



**REGIONAL AIRPORT AUTHORITY  
ALLEN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**



**Mary Taylor, CPA**  
Auditor of State



**REGIONAL AIRPORT AUTHORITY  
ALLEN COUNTY**

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# Mary Taylor, CPA Auditor of State

Regional Airport Authority  
Allen County  
P.O. Box 1401  
Lima, Ohio 45802

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 10, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Regional Airport Authority  
Allen County  
P.O. Box 1401  
Lima, Ohio 45802

To the Board of Trustees:

We have audited the accompanying financial statements of the Regional Airport Authority, Allen County, (the Authority), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Authority'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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2006 and 2005, GAAP requires presenting entity wide statements and also presenting the Authority's larger (i.e. major) funds separately. While the Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat its statements. The Authority has elected not to reformat its statements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Regional Airport Authority, Allen County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2007, on our consideration of the Authority'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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 10, 2007



**REGIONAL AIRPORT AUTHORITY  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>All Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
County Contributions	\$100,640	\$38,758	\$139,398
Rents	167,002		167,002
Federal and State Grants		295,879	295,879
Miscellaneous	17,698		17,698
Total Cash Receipts	<u>285,340</u>	<u>334,637</u>	<u>619,977</u>
<b>Cash Disbursements:</b>			
Salaries	9,429		9,429
Supplies and Materials	5,709		5,709
Repairs and Maintenance	81,808		81,808
Utilities	20,697		20,697
Contractual Services	68,066		68,066
Capital Outlay	59,582	346,021	405,603
Debt Service	29,591		29,591
Miscellaneous	34,134	473	34,607
Total Cash Disbursements	<u>309,016</u>	<u>346,494</u>	<u>655,510</u>
Total Receipts Over/(Under) Disbursements	(23,676)	(11,857)	(35,533)
<b>Other Financing Receipts</b>			
Insurance Proceeds	549,707		549,707
Total Other Financing Receipts	<u>549,707</u>		<u>549,707</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	526,031	(11,857)	514,174
Cash Balances, January 1	<u>76,452</u>	<u>20,043</u>	<u>96,495</u>
<b>Cash Balances, December 31</b>	<u><b>\$602,483</b></u>	<u><b>\$8,186</b></u>	<u><b>\$610,669</b></u>

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

**REGIONAL AIRPORT AUTHORITY  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>All Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
County Contributions	\$103,697	\$10,500	\$114,197
Rents	168,810		168,810
Federal and State Grants		140,332	140,332
Miscellaneous	12,174		12,174
Total Cash Receipts	<u>284,681</u>	<u>150,832</u>	<u>435,513</u>
<b>Cash Disbursements:</b>			
Salaries	9,431		9,431
Supplies and Materials	9,462		9,462
Repairs and Maintenance	106,329		106,329
Utilities	22,738		22,738
Contractual Services	56,036		56,036
Capital Outlay	21,198	142,369	163,567
Debt Service	27,478		27,478
Miscellaneous	23,686	12	23,698
Total Cash Disbursements	<u>276,358</u>	<u>142,381</u>	<u>418,739</u>
Total Receipts Over/(Under) Disbursements	<u>8,323</u>	<u>8,451</u>	<u>16,774</u>
Cash Balances, January 1	<u>68,129</u>	<u>11,592</u>	<u>79,721</u>
<b>Cash Balances, December 31</b>	<b><u>\$76,452</u></b>	<b><u>\$20,043</u></b>	<b><u>\$96,495</u></b>

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

**REGIONAL AIRPORT AUTHORITY  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Regional Airport Authority, Allen County, (the Authority) as a body corporate and politic. The County Commissioners appoint seven Board members to direct the Authority. The Authority is responsible for the safe and efficient operation and maintenance of the airport.

