



**WOOD COUNTY REGIONAL AIRPORT AUTHORITY
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

**WOOD COUNTY REGIONAL AIRPORT AUTHORITY
WOOD COUNTY**

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Mary Taylor, CPA

Auditor of State

Wood County Regional Airport Authority
Wood County
1261 East Poe Road
Bowling Green, Ohio 43402-9392

To the Board:

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 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.

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

Mary Taylor, CPA
Auditor of State

July 15, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wood County Regional Airport Authority
Wood County
1261 East Poe Road
Bowling Green, Ohio 43402-9392

To the Board:

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

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient evidential matter supporting amounts reported as fuel sales in the general fund for the years ended December 31, 2007 and 2006. This activity represents 62 and 63 percent of total general fund revenue for the years ended December 31, 2007 and 2006.

As described more fully in Note 1, the Airport 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, GAAP require presenting entity wide statements and also presenting the Airport's larger (i.e. major) funds separately. While the Airport 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 their statements. The Airport 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 Airport as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidential matter for amounts reported as fuel sales in the general fund, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Wood County Regional Airport Authority, Wood County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Airport 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 July 15, 2008, 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.



Mary Taylor, CPA
Auditor of State

July 15, 2008

**WOOD COUNTY REGIONAL AIRPORT AUTHORITY
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
City and County Contributions	\$50,000	\$12,692	\$62,692
Grants		166,112	166,112
Sale of Fuel	279,774		279,774
Rents	76,443		76,443
Sale of Supplies	24,468		24,468
Interest	8,196	280	8,476
Miscellaneous	4,164		4,164
	<u>443,045</u>	<u>179,084</u>	<u>622,129</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Salaries	112,302		112,302
Supplies and Materials	272,119		272,119
Repairs and Maintenance	40,169		40,169
Utilities	19,370		19,370
Insurance	30,392		30,392
Sales Tax Remitted	15,833		15,833
Miscellaneous	25,240		25,240
Capital Outlay		588,517	588,517
	<u>515,425</u>	<u>588,517</u>	<u>1,103,942</u>
Total Disbursements			
Total Disbursements Over Receipts	<u>(72,380)</u>	<u>(409,433)</u>	<u>(481,813)</u>
Other Financing Receipts:			
Insurance Proceeds	<u>7,000</u>		<u>7,000</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(65,380)	(409,433)	(474,813)
Fund Cash Balances, January 1	<u>77,558</u>	<u>523,404</u>	<u>600,962</u>
Fund Cash Balances, December 31	<u><u>\$12,178</u></u>	<u><u>\$113,971</u></u>	<u><u>\$126,149</u></u>

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

**WOOD COUNTY REGIONAL AIRPORT AUTHORITY
WOOD COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
City and County Contributions	\$50,000	\$12,692	\$62,692
Grants		203,729	203,729
Sale of Fuel	283,357		283,357
Rents	48,932		48,932
Sale of Supplies	33,696		33,696
Interest	12,675	17	12,692
Miscellaneous	2,949	339	3,288
	<u>431,609</u>	<u>216,777</u>	<u>648,386</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Salaries	110,453		110,453
Supplies and Materials	250,672		250,672
Repairs and Maintenance	13,807		13,807
Utilities	17,852		17,852
Insurance	30,496		30,496
Sales Tax Remitted	13,065		13,065
Miscellaneous	17,908		17,908
Debt Service:			
Redemption of Principal	32,744		32,744
Interest and Other Fiscal Charges	17,516		17,516
Capital Outlay		337,254	337,254
	<u>504,513</u>	<u>337,254</u>	<u>841,767</u>
Total Disbursements			
Total Disbursements Over Receipts	<u>(72,904)</u>	<u>(120,477)</u>	<u>(193,381)</u>
Other Financing Receipts:			
Insurance Proceeds	18,000	599,280	617,280
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements			
	(54,904)	478,803	423,899
Fund Cash Balances, January 1	<u>132,462</u>	<u>44,601</u>	<u>177,063</u>
Fund Cash Balances, December 31	<u>\$77,558</u>	<u>\$523,404</u>	<u>\$600,962</u>

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

**WOOD COUNTY REGIONAL AIRPORT AUTHORITY
WOOD 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 Wood County Regional Airport Authority, Wood County, (the Airport) as a body corporate and politic. The Wood County Commissioners appoint seven Board members and one representative from BGSU to direct the Airport. The Airport is responsible for the safe and efficient operation and maintenance of the Wood County Regional Airport Authority.

