

**LORAIN COUNTY REGIONAL
AIRPORT AUTHORITY**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS
DECEMBER 31, 1999**

S&C

Bank, Seringer & Chaney, Inc.

Chartered Public Accountants

**LORAIN COUNTY REGIONAL
AIRPORT AUTHORITY**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS
DECEMBER 31, 1999**

FS&C

Frank, Seringer & Chaney, Inc.

Certified Public Accountants

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY

Report of Examination of Financial Statements
Year Ended December 31, 1999

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FS&C

Frank, Seringer & Chaney, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Lorain County Regional Airport Authority

We have audited the accompanying general purpose financial statements of Lorain County Regional Airport Authority as of and for the year ended December 31, 1999 as listed in the table of contents. These general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lorain County Regional Airport Authority as of December 31, 1999, and the results of its operations, and its cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 2, 2000 on our consideration of Lorain County Regional Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is intended solely for the information and use of the Board of Trustees and management of the Lorain County Regional Airport Authority and is not intended to be and should not be used by anyone other than those specified parties.

Amherst, Ohio
May 2, 2000

Frank Seringer & Chaney, Inc.



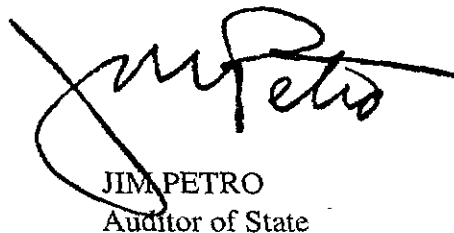
STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Lorain County Regional Airport Authority
Elyria, Ohio

We have reviewed the Independent Auditor's Report of the Lorain County Regional Airport Authority, Lorain County, prepared by Frank, Seringer & Chaney, Inc., for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO
Auditor of State

June 14, 2000

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY

Balance Sheet
December 31, 1999

Assets

Assets:

Cash	\$ 13,982
Receivables	26,525
Prepaid insurance	20,777
Inventory	<u>11,096</u>
	72,380
Fixed assets:	
Land	2,153,589
Land improvements and buildings	5,167,169
Equipment	458,689
Accumulated depreciation	<u>(2,514,373)</u>
	<u>5,265,074</u>
	<u>\$5,337,454</u>

Liabilities and Equity

Liabilities:

Accounts payable	\$ 85,697
Withheld payroll taxes, etc.	201
Accrued compensated absences	32,134
Accrued real estate taxes	<u>3,559</u>
Total liabilities	121,591

Fund equity:

Contributed capital	5,125,239
Retained earnings	<u>90,624</u>
	<u>5,215,863</u>
Total fund equity	<u>\$5,337,454</u>

See notes to financial statements

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
Statement of Revenues, Expenses and Changes in Retained Earnings
Year ended December 31, 1999

Operating revenues:	
Aviation fuel and oil	\$ 276,591
Hanger rentals	134,076
Delivery	39,075
General aviation rentals	36,555
Use fees	27,991
Fuel royalties	8,909
Other operating income	<u>5,025</u>
Total operating revenues	<u>528,222</u>
Operating expenses:	
Salaries and wages	314,066
Depreciation	150,904
Aviation fuel and oil	150,500
Professional services	97,739
Employee welfare	77,336
Maintenance and repairs	47,068
Utilities	45,988
Equipment and supplies	36,289
Insurance	28,062
Equipment and automotive operation	20,478
Telephone	11,057
Bank and finance charges	6,821
Travel and meetings	5,584
Real estate taxes	3,559
Advertising and public relations	2,358
Loss on sale of assets	188
Other	<u>13,154</u>
	<u>1,011,151</u>
Operating loss	(482,929)
Non-operating revenues and (expenses):	
Land rentals	27,040
Interest income	323
Interest expense	(255)
General income	156,650
Advertising and promotion expense	(194,704)
Supplies expense	<u>(14,092)</u>
Net non-operating income	<u>(25,038)</u>
Loss before operating contributions	(507,967)
Operating contributions	<u>296,852</u>
Net loss	(211,115)
Add depreciation on assets acquired with capital grants	<u>135,692</u>
Decrease in retained earnings	(75,423)
Retained Earnings - January 1, 1999	<u>166,047</u>
Retained Earnings - December 31, 1999	<u>\$ 90,624</u>
See notes to financial statements	

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY

Statement of Cash Flows
Year ended December 31, 1999

Cash flows from operating activities:	
Net loss	\$(211,115)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	150,904
Loss on sale of assets	188
Changes in operating assets and liabilities:	
Increase in receivables	(7,542)
Increase in prepaid expenses	(8,864)
Decrease in deposits	9,425
Increase in inventory	(11,096)
Increase in accounts payable	58,300
Decrease in withheld payroll taxes, etc.	(12,049)
Increase in compensated absences	26,261
Increase in accrued real estate taxes	<u>1,193</u>
Net cash used in operating activities	(4,395)
Cash flows from capital and related financing activities:	
Purchases of equipment	(5,628)
Purchases of buildings and building improvements	(4,150)
Purchases of land and land improvements	<u>(26,854)</u>
Net cash used in capital and related financing activities	<u>(36,632)</u>
Decrease in cash	(41,027)
Cash and cash equivalents, beginning of year	<u>55,009</u>
Cash and cash equivalents, end of year	<u>\$ 13,982</u>

See notes to financial statements

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY

Notes to Financial Statements December 31, 1999

1. Summary of significant accounting policies

The Airport Authority is statutorily created as a separate and distinct political subdivision of the State. Lorain County appoints seven members to the Airport Authority. Lorain County approves the budget and approves all applications for State and Federal grants. The Trustees adopt their own appropriations, have title to the land and one of the buildings of the Airport, hire and fire their own staff, issue their own debt, and authorize Airport expenditures.

