equivalents	$235,837
Accounts Receivable	3,706
Prepaid Assets	24,857
Fuel Inventory	29,171
Lease Receivable	119,375
Due from Other Governments	183,267
Rent Receivable	39,900
Total Current Assets	636,113
Non-Current Assets:	
Nondepreciable Capital Assets	2,092,886
Depreciable Capital Assets, Net	3,126,526
Total Non-Current Assets	5,219,412
Total Assets	$5,855,525
Deferred Outflows of Resources	
Pension	17,621
Liabilities	
Current Liabilities:	
Accounts Payable	$15,865
Accrued Wages	1,341
Intergovernmental Payable	2,098
Accrued Interest Payable	10,786
Contracts Payable	133,473
Retainage Payable	25,504
Total Current Liabilities	189,067
Non-Current Liabilities:	
Due Within One Year	36,600
Due In More than One Year:	
Net Pension Liability (See Note 7)	92,026
Other Amounts Due in More than One Year	1,012,200
Total Non-Current Liabilities	1,140,826
Total Liabilities	1,329,893
Deferred Inflows of Resources	
Land Rent	19,950
Pension	1,617
Total Deferred Inflows of Resources	21,567
Net Position	
Net Investment in Capital Assets	4,170,612
Restricted for Debt Service	115,002
Unrestricted	236,072
Total Net Position	$4,521,686

See accompanying notes to the basic financial statements

Northeast Ohio Regional Airport Authority
Ashtabula County, Ohio

Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2015

Operating Revenue	
Sales	$193,981
Rent	76,031
Leases	7,500
Other Operating Revenues	2,286
Total Operating Revenue	279,798
Operating Expenses	
Personal Services	104,958
Fringe Benefits	29,512
Contractual Services	289,228
Materials and Supplies	182,509
Depreciation	166,126
Other Operating Expenses	120,144
Total Operating Expenses	892,477
Operating Loss	(612,679)
Non-Operating Revenues (Expenses)	
Interest Income	306
Capital Grants	1,843,714
Contributions and Donations	373,057
Intergovernmental Revenue - County Appropriation	125,000
Land Rent/Management Proceeds	19,950
Engineering and Capital Related Expenses	(71,580)
Interest and Fiscal Charges	(52,186)
Total Non-Operating Revenues (Expenses)	2,238,261
Change In Net Position	1,625,582
Net Position Beginning of Year - Restated (See Note 3B)	2,896,104
Net Position End of Year	$4,521,686

See accompanying notes to the basic financial statements

Northeast Ohio Regional Airport Authority
Ashtabula County, Ohio

Statement of Cash Flows
For the year ended December 31, 2015

Cash Flows From Operating Activities:	
Cash Received from Customers	$253,566
Other Operating Revenue	2,286
Cash Paid for Goods and Services	(450,244)
Cash Paid to Employees	(135,245)
Other Operating Expenses	(99,477)
Net Cash Used for Operating Activities	(429,114)
Cash Flows From Non-Capital Financing Activities:	
Land Rent/Management Proceeds	19,950
Cash Flows From Investing Activities:	
Interest on Investments	306
Cash Flows From Capital and Related Financing Activities:	
Contributions and Donations	498,057
Capital Grants	1,964,479
Payment for Capital Acquisitions	(1,916,389)
Payment for Engineering & Capital Related Services	(116,194)
Principal Payments on Debt	(35,200)
Interest Payments	(53,156)
Net Cash Provided by Capital and Related Financing Activities	341,597
Net Decrease in Cash and Cash Equivalents	(67,261)
Cash and Cash Equivalents at Beginning of Year	303,098
Cash and Cash Equivalents at End of Year	$235,837
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	($612,679)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	166,126
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	(62)
Prepaid Assets	(7,004)
Inventory	30,860
Leases Receivable	(7,500)
Decrease in Deferred Outflows of Resources - Pension	(6,359)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
*Accounts Payable	(11,211)
Contracts Payable	20,667
Accrued Wages	(19)
Intergovernmental Payable	1,908
Unearned Revenue	(7,536)
Net Pension Liability	2,078
Decrease in Deferred Inflows of Resources - Pension	1,617
Total Adjustments	183,565
Net Cash Used for Operating Activities	($429,114)

Footnote:

***** Accounts payable overall decrease of $391,434 had two components: operating and non-operating. The cash flows reconciliation only provides a comparison for operating activities, therefore non-operating revenues and expenses are not considered in the reconciliation. A decrease of $11,211 was accounted for in the operating expenditures, while a decrease of $380,223 was accounted for under capital and related financing activities.