The Airport's management believes these financial statements present all activities for which the Airport 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 Airport 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. Cash and Investments

The Airport's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Airport values certificates of deposit at cost. The State Treasurers Asset Reserve (STAR Ohio) is recorded at share values reported by the State.

D. Fund Accounting

The Airport uses fund accounting to segregate cash and investments that are restricted as to use. The Airport 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 Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Airport had the following significant Special Revenue Funds:

AIP 1606 Hangar Fund - This fund receives federal grant money for the replacement of hangars.

**WOOD COUNTY REGIONAL AIRPORT AUTHORITY
WOOD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

AIP 1707 Improvement Fund - This fund receives federal grant money for the airport improvement program.

E. Budgetary Process

The Ohio Revised Code does not require the Airport to budget annually. The Airport does not encumber funds, but does budget income and expenditures annually.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$92,696	\$264,055
Certificates of deposit		305,097
STAR Ohio	33,453	31,810
Total deposits and investments	\$126,149	\$600,962

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$436,927	\$450,045	\$13,118
Special Revenue	199,606	179,084	(20,522)
Total	\$636,533	\$629,129	(\$7,404)

**WOOD COUNTY REGIONAL AIRPORT AUTHORITY
WOOD COUNTY**

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

3. BUDGETARY ACTIVITY – (CONTINUED)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$472,863	\$515,425	(\$42,562)
Special Revenue	203,649	588,517	(384,868)
Total	\$676,512	\$1,103,942	(\$427,430)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$398,790	\$449,609	\$50,819
Special Revenue	180,190	816,057	635,867
Total	\$578,980	\$1,265,666	\$686,686

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$447,105	\$504,513	(\$57,408)
Special Revenue	150,000	337,254	(187,254)
Total	\$597,105	\$841,767	(\$244,662)

4. DEBT

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
Airport Revenue Bonds	\$267,256	3%

The Airport is obligated to pay the Bowling Green State University for the revenue bonds. The bonds are payable over a period of fourteen years at \$25,130 a year including interest charged at three percent. The Airport pledges revenues from rentals, fees, charges or other revenues from all airport facilities.

**WOOD COUNTY REGIONAL AIRPORT AUTHORITY
WOOD COUNTY**

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

4. DEBT – (CONTINUED)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Revenue Bonds
2008	\$50,260
2009	25,130
2010	25,130
2011	25,130
2012	25,130
2013-2017	125,650
2018-2019	50,260
Total	<u>\$326,690</u>

Debt principal outstanding at December 31, 2007, was \$267,256. The Airport did not make a payment in 2007 resulting in two payments due during 2008.

5. RETIREMENT SYSTEM

The Airport's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Airport contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Airport has paid all contributions required through December 31, 2007.

6. RISK MANAGEMENT

Commercial Insurance

The Wood County Regional Airport Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public officials and employees liability,
- Crime,
- Terrorism; and
- Vehicles.



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*

Wood County Regional Airport Authority
Wood County
1261 East Poe Road
Bowling Green, Ohio 43402-9392

To the Board:

We have audited the financial statements of the Wood County Regional Airport Authority, Wood County, (the Airport) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 15, 2008, which was qualified due to our inability to obtain sufficient evidential matter supporting fuel sales in the general fund. We also noted the Airport followed 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 Airport'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 Airport's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Airport'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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 Airport'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 Airport's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 through 2007-009.

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

Our consideration of the 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 and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe items 2007-002, 2007-004, 2007-005, 2007-006, and 2007-009 are also material weaknesses.

We also noted certain matters that we reported to the Airport's management in a separate letter dated July 15, 2008.

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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We did note certain noncompliance or other matters that we reported to the Airport's management in a separate letter dated July 15, 2008.

The Airport's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Airport's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

July 15, 2008

**WOOD COUNTY REGIONAL AIRPORT AUTHORITY
WOOD 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

Finding for Recovery

Our testing shows Preston Morrison, Assistant Manager, made unauthorized credits to his personal credit card account from funds generated from Airport sales.