The Authority contracts with Allen County Aviation Corporation (the Corporation) for a substantial portion of the day-to-day operations of the Allen County Airport. The Corporation pays the Authority \$560 per month rent and five cents per gallon for fuel flowage. The Authority pays the Corporation \$7,458 per month for buildings and ground maintenance. The Authority also received significant income for land and hangar rental from entities other than the Corporation.

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

**B. Basis of Accounting**

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash**

The Authority's cash is held in demand deposit accounts.

**D. Fund Accounting**

The Authority uses fund accounting to segregate cash that is restricted as to use. The Authority classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects.

**E. Property, Plant, and Equipment**

The accounting basis recognizes acquisitions of property, plant, and equipment as disbursements when paid. The financial statements do not report these as assets.

**REGIONAL AIRPORT AUTHORITY  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. EQUITY IN CASH**

The carrying amount of cash at December 31 follows:

	<u>2006</u>	<u>2005</u>
Demand Deposits	<u>\$610,669</u>	<u>\$96,495</u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Authority.

**3. DEBT**

The Authority entered into a funding agreement with the Allen County Commissioners on December 12, 2006 in the amount of \$435,000. The Authority did not receive these funds until 2007.

Per the funding agreement, the County will issue general obligation debt in an amount not to exceed \$435,000 and will make the proceeds of such debt issuance available to the Authority for the purpose of constructing and installing improvements and refinancing outstanding Airport Improvement Bond Anticipation Notes dated September 25, 2002.

The Authority has pledged its revenues to the repayment of the amounts borrowed by the County on its behalf. The note is payable over a period of 15 years at \$29,000 annually, with a five-year fixed interest rate of 4.26 percent. At the end of the five years, this note will balloon and will need to be refinanced.

**4. RETIREMENT SYSTEM**

The Authority's part-time employee and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 percent and 8.5 percent, respectively, of their gross salaries and the Authority contributed an amount equaling 13.7 percent and 13.55 percent, respectively, of participants' gross salaries. The Authority has paid all contributions required through December 31, 2006.

**5. RISK MANAGEMENT**

**Commercial Insurance**

The Authority has obtained commercial insurance from Skysurance, Auto Owners Insurance Company, and Darwin Select Insurance Company for the following risks:

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

**REGIONAL AIRPORT AUTHORITY  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**7. RELATED PARTY TRANSACTIONS**

A Board member is part owner of the company from which the Authority acquired insurance during 2005 and 2006. The Authority paid \$9,498 to this company in 2005 and \$14,512 in 2006.

**8. INSURANCE PROCEEDS**

The Authority received a significant insurance settlement in December 2006 in the amount of \$549,707 for hangar damages that occurred during a severe storm on June 22, 2006. The expenses incurred for the hangar reconstruction were not expended until 2007; therefore, resulting in a significant increase in the general fund balance at December 31, 2006 as presented on the financial statements.

**9. CONTRACTUAL COMMITMENTS**

The Authority had entered into a contract with Shelly Company for the T-Hangar Taxi-Lane project with an outstanding contract amount at December 31, 2006 of \$175,726.

The Authority had entered into a contract with K and T Construction for Reconstruction of T-Hangar Rows C and D and Repairs to T-Hangar Rows A and B as a result of the storm damage in 2006. The outstanding contract amount at December 31, 2006 is \$826,773.

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# Mary Taylor, CPA

Auditor of State

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

Regional Airport Authority  
Allen County  
P.O. Box 1401  
Lima, Ohio 45802

To the Board of Trustees:

We have audited the financial statements of the Regional Airport Authority, Allen County, (the Authority) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 10, 2007, wherein we noted the Authority follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Authority's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Authority's management in a separate letter dated October 10, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Authority'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*. We did note certain noncompliance that we reported to the Authority's management in a separate letter dated October 10, 2007.

We intend this report solely for the information and use of the management and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 10, 2007





**Mary Taylor, CPA**  
Auditor of State

**REGIONAL AIRPORT AUTHORITY**

**ALLEN 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  
NOVEMBER 8, 2007**