See accompanying notes to the basic financial statements

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

A. The Airport

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

B. Reporting Entity

The Airport has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 ad No. 34". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Airport are not misleading. The primary government consists of all departments, boards and agencies that are not legally separate from the Airport.

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Airport, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Airport, deferred inflows of resources were reported for future rent revenue and pension. Deferred inflows of resources related to pension are reported on the statement of net position (see Note 7).

C. Cash and Cash Equivalents

The Airport maintains interest bearing depository accounts. All funds of the Airport are maintained in these accounts. These interest bearing depository accounts are presented in the statement of net position 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 2015 amounted to $306.

D. Prepayments

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

E. Fuel Inventory

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

F. Capital Assets

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

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

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

G. Net Position

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

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

H. Operating Revenues and Expenses

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

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

J. 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.

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

A. Change in Accounting Principles

For 2015, the Airport has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", and Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68."

GASB Statement No. 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. The implementation of GASB 68 resulted in an overall restatement of beginning net position, as previously reported.

GASB Statement No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of GASB 71 resulted in an overall restatement of beginning net position, as previously reported.

B. Restatement of Prior Year Net Position

	Business-Type Activities
Net Position at December 31, 2014, as Previously Reported	$2,652,220
Restatement of Construction in Progress	322,570
Implementation of GASB 68 & GASB 71:	
Net Pension Liability - OPERS	(89,948)
Deferred Outflows - Airport's Contributions Made During 2014:	
OPERS	11,262
Adjusted Net Position at December 31, 2014	$2,896,104

Capital assets were restated to include construction in progress related to the $8.3 million runway reconstruction project, which will be completed in 2017. At December 31, 2014, $322,570 of work was completed on this project.

Other than employer contributions subsequent to the measurement date, the Airport made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and any other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAROhio).

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement.

State law does not require security for public deposits and investments to be maintained in the Airport's name. During 2015, the Airport had no investments.

Deposits with Financial Institutions

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

At year-end, the carrying amount of the Airport's deposits was $235,837, of which $2,049 was cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, $250,000 of the Airport's bank balance of $274,666 was covered by the Federal Deposit Insurance Corporation, meaning $24,666 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Airport to a successful claim by the FDIC.

Note 5 – Operating Lease Agreements

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

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

Note 6 – Long-Term Obligations

During 2005, the Airport issued revenue bonds where the government income derived from the constructed assets will be used to retire the debt. The interest rate on the revenue bonds is 4.125 percent and they are scheduled to mature in 2035. Changes in the long-term obligations during 2015 were as follows:

	(Restated) Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Amount Due In One Year
Business-Type Activities					
Revenue Bonds	$1,084,000	$0	$35,200	$1,048,800	$36,600
Net Pension Liability - OPERS	89,948	2,078	0	92,026	0
Total Business-Type Activities	$ 1,173,948	$ 2,078	$ 35,200	$ 1,140,826	$ 36,600

The Airport pays obligations related to employee compensation from the enterprise fund.