The amount and types of the purchases in question are listed below:

Preston Morrison	2007	2008	Total
Fuel Sales	\$37,818.90	\$24,430.16	
Hangar Rent	1,115.00		
Pilot Supplies	1,030.97		
Oil	77.52		
Miscellaneous	4,000.99		
Sales Tax	57.87		
Fees incurred	63.84	251.75	
Total	\$44,165.09	\$24,681.91	
 Total			 \$68,847.00

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp. 120 Ohio St. 47 (1929); 1980 Op. Atty. Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty. Gen. No. 80-074.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, Findings for Recovery for public money illegally expended are issued against Preston Morrison, Assistant Manager, in the amount of \$68,847.00; Mike Hodges, Airport Manager (January 1, 2007 through November 15, 2007) and his surety, Western Surety Company, are jointly and severally liable in the amount of \$31,541.17, Arthur Duval, Airport Manager (November 16, 2007 to present) and his surety, Nationwide Mutual Insurance Company, are jointly and severally liable in the amount of \$37,305.83. The findings are in favor of Wood County Regional Airport Authority's General Fund.

Mike Hodges and Arthur Duval will only be liable to the extent that payment is not received from Preston Morrison.

Officials Response: We did not receive a response from Officials to the finding reported above.

FINDING NUMBER 2007-002

Material Weakness

Financial Reporting

Errors were noted in the financial statements that required the Airport to contract with an outside CPA to make the corrections. In 2006 and 2007, reconciling items were not carried forward. There were three outstanding checks from 2002 (\$1,360.45) that was not shown on the 2006 bank reconciliations. The December 2007 reconciliation contained a deposit in transit from May 2007 (\$357.93) and seven outstanding checks totaling \$1,685.82 that were voided but never marked as such.

During 2006 and 2007, revenue received for the Farm Lease did not agree to the amount in the Agreement. This resulted in a \$632 correction which was retroactively approved by the Board.

During 2006 and 2007, there were cash receipts voided which were shown on the Batch Summary, however the actual receipt was not maintained. The Batch Summary does not include the amount or time of the void. Since support documentation was not maintained, and we could not determine the amount of the cash voids we were unable to pursue further testing.

Sound financial reporting is the responsibility of the Airport Manager and the Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Airport's financial statements and notes to the statements are complete and accurate, the Airport should adopt policies and procedures, including a final review of the statements and notes by the Manager and the Board, to identify and correct errors and omissions.

Officials Response: To address the errors in the accounting and to bring the Airport up to professional standards, Wood County Airport Authority has retained the services of the Amanda Kress CPA of the Randall Roberts Accounting firm. Amanda will address all outstanding checks.

A new farm lease has been enacted. Rents will be collected in full and WCRAA expenses under the lease will be paid by invoice.

To address the deleting of cash sales, the Airport has installed a new PC based sales system. The Air BP Compass system addresses many of the deficiencies in the old Point of Sale system. The Compass system requires the employee to sign in under a unique PIN, after the transaction is complete, Compass will automatically log out the employee. Compass also will automatically settle once a day at 10:00PM, so employees have no control over the settlements. Also Air BP keeps a record of the PIN log for transactions.

FINDING NUMBER 2007-003

Significant Deficiency

Cash Drawer Controls

A point of sale machine is used to record cash sales as well as the credit card sales. A cash drawer is used for the money collected which several employees use. During the audit period the Airport noted \$200 was stolen from the cash drawer. The cash sales were entered into the point of sale machine and all other cash receipt procedures were followed. After the transaction was made the sale was then voided, documentation thrown away, and cash was stolen. To reduce the possibility of theft from occurring we recommend the following procedures be placed in operation:

1. Cash drawer should be reconciled with each new employee/shift change,
2. Employee should provide an explanation/support why an entry was voided,
3. Cash register tapes be reviewed for any deletions/voids and initialed by the Airport Manager,
4. Overages/Shortages be investigated and approved by Airport Manager, and
5. Large amounts of cash should be secured or deposited.

The Airport has since installed another video camera above the cash register and the Airport Manager is reviewing the cash register tapes.

Officials Response: All of the recommendations, of the Audit Report were put in place after the \$200.00 theft of 2007. Also security cameras were installed as a result of the theft. As well as a policy of keeping the cash draw locked at all times and the employee keeping the keys in his or her possession. Employees perform a cash count at the opening and closing and at all shift changes and initial the daily sales sheet. When large amounts of cash, more than \$200.00, they are deposited as soon as possible.