Fund accounting - The Airport Authority uses a proprietary fund type to report on its financial position and the results of its operations. Proprietary fund equity is segregated into contributed capital and retained earnings. The Airport Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary for useful sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). The Airport Authority uses an enterprise fund to account for all its activities.

Basis of accounting - The financial statements of Lorain County Regional Airport Authority have been prepared on the accrual basis. The statement of operations and changes in equity are statements of financial activities of the funds related to the current reporting period.

Inventories - Inventories are recorded at cost on a first-in, first-out basis.

Fixed assets - Fixed assets are recorded at original cost. Land improvements, buildings, and equipment are depreciated using the straight-line method. A useful life of 40 years for land improvements and buildings, and 5 to 15 years for equipment is used.

Capitalized interest - Interest costs during construction are capitalized when incurred on debt where proceeds were used to finance the construction of assets.

Property retirements - Costs and related accumulated depreciation of property sold or otherwise retired are removed from the accounts, and gains or losses on disposition are credited to or charged against income.

Maintenance and repairs - Routine maintenance, repairs, renewals, and replacement costs are charged against income. Expenditures which materially increase values or extend useful lives are capitalized.

Deposits - At year-end, the total carrying amount of the Airport Authority's deposits was insured by federal depository insurance and/or secured by collateral as required under either Section 135.18 or Section 135.181 of the Ohio Revised Code.

Cash and cash equivalents - For purposes of the statement of cash flows, the Airport Authority considers all highly liquid investments with a maturity of three months or less (demand deposits with banks) to be cash equivalents.

2. Receivables

The Lorain County Regional Airport Authority operates a regional airport in Lorain County and grants credit to airport tenants and customers. The Board of Trustees believes no allowance for receivables doubtful of collection is necessary, and none has been provided.

3. Lease of premises

Various lease agreements have been entered into for land rental through December 1, 2018, with options to extend the lease terms. Future base rental income for the leases as of December 31, 1999 are as follows:

2000	\$ 37,560
2001	37,560
2002	37,560
2003	37,560
2004	37,560
Thereafter	131,573

A 99 year lease agreement has also been entered into for land rental of 2.1725 acres through the year 2078 and is renewable forever. The lease provides for a base ground rental use of \$2,228 per acre per year to be adjusted upward by a function of the Consumer Price Index. For the year ended December 31, 1999 rental income was \$7,205.

On May 19, 1999 Lorain County, Ohio purchased the assets of the Fixed Base Operator located at Lorain County Regional Airport, including its lease agreements with the Lorain County Regional Airport. At that time an agreement was reached between Lorain County, Ohio and the Airport Authority giving management responsibilities of the fixed base operations to the Airport Authority.

4. Pension Plan

The Lorain County Regional Airport Authority contributes to the Public Employees Retirement System of Ohio (PERS) a cost sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-800-222-7377.

Plan members are required to contribute 8.5% of the annual covered salary and the Airport Authority is required to contribute an actuarially determined rate. The current rate is 13.55% of annual covered payroll. The Ohio Revised Code provides statutory authority for contribution requirements of plan members and the Airport Authority. The Airport Authority's contribution to PERS for the years ending December 31, 1999, 1998 and 1997 was \$39,769, \$17,708 and \$14,817 respectively, equal to the required contributions for those years.

5. Post retirement benefits

In addition to the pension benefits described in Note 4, PERS provides post retirement health care coverage, in accordance with State statutes, to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. Effective January 1, 1998, Airport Authority contributions, equal to 4.2% of member covered payroll are used to fund health care expenses. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to PERS.

OPEB is financed through employer contributions and investment earnings there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

6. Compensated absences

The Lorain County Regional Airport Authority allows employees to accumulate unused sick leave. Upon termination, an employee with ten (10) or more years of service shall receive cash payment for one-half (1/2) of the value of his or her legally accrued and unused sick leave, to a maximum of four hundred eighty (480) hours. In December, 1999 the Board of Trustees signed an employment contract with the new Airport Executive Director which granted him 1,800 hours of previously accrued sick time. Upon termination he is eligible for 1/3 of the value of his legally accrued and unused sick time. This sick leave conversion payment shall be based on the employee's rate of pay at the time of retirement.

Earned vacation time is required to be used within three years of accrual. At December 31, 1999 the liability for accrued vacation leave and sick leave is approximately \$32,133.

7. Risk management

The Lorain County Regional Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injury to employees; and natural disasters. The Authority carries commercial insurance for property, inland marine, auto, aviation, airport and hangerkeepers liability. The Authority also carries employee health and accident insurance, commercial insurance for Public officials and a bond on the Director/Treasurer. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Lorain County Regional Airport Authority

We have audited the general purpose financial statements of the Lorain County Regional Airport Authority, as of and for the year ended December 31, 1999, and have issued our report thereon dated May 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lorain County Regional Airport Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Lorain County Regional Airport Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Due to the relatively small size of the entity's office staff, an adequate segregation of duties cannot be maintained, the effects of which could include; unreported transactions, misclassified assets and liabilities, failure to report transactions in a timely manner.

Compensating procedures as evidence by Board of Trustee approval of all disbursements and general transactions review by Executive Director should continue in addition to consideration of enlarging office staff.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Trustees and management of the Lorain County Regional Airport Authority and it is not intended to be and should not be used by anyone other than these specified parties.

Frank Swinger, Chairman, Sec.

Amherst, Ohio
May 2, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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LORAIN COUNTY REGIONAL AIRPORT AUTHORITY

LORAIN 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.

By: Susan Babbitt

Date: JUNE 29, 2000