



**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
Lorain County Regional Airport Authority
Lorain County
44050 Russia Road
Elyria, Ohio 44035

We have audited the accompanying basic financial statements of the Lorain County Regional Airport Authority, Lorain County, Ohio, (the Airport) a component unit of Lorain County, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lorain County Regional Airport Authority, Lorain County, Ohio, as of December 31, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Airport's basic financial statements. The federal awards receipts and expenditure schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

April 19, 2006

**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

The discussion and analysis of the Lorain County Regional Airport Authority's (the Airport) financial performance provides an overview of the Airport's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the Airport's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Airport's financial performance.

FINANCIAL HIGHLIGHTS

The Airport's net assets increased by \$651,159 in 2005. This was due to the receipt of capital grants from the Federal Aviation Administration (FAA) and the Ohio Department of Transportation, Division of Aviation (State).

Operating revenues decreased by \$98,082 while operating expenses increased by \$161,932. The decrease in operating revenues was due to the county cutting the Airport's budget by \$100,000. In 2005 several assets that were previously recorded as construction in progress were completed and were then depreciated, which caused the increase in operating expenses.

USING THIS ANNUAL REPORT

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

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

One of the most important questions asked about the Airport's finances is, "Is the Airport better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Airport and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the 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 assets and changes in them. You can think of the Airport's net assets—the difference between assets and liabilities—as one way to measure the Airport's financial health, or financial position. Over time, increases or decreases in the Airport's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors (e.g. fuel prices, FAA regulations, weather, etc.), to assess the overall health of the Airport.

**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Table 1 provides a summary of the Airport's net assets for 2005 compared to 2004.

**Table 1
NET ASSETS**

	<u>2005</u>	<u>2004</u>
ASSETS:		
Current and other assets	\$ 507,916	\$ 1,233,406
Capital assets, net	<u>12,010,867</u>	<u>11,167,098</u>
Total assets	12,518,783	12,400,504
LIABILITIES:		
Current liabilities	405,483	949,088
Long-term liabilities	<u>93,005</u>	<u>82,280</u>
Total liabilities	<u>498,488</u>	<u>1,031,368</u>
NET ASSETS:		
Invested in capital assets, net of related debt	12,010,867	11,167,098
Restricted for other purposes	<u>9,428</u>	<u>202,038</u>
TOTAL NET ASSETS	<u>\$12,020,295</u>	<u>\$11,369,136</u>

Total assets increased by \$118,279 from 2004 to 2005. This increase is the net result of a decrease in grants receivable and an increase in capital assets.

Total liabilities decreased by \$532,880. This decrease is due to a decrease in accounts payable on capital projects in process.

Total net assets increased by \$651,159. This increase is a result of additions in capital assets.

The largest portion of the Airport's net assets each year is its investment in capital assets, net of related debt (e.g., land, land improvements, buildings, equipment and vehicles). The Airport uses these capital assets to provide services to the businesses and public using the Lorain County Regional Airport.

Capital Assets:

Land	\$ 2,153,589
Construction in progress	1,166,967
Land improvements	10,256,255
Buildings	1,183,854
Equipment	768,051
Vehicles	<u>185,761</u>
Capital Assets	15,714,477
Less accumulated depreciation	<u>(3,703,610)</u>
Total Capital Assets, Net	\$ <u>12,010,867</u>

See Notes 2 and 4 to the basic financial statements for further discussion of the Airport's capital asset policy and changes in capital assets.

**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Tables 2 and 3 show the revenues, expenses, and the changes in net assets for the year ended December 31, 2005 compared to the year ended December 31, 2004.

Table 2

	REVENUES	
	2005	2004
OPERATING REVENUES		
Charges for Services Revenue	62,683	60,776
Operating Grants	303,000	403,000
Other operating revenues	<u>14,105</u>	<u>14,094</u>
Total operating revenues	<u>379,788</u>	<u>477,870</u>
NON-OPERATING REVENUES		
Land rentals	43,265	26,190
Interest Income	4,776	3,901
Miscellaneous Income	<u>5,361</u>	<u>2,025</u>
Total non-operating revenue	<u>53,402</u>	<u>32,116</u>
CAPITAL CONTRIBUTIONS	<u>1,141,545</u>	<u>3,258,982</u>
TOTAL REVENUES AND CAPITAL CONTRIBUTIONS	<u>\$1,574,735</u>	<u>\$3,768,968</u>

Operating revenues decreased by \$98,082 due to a \$100,000 budget cut made by Lorain County.

