



**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

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Mary Taylor, CPA
Auditor of State

Regional Airport Authority
Morrow County
P.O. Box 346
Mount Gilead, Ohio 43338

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 Authority 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 adverse 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

September 17, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Regional Airport Authority
Morrow County
P.O. Box 346
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the accompanying financial statements of the Regional Airport Authority, Morrow County, Ohio, (the Authority) as of and for the years ended December 31, 2007 and 2006. 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.

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 Authorities to reformat their statements. The Authority has elected not to follow GAAP statement formatting requirements. 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, 2007 and 2006 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, 2007 and 2006 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 cash balances and reserves for encumbrances of the Regional Airport Authority, Morrow County, Ohio, as of December 31, 2007 and 2006, and its 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 September 17, 2008, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 17, 2008

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL</u>
Cash Receipts:			
Rents	\$ 6,601	\$ -	\$ 6,601
Cash Disbursements:			
Hangar electric	286	-	286
Property Taxes on Hangar	657	-	657
Miscellaneous	35	-	35
Total Cash Disbursements	<u>978</u>	<u>-</u>	<u>978</u>
Total Receipts Over Disbursements	5,623	-	5,623
Fund Cash Balances, January 1	<u>1,996</u>	<u>311</u>	<u>2,307</u>
Fund Cash Balances, December 31	<u>\$ 7,619</u>	<u>\$ 311</u>	<u>\$ 7,930</u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ 311</u>	<u>\$ 311</u>

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

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

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

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL</u>
Cash Receipts:			
Rents	\$ 251	\$ -	\$ 251
Cash Disbursements:			
Hanger Electric	248	-	248
Property Tax	689	-	689
Miscellaneous	83	-	83
 Total Cash Disbursements	 <u>1,020</u>	 <u>-</u>	 <u>1,020</u>
Total Receipts (Under) Disbursements	(769)	-	(769)
Fund Cash Balances, January 1	<u>2,765</u>	<u>311</u>	<u>3,076</u>
Fund Cash Balances, December 31	<u>\$ 1,996</u>	<u>\$ 311</u>	<u>\$ 2,307</u>

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

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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, Morrow County, Ohio, (the Authority) as a body corporate and politic. The Morrow County Commissioners appoints five Board members to direct the Authority. The Authority is responsible for the safe and efficient operation and maintenance of the Regional Airport Authority.

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

B. Accounting Basis

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

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

C. 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. Special Revenue

This fund accounts for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purpose. The Authority had the following significant Special Revenue Fund:

Federal Grant Fund – This fund receives Federal grant funding for the repairs and improvements of the Airport runways.

D. Property, Plant, and Equipment

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

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash

The carrying amount of cash at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$7,930</u>	<u>\$2,307</u>

Deposits: A portion of the demand deposit balance listed above is maintained by the Morrow County Auditor in an agency fund. That portion is reported on the Airport's financial statements in the Special Revenue fund type, and is secured by pooled collateral obtained by Morrow County. The remaining portion is secured by the Federal Depository Insurance Corporation.

3. County Payment Of Airport Expenditures

Some Authority expenditures were paid by Morrow County through the County's General Fund. The total expenditures paid from the County's General Fund during 2007 and 2006 were \$8,614 and \$16,234, respectively.

4. Litigation

The Authority is involved in pending legal proceedings with Whetstone Flyers Inc. regarding the validity of a lease with the option to purchase. The parties are currently attempting to come to a resolution regarding purchase of an airplane hanger, which is the subject of the lease with option to purchase. The final terms of any agreement are pending and currently unknown.



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
Morrow County
P.O. Box 346
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the financial statements of the Regional Airport Authority, Morrow County, Ohio, (the Authority) as of and for the year ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated September 17, 2008, wherein we noted the Authority followed accounting practices the Auditor of State prescribes or permits 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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 deficiencies in the internal control that might be significant deficiencies or material weaknesses. We believe the significant deficiency described above is not a material weakness.

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 or other matters that we reported to the Authority's management in a separate letter dated September 17, 2008.

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



Mary Taylor, CPA
Auditor of State

September 17, 2008

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2007-001

Board Meetings - Significant Deficiency

The Regional Airport Authority Board of Trustees does not hold regular monthly meetings. During fiscal years ending 2007 and 2006 the Board met on four separate occasions, three times during fiscal year 2006 and one time during fiscal year 2007. Meetings were not held on a regular basis, and at one point during 2007, the Board did not meet for six consecutive months. By not meeting on a regular basis, the Board may not be able to effectively monitor the financial activity of the Authority and errors or irregularities could occur and not be detected in a timely manner.

Based on the size of the entity and the level of financial activity, meeting bi-monthly or quarterly could be sufficient for the Board to effectively govern the activity of the Airport. However, the Board should take steps at the beginning of each fiscal year to establish the quantity, frequency and dates of meetings which will be held in the upcoming year. Meetings should be held on a regular basis, such as quarterly or bi-monthly, and notification of these meetings should be made known to the public. By choosing to meet on a structured, regular basis, the Board can gain assurance that it is meeting frequently enough to effectively monitor the financial activity of the Authority.

Officials' Response:

We did not receive a response from Officials to this finding.



Mary Taylor, CPA
Auditor of State

REGIONAL AIRPORT AUTHORITY

MORROW 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 25, 2008**