FINDING NUMBER 2007-004

Material Weakness

Bank Reconciliations

Monthly bank reconciliations should be performed by the Airport Manager and approved by the Board. The Airport Manager's Assistant performed a monthly report called a "bank reconciliation", however the report did not reconcile between the bank and the system's balance. This report was not reviewed and approved by the Airport Manager or the Board. This lead to cash going un-reconciled without the Board's knowledge. To improve controls over cash, we recommend the Airport Manager perform a monthly reconciliation consisting of fund balances, bank statements, investment balances, and a detail of outstanding checks, deposits-in-transit, and any other reconciling items. This should be submitted to the Board monthly. The Board should review the reconciliation and document their approval either by signing the reconciliation or approving the reconciliation in their minutes. We also reported this in the management letter for the 2004 and 2005 audit of the financial statements.

Officials Response: Bank reconciliations are now performed by Amanda Kress, CPA of Randell Roberts CPA, with review by the Airport Manager and the Airport Board. The bank reconciliations reports are now included in the minutes.

FINDING NUMBER 2007-005

Material Weakness

Sale of Fuel

Monthly Fuel Sheets are maintained for each of the three tanks. The following weaknesses were noted during the sale of fuel testing from the Monthly Fuel Sheets:

1. There were seven instances in 2006 and three instances in 2007 where the gallons pumped amount was a negative number with no explanation provided.
2. There were four months where the ending gallons from one month did not agree to the beginning gallons on the next month.
3. There were six months during 2007 and four months during 2006 that showed several large amounts in the column "reconciliation change – gallons pumped" with no explanation provided.
4. Gallons pumped did not agree to the Fuel Sales report given to the Board.
5. Recycled fuel wasn't always marked as such, thus we could not determine actual fuel sold.
6. Shipments received were not always marked correctly thus the inventory listing was not accurate.

In addition to the above we also noted an instance where the totalizer amount was incorrectly entered which resulted in showing a negative 3,344,229.5 gallons pumped on March 3, 2006 and the ending totalizer amount was put in the "gallons pumped" column. (The totalizer is the meter reader that maintains the gallons of fuel pumped.)

The Monthly Fuel Sheets were not reviewed by management, and were not filled out consistently, therefore we could not rely on them to use for our testing. Since there was no back up documentation showing where the amounts for the Fuel Sales Report came from we also could not rely on that for our testing. The "Totalizer" start and stop should give an accurate reading of the fuel pumped but it also contains the amounts from the recycled fuel. Since the recycled amounts were not always documented we could not rely on the accuracy of these amounts. Due to the errors noted we had to expand our testing which resulted in additional time and costs for the audit. We recommend the Monthly Fuel Sheets be reviewed by the Manager with an explanation provided for large variances and reviewed for accuracy and consistency between months. Also, a fuel sale analytic could be performed to help detect any inaccuracies.

Officials Response: The Excell spread sheet has been modified to make it less prone to typing errors. The Monthly Fuel Sheet on which the daily recording of the recording meter is logged, has been reformatted to make it easier to use and less prone to mistakes. Employees have been instructed on the importance accuracy in the reading and recording the meter readings and logging them into the Excell spreadsheet. Employees have been instructed on the importance of their initialing the paper and electronic records.

FINDING NUMBER 2007-006

Material Weakness

Daily Sales Receipts

The AirBP sales receipts include an invoice and batch number. The Batch Review shows a summary of all the receipts issued on a particular day. A worksheet is attached to the Batch Review showing the cash reconciliation of the cash register drawer to the bank deposit. The following weaknesses were noted during our receipt testing:

1. There were nine invoice numbers during 2007 and three during 2006 that showed a cash sale voided but there was no receipt attached. The Batch Review did not show the amount of the void.
2. There were five "Daily Cash Receipt and Bank Deposit Worksheets" that showed a variance between the amount collected and the amount deposited with no explanation provided and no employee initials indicating who prepared the worksheet.
3. Sales were not always posted on the day of the sale.
4. Each sale is rung up separately but was not always posted to the proper account/line item. This made it difficult to determine the accuracy of postings of individual sales.
5. One day had two worksheets but neither cash deposit agreed to the AirBP Batch Review. No explanations were provided.
6. One worksheet contained three days worth of sales but only indicated receipts for one day.
7. There were two instances where the Batch Review was missing and four instances where the receipts were missing.
8. There were three days in September 2007, documenting an AirBP Sterling charge (BGSU). The next invoice number was a credit for the same amount to a different MasterCard. No one was able to explain why the charge was on one account and the credit showed up on another.