- Ground rental and use fees include annual increases. The increases are based upon a function of the Consumer Price Index.
- Historically, Airport expenses exceed revenues. The County subsidizes the Airport's operating shortfall. The subsidy by the County for 2005 was \$303,000.
- Capital contributions consisted of grants from the County, the State and the FAA. Grants were received for the Airport's runway and safety area rehabilitation which included: runway paving, wildlife hazard assessment, and fencing. Funds were also received for Industrial Park roadway development.

Table 3

	EXPENSES	
	2005	2004
OPERATING EXPENSES		
Salaries and employee benefits	\$297,692	\$305,363
Depreciation	350,372	228,058
Professional & Specialized Services	59,964	39,800
Utilities	23,984	26,058
Repairs and Maintenance	73,058	45,059
Other Operating Expenses	<u>118,290</u>	<u>117,090</u>
Total Operating Expenses	<u>923,360</u>	<u>761,428</u>
NON-OPERATING EXPENSES		
Miscellaneous expense	<u>216</u>	<u>5,000</u>
TOTAL EXPENSES	<u>923,576</u>	<u>766,428</u>
INCREASE IN NET ASSETS	<u>\$ 651,159</u>	<u>\$3,022,540</u>

**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Operating expenses increased by \$161,932 mostly due to prior construction in progress being depreciated in 2005.

- Administration and maintenance of the Airport falls under the direction of its Executive Director (Director) and staff.
- Capital assets are being depreciated using the straight-line method over the estimated useful life of the assets. Annual inspections are performed to evaluate the condition of the assets and the reasonableness of the recorded value.
- All other expenses have remained steady, with no unexpected increases.

OPERATIONAL HIGHLIGHTS

- The Industrial Park is part of the Airport's overall plan to bring aviation related businesses to Lorain County. The Airport has retained a commercial real estate broker to market the park.
- The Airport completed Phase 1 and began Phase 2 of runway safety area and runway improvement project. The Airport received grants from the FAA for 95% of the costs incurred. The remaining 5% was a local matching share provided by the County. In addition, the County provided funds for a wildlife hazard assessment expected to be complete in early 2006.

FUTURE OUTLOOK

- Continue to Market the Airport Industrial Park.

The Airport submitted an initial operating budget subsidy request to the County in the amount of \$437,500 for the year ended December 31, 2006. After consideration, the County approved an operating subsidy of \$303,000.

On April 28, 2005 the Lorain County Commissioners have passed a resolution to authorize the County Administrator and County Prosecutor's office to take the necessary action in transferring all county airport assets from the direct control of the ownership of the Lorain County Airport Authority to the direct control and ownership of the County Commissioners.

CONTACTING THE AIRPORT'S FINANCIAL MANAGEMENT

This financial report is designed to provide Lorain County citizens, taxpayers, airport users, and all interested parties with a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Albonese, at the Lorain County Regional Airport Authority, 44050 Russia Road, Elyria, Ohio 44035.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Statement of Net Assets – Proprietary Fund
For the Year Ended December 31, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 187,124
Accounts receivable	6,404
Grants receivable	301,388
Prepaid expenses	<u>13,000</u>
Total current assets	<u>507,916</u>

Non-Current Assets:

Capital assets:	
Non-depreciable capital assets	3,320,556
Depreciable capital assets, net	<u>8,690,311</u>
Total non-current assets	<u>12,010,867</u>

Total assets \$12,518,783

LIABILITIES

Current Liabilities:

Accounts payable	\$ 332,579
Accrued expenses	22,291
Compensated absences	26,613
Deferred revenue	<u>24,000</u>
Total current liabilities	<u>405,483</u>

Non-Current Liabilities:

Deferred revenue	<u>93,005</u>
Total non-current liabilities	<u>93,005</u>

Total liabilities 498,488

NET ASSETS

Invested in capital assets, net of related debt	12,010,867
Restricted for other purposes	<u>9,428</u>
Total net assets	<u>12,020,295</u>

Total Liabilities and Net Assets \$12,518,783

See accompanying notes to the financial statements.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended December 31, 2005

OPERATING REVENUES	
Operating grants	\$303,000
Charges for services	62,683
Other operating income	<u>14,105</u>
Total operating revenues	<u>379,788</u>
OPERATING EXPENSES	
Salaries and employee benefits	297,692
Depreciation	350,372
Professional and specialized services	59,964
Utilities	23,984
Repairs and maintenance	73,058
Other supplies and expenses	<u>118,290</u>
Total operating expense	<u>923,360</u>
Operating loss	<u>(543,572)</u>
NON-OPERATING REVENUES	
(EXPENSES)	
Land rentals	43,265
Interest income	4,776
Miscellaneous income	5,361
Miscellaneous expense	<u>(216)</u>
Total non-operating revenue (expenses)	<u>53,186</u>
Loss before capital contributions	(490,386)
CAPITAL CONTRIBUTIONS	<u>1,141,545</u>
NET ASSETS	
Increase (decrease) in Net Assets	651,159
Total Net Assets, beginning of year	<u>11,369,136</u>
Total Net Assets, end of year	<u>\$12,020,295</u>

See accompanying notes to the financial statements.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Statement of Cash Flows – Proprietary Fund
For the Year Ended December 31, 2005

CASH FLOWS FROM

OPERATING ACTIVITIES

Receipts from customers	\$ 51,353
Payments for employee services and benefits	(326,773)
Operating Grants	303,000
Other receipts (payments)	<u>(216,415)</u>
Net cash used for operating activities	<u>(188,835)</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Capital contributions	1,141,546
Acquisition of capital assets	(1,195,035)
Decrease in grants receivable	429,823
Decrease in construction accounts payable	(538,577)
Other receipts	<u>49,304</u>
Net cash provided by capital and related financing activities	<u>(112,939)</u>

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Interest	<u>4,776</u>
Net cash provided by investing activities	<u>4,776</u>
Net decrease in cash and cash equivalents	(296,998)

Cash and cash equivalents – beginning of year	<u>484,122</u>
Cash and cash equivalents – end of year	<u>\$ 187,124</u>

**RECONCILIATION OF OPERATING (LOSS)
TO NET CASH (USED) BY OPERATING
ACTIVITIES**

Operating (loss)	\$(543,572)
Adjustments to reconcile operating income to net cash used by operating activities:	
Deferred revenue	24,451
Depreciation	350,372
Change in assets and liabilities:	
Receivables	(1,435)
Prepaid insurance	104
Accounts and other payables	(14,893)
Accrued expenses	<u>(3,862)</u>
Net cash used for operating activities	<u>\$ (188,835)</u>

See accompanying notes to the financial statements.

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LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1. Reporting Entity

The Lorain County Regional Airport Authority, Lorain County, Ohio (the Airport) was established pursuant to Ohio Revised Code Section 308.03 by resolution of the Lorain County Commissioners. The Airport is governed by a nine member Board of Trustees (Board), all of whom are appointed by the Lorain County Commissioners. The Board has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name, the power to establish and collect rates, rentals and other charges, the authority to acquire, construct, operate, manage and maintain airport facilities, the authority to buy and sell real and personal property, and the authority to issue debt for acquiring or constructing any facility or permanent improvement. Lorain County has contributed money to the Airport to continue operations. Since the Airport imposes a financial burden on the County, the Airport is reported as a component unit of Lorain County.

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

Component units are legally separate organizations for which the Airport is financially accountable. The Airport is financially accountable for an organization if the Airport appoints a voting majority of the organization's governing board and (1) the Airport is able to significantly influence the programs or services performed or provided by the organization; or (2) the Airport is legally entitled to or can otherwise access the organization's resources; the Airport is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the Airport is obligated for the debt of the organization. Based on the application of these criteria, the Airport has no component units.

