



Dave Yost • Auditor of State

CLINTON COUNTY AIRPORT AUTHORITY
CLINTON COUNTY

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Dave Yost • Auditor of State

Clinton County Airport Authority
Clinton County
1581 N. Curry Road
Wilmington, Ohio 45177

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 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 22, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clinton County Airport Authority
Clinton County
1581 N. Curry Road
Wilmington, Ohio 45177

To the Board of Trustees:

We have audited the accompanying financial statements of the Clinton County Airport Authority, Clinton County, Ohio (the Authority), as of and for the years ended December 31, 2010 and 2009. 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.

Except as described in paragraph five, 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.

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.

The Authority did not provide sufficient evidence to support the completeness of the "Rents" receipts comprising 22% of the operating cash receipts for 2010, nor were we able to satisfy ourselves by other auditing procedures.

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, 2010 and 2009 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, 2010 and 2009 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 examine evidence regarding the "Rents" receipts for the year ended December 31, 2010, the financial statements referred to above present fairly, in all material respects, the cash balance of the Clinton County Airport Authority, Clinton County, Ohio as of December 31, 2010 and 2009, 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 August 22, 2011, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 22, 2011

**CLINTON COUNTY AIRPORT AUTHORITY
CLINTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash Receipts:		
County Contributions	\$20,000	\$20,000
Grants	85,109	469,712
Sale of Fuel	255	6,578
Fees	348	8,260
Rents	32,997	18,679
Interest	44	67
Miscellaneous	453	1,973
	<hr/>	<hr/>
Total Cash Receipts	139,206	525,269
	<hr/>	<hr/>
Cash Disbursements:		
Current:		
Transportation:		
Salaries	2,902	2,833
Utilities	10,099	11,980
Supplies	1,900	2,218
Insurance	5,223	5,085
Repairs/Maintenance	14,161	16,411
Contracts - Services	126,131	448,721
Rentals	13,067	13,067
Miscellaneous	1,617	4,257
	<hr/>	<hr/>
Total Cash Disbursements	175,100	504,572
	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(35,894)	20,697
	<hr/>	<hr/>
Fund Cash Balances, January 1	109,835	89,138
	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$73,941</u>	<u>\$109,835</u>

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

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**CLINTON COUNTY AIRPORT AUTHORITY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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

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. Deposits and Investments

The Authority's funds are on deposit in one checking account and two savings accounts with a local commercial bank.

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.

2. Equity in Pooled Deposits and Investments

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

	<u>2010</u>	<u>2009</u>
Demand deposits	\$21,082	\$66,905
Other time deposits (savings and NOW accounts)	52,859	42,930
Total deposits	<u>\$73,941</u>	<u>\$109,835</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Retirement Systems

The Authority's part-time employee belongs 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.

**CLINTON COUNTY AIRPORT AUTHORITY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Authority contributed an amount equaling 14% of participants' gross salaries. The Authority has paid all contributions required through December 31, 2010.

4. Risk Management

The Authority has obtained commercial insurance for the following risks:

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



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

Clinton County Airport Authority
Clinton County
1581 N. Curry Road
Wilmington, Ohio 45177

To the Board of Trustees:

We have audited the financial statements of the Clinton County Airport Authority, Clinton County, Ohio (the Authority), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 22, 2011 wherein we noted the Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and that the Authority did not provide sufficient documentation to support the "Rents" Receipt Line Item which comprises 22% of 2010 Operating Cash Receipts. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-02 described in the accompanying schedule of findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-02 and 2010-03.

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated August 22, 2011.

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



Dave Yost
Auditor of State

August 22, 2011

**CLINTON COUNTY AIRPORT AUTHORITY
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Material Weakness

The small size of the Authority does not allow for an adequate segregation of duties. The Secretary/Treasurer processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management. It is, therefore, important that the Board monitor financial activity.

We noted the following conditions:

- The Secretary/Treasurer did not prepare a monthly reconciliation of the Airport's ledgers to the bank balance. The Airport's savings account was not included in the ledgers.
- Federal grant receipts of \$85,109 in 2010 and \$469,712 in 2009 were not reflected on the 2009 and 2010 annual financial reports that were filed with the Auditor of State. Audit adjustments have been posted to the financial statements to correct these errors.

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Authority funds, 2) reduces the Board's ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated. We recommend the Secretary/Treasurer prepare a monthly reconciliation of the Authority's ledgers to the bank balances, and that all of the Authority's receipts be reflected in its annual financial reports.

When designing the public office's system of internal control and the specific control activities, officials should consider the following:

- ensure that all transactions are properly authorized in accordance with management's policies;
- ensure that accounting records are properly designed;
- plan for adequate segregation of duties or compensating controls;
- perform analytical procedures to determine the reasonableness of financial data; and,
- ensure the collection and compilation of the data needed for the timely preparation of financial statements.

To help strengthen the Authority's internal control structure and reduce the likelihood of undetected errors, we recommend officials implement the following controls:

- The Secretary/Treasurer should properly maintain all supporting documentation;
- The Secretary/Treasurer should provide the Board with detailed actual financial statements, cash balances, checks paid, receipts and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer;
- Accurate reconciliations should be prepared on a monthly basis and reviewed and approved by the officials; and,

**FINDING NUMBER 2010-01
(Continued)**

- Officials should periodically review the accounting records and financial statements to determine accuracy and to assure themselves that proper procedures are followed by the Secretary/Treasurer.

FINDING NUMBER 2010-02

Material Noncompliance / Significant Deficiency

Ohio Revised Code, § 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

The Airport did not provide hangar leases to support the 2010 rental income. Rental receipts for hangar rentals were \$30,897 in 2010, which represents 22% of Total Receipts for the airport. There were 17 leases paid during 2010, but only 6 lease agreements were provided for audit. Additionally, in 2009, receipts from rental fees and sale of fuel were identified separately, but in 2010, those fees were mainly included as rent. Therefore, we were unable to perform alternative auditing procedures to ensure completeness over the receipts.

Also, in 2010, documentation was not retained for six vouchers totaling \$26,995.52 to support the posting of the expenditure. Alternate auditing procedures were performed to determine that the payments were proper.

We recommend the Secretary/Treasurer attach vendor invoices and supporting documentation including, but not limited to, original itemized invoices of goods and services received and mileage logs, to the vouchers to support the validity of the expenditure.

We further recommend that the Airport develop policies and procedures outlining the security of all records, including lease agreements, or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

FINDING NUMBER 2010-03

Material Noncompliance

Ohio Revised Code, § 9.38, provides that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. If the public office is governed by a legislative authority, only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day. The Airport does not have such a policy.

FINDING NUMBER 2010-03
(Continued)

In 2010, 24% of rental receipts were not consistently deposited by the Board President on the business day following the day of receipt. There was one instance of \$1,000 being held for 16 business days before being deposited. The Airport should review depository procedures and determine whether they wish to establish a daily deposit policy.

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CLINTON COUNTY AIRPORT AUTHORITY
CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Lack of controls over financial reporting	No	Reissued as Finding 2010-01

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CLINTON COUNTY AIRPORT AUTHORITY

CLINTON 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
SEPTEMBER 13, 2011