In addition to the above we also noted a invoice showing a BP Visa credit for \$116.84 and noted the credit was for an incorrect charge but that amount did not agree to a charge on that day and did not note the day of the original charge; there was an instance of two separate days' receipts being included on one day's Batch Review and no explanation was provided; and an instance of a Mastercard credit with no receipt or explanation attached.

Not having a Manager review the daily activity or having support documentation has allowed errors and irregularities to occur and not be detected. We recommend a Manager review and initial the daily sales receipts activity and follow up on any discrepancies.

Officials Response: The new Air BP Compass sales system has addressed the issue of making the employee accountable for deletions and voids. The Air BP Compass system addresses many of the deficiencies in the old Point of Sale system. The Compass system requires the employee to log in under a unique PIN, after the transaction Compass will automatically log out the employee. Compass also will automatically settle once a day at 10:00PM, so employees have no control over the settlements. Also Air BP keeps a record of the PIN under which that transaction occurred. A daily review by the manager is now being conducted. There is also a review by a CPA, outside the Airport, to look for undocumented voided and deleted sales

FINDING NUMBER 2007-007

Significant Deficiency

Payroll Review

The Airport Manager should compare the Paychex "payroll journal" report to the time cards to assure the accuracy of inputted data. There was no evidence to support the Airport Manager had reviewed the payroll journal. When recalculating the hours on the time cards there were eight instances where the hours claimed did not agree to the hours worked and there were two instances where overtime was paid as straight time for one pay period and for time and a half on the next pay period, resulting in an overpayment of approximately \$96. To improve controls over payroll, we recommend the Airport Manger compare the payroll journal to the time cards and document this review/approval by signing the payroll journal. Also, the Airport Manager should recalculate the hours worked on the time cards to assure the accuracy of the number of hours claimed. We also reported this in the management letter for the 2004 and 2005 audit of the financial statements.

Officials Response: The Airport Manager now does the time card calculations and reports the hours to Paychex. Airport Manager reviews Paychex payroll journal for accuracy. Employees are paid by scheduled time and actual hours worked whichever is less. Time worked beyond what is scheduled has to be approved by Airport Manager.

FINDING NUMBER 2007-008

Significant Deficiency

Payroll Rates

The Manager's Report includes pay rates/increases for the Board to approve. We noted three rate increases were implemented before the Board's approval and there were twelve rate increases not included on the Manager's Report. This could allow for overpayments to be made and not be detected in a timely manner resulting in possible findings for recovery. We recommend all employees and their pay rates be approved by the Board before implementing the changes.

The Board retroactively approved all pay rates on March 19, 2008.

Officials Response: All pay rate changes are being presented as a resolution to the WCRAA. Included in the resolution is the previous pay rate, the new pay rate, the amount of increase and the date on which the increase begins.

FINDING NUMBER 2007-009

Material Weakness

Expenditures

The following weaknesses were noted during expenditure testing:

1. Forty three percent of the 2007 vouchers did not have original documentation, however the client was able to obtain the supporting information for audit,
2. Forty three percent of the 2007 vouchers did not have approval for payment (marked OK to pay),
3. Three invoices in 2007 had a finance charge, over limit fee or taxes paid totaling approximately \$64,
4. Fifteen percent of the invoices could not be located and the Manager had to contact the company to obtain a copy, and
5. Credit card invoices did not include the original receipt containing details of the purchase.

Not maintaining original detailed documentation and approval for payment could allow errors and irregularities to occur and not be detected. We recommend original documentation be maintained and approval for payment be marked on the original invoice, for all expenditures.

Officials Response: Invoices are now being attached along with original sales slips or packing slips. All invoices are being reviewed and marked "OK TO PAY" along with manager's initials. Record keeping is being emphasized and overseen by airport manager. Credit card receipts are being kept and attached to the statement.



Mary Taylor, CPA
Auditor of State

WOOD COUNTY REGIONAL AIRPORT AUTHORITY

WOOD 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
AUGUST 12, 2008**