Note 2. Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Measurement Focus

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Airport's financial statements are prepared using the accrual basis of accounting.

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Airport considers all highly liquid investments with a maturity of three months or less (demand deposits with banks) to be cash equivalents. During 2005, Airport investments were limited to interest bearing deposit accounts.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Airport, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Airport's policy is to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At year-end the airport had \$9,428 in restricted net assets for other purposes.

Operating revenues and expenses

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

Grants

Grants received for the acquisition or construction of capital assets, are recorded as capital contributions when earned. Grants are earned when costs relating to such capital assets, which are reimbursable under the terms of the grants, have been incurred.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, including infrastructure assets, purchased or constructed by the Airport are recorded at original cost. Land improvements, buildings, equipment and vehicles are depreciated using the straight-line method over the estimated useful lives of the assets. A useful life of 20 to 40 years is used for land improvements and buildings, and 5 to 15 years is used for equipment and vehicles.

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

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

The Airport's policy is to capitalize net interest on the enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project, and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2005 no interest costs were incurred on construction projects for the Airport.

Note 3. Deposits

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

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

At year-end, the carrying amount of the Airport's deposits was \$187,124 (which includes petty cash of \$300) and the bank balance was \$294,051. Of the bank balance, \$100,000 was covered by federal depository insurance provided by the Federal Deposit Insurance Corporation (FDIC), and \$194,051 was uncollateralized and uninsured. Although securities were held by the pledging financial institutions trust department or agent in the Airport's name and all Ohio Revised Code requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the Airport to a successful claim by the FDIC.

The Airport had no investments at December 31, 2005.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 4. Changes in Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance <u>12/31/04</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/05</u>
Capital Assets, not being depreciated:				
Land	\$2,153,589	\$ -	\$ -	\$2,153,589
Construction in progress	<u>5,200,805</u>	<u>1,195,035</u>	<u>(5,228,873)</u>	<u>1,166,967</u>
Total Capital Assets not being depreciated	<u>7,354,394</u>	<u>1,195,035</u>	<u>(5,228,873)</u>	<u>3,320,556</u>
Capital Assets, being depreciated:				
Land improvements	5,403,556	4,852,699	-	10,256,255
Buildings	1,183,854	-	-	1,183,854
Equipment	471,211	376,174	(79,334)	768,051
Vehicles	<u>185,761</u>	<u>-</u>	<u>-</u>	<u>185,761</u>
Total Capital Assets being depreciated	<u>7,244,382</u>	<u>5,228,873</u>	<u>(79,334)</u>	<u>12,393,921</u>
Less Accumulated Depreciation:				
Land improvements	(2,790,160)	(272,259)	-	(3,062,419)
Buildings	(153,955)	(34,228)	-	(188,183)
Equipment	(367,647)	(31,319)	78,440	(320,526)
Vehicles	<u>(119,916)</u>	<u>(12,566)</u>	<u>-</u>	<u>(132,482)</u>
Total Accumulated Depreciation	<u>(3,431,678)</u>	<u>(350,372)</u>	<u>78,440</u>	<u>(3,703,610)</u>
Capital Assets, Net	<u>\$11,167,098</u>	<u>\$6,073,536</u>	<u>\$(5,229,767)</u>	<u>\$12,010,867</u>

Note 5. Receivables

In the normal course of operating the Airport, credit is granted to Airport tenants and customers. The Board believes no allowance for receivables doubtful of collection is necessary, and none has been provided.

Note 6. Lease of Premises

Various lease agreements have been entered into for office, hangar, and land rental through December 1, 2018, with options to extend the lease terms. Future base rental income for the leases as of December 31, 2005 follows:

2006	\$ 85,092
2007	85,092
2008	85,092
2009	85,092
2010	49,038
Thereafter	157,575

A 99 year lease agreement has also been entered into for land rental of three parcels of land totaling 2.7105 acres through the year 2078 and is renewable forever. The lease provides for a base ground rental use of \$7,289 adjusted upward yearly by a function of the Consumer Price Index. For the year ended December 31, 2005 rental income was \$9,533.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 6. Lease of Premises (Continued)

Various lease agreements have been entered into for office space on a month-to-month basis. Rental income from these rentals was \$1,836 for the year ended December 31, 2005.