The annual requirements to retire this debt are as follows:

	2005 Revenue Bonds		
Year	Principal	Interest	Total
2016	$36,600	$45,573	$82,173
2017	38,200	44,063	82,263
2018	39,700	42,488	82,188
2019	41,300	40,850	82,150
2020	43,100	39,146	82,246
2021-2025	243,400	167,573	410,973
2026-2030	297,900	113,066	410,966
2031-2035	308,600	46,341	354,941
Total	$1,048,800	$539,100	$1,587,900

Note 7 - Defined Benefit Pension Plan

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Airport's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Airport's obligation for this liability to annually required payments. The Airport cannot control benefit terms or the manner in which pensions are financed; however, the Airport does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description – 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members of the Airport may elect the member-directed plan and the combined plan, substantially all employees are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 months of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2015 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-Employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Airport's contractual required contribution was $12,711 for 2015. Of this amount, $161 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airport's proportion of the net pension liability was based on the Airport's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	$92,026
Proportion of the Net Pension Liability	0.00076300%
Pension Expense	$10,047

At December 31, 2015, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Net Difference between projected and actual earnings on pension plan investments	$4,910
Airport contributions subsequent to the measurement date	12,711
Total Deferred Outflows of Resources	$17,621
Deferred Inflows of Resources	
Differences between expected and actual experience	$1,617

$12,711 reported as deferred outflows of resources related to pension resulting from Airport contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2016	$482
2017	482
2018	1,103
2019	1,227
Total	$3,293

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 Percent
Future Salary Increases, Including Inflation	4.25 Percent to 10.05 Percent, Including Wage Inflation
COLA or Ad hoc COLA	3 Percent, Simple
Investment Rate of Return	8.0 Percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projections Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Airport's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Airport's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.0 percent, as well as what the Airport's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.0 percent), or one percentage point higher (9.0 percent) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Airport's Proportionate Share of the Net Pension Liability	$169,302	$92,026	$26,942

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; The Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The Airport's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were $2,118, $1,954 and $776 respectively; 99 percent has been contributed for 2015 and 100 percent for 2014 and 2013.

Note 9 – Other Employee Benefits

A. Sick and Personal Absence Days

Full time employees are eligible for one paid personal absence day annually which can be used for personal business. Employees are also eligible for five paid sick days, which can be used for illness or sickness. Employment anniversary dates are used in establishing eligibility. The banked liability has no value for time off or for payment of unused days upon termination. Therefore, there was no liability for accrued but unused personal or sick days as of December 31, 2015.

B. Vacation

Full time employees are eligible for paid vacation time depending upon length of service. Vacation time may not be carried over to the following year unless, prior written approval from the Board is granted. Eligible employees will not be paid for any earned but unused vacation upon termination. Therefore, there was no liability for accrued but unused vacation days as of December 31, 2015.

Note 10 - Risk Management

Commercial Insurance

The Airport has obtained commercial insurance for the following risks:

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

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

Note 11 - Capital Assets

A summary of the Airport's capital assets at December 31, 2015 follows:

	(Restated) Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Capital Assets, not being depreciated:				
Land	$108,569	$236,605	$0	$345,174
Construction in Progress	322,570	1,425,142	0	1,747,712
Total Capital Assets, not being depreciated:	431,139	1,661,747	0	2,092,886
Capital Assets, being depreciated:				
Buildings and Improvements	1,907,845	18,995	0	1,926,840
Improvements other than Buildings	2,245,599	29,583	0	2,275,182
Vehicles	649,682	0	0	649,682
Furniture and Equipment	153,621	8,765	0	162,386
Total Capital Assets, being depreciated:	4,956,747	57,343	0	5,014,090
Less Accumulated Depreciation:				
Buildings and Improvements	(529,815)	(51,651)	0	(581,466)
Improvements other than Buildings	(699,830)	(72,229)	0	(772,059)
Vehicles	(408,201)	(24,541)	0	(432,742)
Furniture and Equipment	(83,592)	(17,705)	0	(101,297)
Total Accumulated Depreciation	(1,721,438)	(166,126)	0	(1,887,564)
Total Capital Assets being depreciated, net	3,235,309	(108,783)	0	3,126,526
Total Capital Assets, Net	$3,666,448	$1,552,964	$0	$5,219,412

During 2015, capital assets were restated to include construction in progress related to the $8.3 million runway reconstruction project, which will be completed in 2017. At December 31, 2015, $1,747,712 of work was completed on this project.

Note 12 – 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 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, 2015.