Note 7. Compensated Absences

The Airport allows employees to accumulate unused sick leave. This policy provides that upon an employee's death or retirement, the employee shall receive cash payment of one third of the value of his or her legally accrued and unused sick leave, to a maximum of 333 1/3 hours. The sick leave conversion payment shall be based on the average of the employees base salary rates for the most recent three years. Sick leave benefits are accrued as a liability using the vested method. In December 2005, the Board signed an employment termination agreement with the Airport Executive Director, which granted him payment of all accumulated vacation and sick leave as stipulated in the prior agreement.

At December 31, 2005 the liability for accrued vacation leave and sick leave is approximately \$26,613.

Note 8. Pension Plan

The Airport participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Airport's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Airport's contribution to OPERS for the years ending December 31, 2005, 2004 and 2003 was \$38,048, \$36,269 and \$61,054 respectively, equal to the required contributions for those years.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 9. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in Note 8, OPERS provides post retirement health care coverage, in accordance with the Ohio Revised Code, 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 as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 local government employer contribution rate was 13.55 percent of covered payroll. For the calendar year 2005 Airport contributions, equal to 4.00% of covered payroll was used to fund health care expenses.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 355,287. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfounded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 10. Risk Management

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injury to employees; and natural disasters. Through Lorain County, the Airport is covered under the County Risk Sharing Authority, Inc. (CORSA). CORSA is a risk sharing pool made up of thirty-nine counties in Ohio and was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group of primary and excess insurance/self-insurance and risk management program. CORSA insures the Airport for general liability, errors and omissions, property and automobile. The Airport has purchased commercial insurance for aviation and airport and hangerkeepers liability. The Airport also carries employee health and accident insurance and a bond on key management positions. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 11. Contingent Liabilities

The Airport receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits may require refunding to the grantor agencies. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Airport as of December 31, 2005.

Note 12. Subsequent Event

On April 28, 2005 the Lorain County Commissioners have passed a resolution to authorize the County Administrator and County Prosecutor's office to take the necessary action in transferring all county airport assets from the direct control of the ownership of the Lorain County Airport Authority to the direct control and ownership of the County Commissioners.

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LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Schedule of Federal Awards Receipts and Expenditures
For The Year Ended December 31, 2005

Federal Grantor/ Program Title	Project Number	Federal CFDA Number	Receipts	Expenditures
Direct Program:				
Federal Aviation Administration				
Airport Improvement Program	3-39-0048-1403	20.106	\$ 23,766	\$ 23,766
	3-39-0048-1504		1,406,861	1,406,861
	3-39-0048-1605		<u>106,343</u>	<u>105,045</u>
Total Federal Financial Assistance			<u>\$1,536,970</u>	<u>\$1,535,672</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY
Notes To Schedule Of Federal Awards Receipts And Expenditures
For The Year Ended December 31, 2005

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Lorain County Regional Airport Authority's federal award program. The Schedule has been prepared on the cash basis of accounting.

CFDA – Catalog of Federal Domestic Assistance



**Auditor of State
Betty Montgomery**

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

Board of Directors
Lorain County Regional Airport Authority
Lorain County
44050 Russia Road
Elyria, Ohio 44035

We have audited the financial statements of the Lorain County Regional Airport Authority, Lorain County, Ohio, (the Airport) a component unit of Lorain County, as of and for the year ended December 31, 2005, and have issued our report thereon dated April 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Lorain County Regional Airport Authority
Lorain County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, board of directors and federal awarding agencies. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 19, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Lorain County Regional Airport Authority
Lorain County
44050 Russia Road
Elyria, Ohio 44035

Compliance

We have audited the compliance of the Lorain County Regional Airport Authority, Lorain County, Ohio, (the Airport), a component unit of Lorain County, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Airport's major federal program. The Airport's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

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

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The Airport's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Airport's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 19, 2006

**LORAIN COUNTY REGIONAL AIRPORT AUTHORITY
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Airport Improvement Program/CFDA # 20.106
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	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



**Auditor of State
Betty Montgomery**

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 20, 2006**