Note 13 – Contributions and Donations

The Airport receives significant contributions and donations which help it to operate. During 2015, the Airport received $125,000 from the County and $373,057 from other donors.

Northeast Ohio Regional Airport Authority
Ashtabula County, Ohio

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Two Years (1)

	2014	2013
Authority's Proportion of the Net Pension Liability	0.00076300%	0.00076300%
Authority's Proportionate Share of the Net Pension Liability	$92,026	$89,948
Authority's Covered-Employee Payroll	$93,550	$85,977
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.37%	104.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the Authority's measurement date which is the prior year end.

Northeast Ohio Regional Airport Authority
Ashtabula County, Ohio

Required Supplementary Information
Schedule of Authority Contributions
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Ten Years

	2015	2014	2013	2012
Contractually Required Contribution	$12,711	$11,226	$11,177	$6,270
Contributions in Relation to the Contractually Required Contribution	($12,711)	($11,226)	($11,177)	($6,270)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Authority Covered-Employee Payroll	$105,925	$93,550	$85,977	$62,703
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%	10.00%

2011	2010	2009	2008	2007	2006
$5,780	$4,586	$5,791	$4,889	$1,648	$3,290
($5,780)	($4,586)	($5,791)	($4,889)	($1,648)	($3,290)
$0	$0	$0	$0	$0	$0
$57,800	$47,354	$70,890	$69,843	$20,004	$35,766
10.00%	9.68%	8.17%	7.00%	8.24%	9.20%

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

NORTHEAST OHIO REGIONAL AIRPORT AUTHORITY
ASHTABULA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor/ Pass Through Grantor	Federal CFDA Number	Grant Number	Total Federal Expenditures
U.S. Department of Transportation:			
Direct funding:			
Airport Improvement Projects			
Airport Improvement Program	20.106	3-39-0005-011-2009	$458,210
Airport Improvement Program	20.106	3-39-0005-012-2009	567,305
Airport Improvement Program	20.106	3-39-0005-013-2014	141,264
Airport Improvement Program	20.106	3-39-0005-014-2015	546,849
Total Federal Awards Expenditures			$1,713,628

The accompanying notes are an integral part of this Schedule.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
2 CFR 200.510(b)(6)
FISCAL YEAR ENDED JUNE DECEMBER 31, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Northeast Ohio Regional Airport Authority (the Airport) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Airport.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Airport has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require the Airport to contribute non-Federal funds (matching funds) to support the federally-funded programs. The Airport has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.

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

Northeast Ohio Regional Airport Authority
Ashtabula County
P.O. Box 379
Jefferson, Ohio 44047

To the Board of Trustees:

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 the Northeast Ohio Regional Airport Authority, Ashtabula County, (the Airport) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued our report thereon dated June 8, 2016. We noted the Airport adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* and Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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.

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.*

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

Dave Yost
Auditor of State
Columbus, Ohio

June 8, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Northeast Ohio Regional Airport Authority
Ashtabula County
P.O. Box 379
Jefferson, Ohio 44047

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Northeast Ohio Regional Airport Authority's (the Airport) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Northeast Ohio Regional Airport Authority's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Airport's major federal program.

Management's Responsibility

The Airport's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Airport's compliance for the Airport's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Airport's major program. However, our audit does not provide a legal determination of the Airport's compliance.

Opinion on the Major Federal Program

In our opinion, the Northeast Ohio Regional Airport Authority's complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2015.

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Report on Internal Control Over Compliance

The Airport's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Airport's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Airport's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

June 8, 2016

NORTHEAST OHIO REGIONAL AIRPORT AUTHORITY
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unmodified**
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**No**
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Unmodified**
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	**No**
(d)(1)(vii)	**Major Programs (list):**	**Airport Improvement Program** **CFDA # 20.106**
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	**Type A: > $ 750,000** **Type B: all others**
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	**No**

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

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Dave Yost • Auditor of State

NORTHEAST OHIO REGIONAL AIRPORT AUTHORITY

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 28, 2016

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