



Dave Yost • Auditor of State



WAYNE COUNTY AIRPORT AUTHORITY  
WAYNE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Wayne County Airport Authority  
Wayne County  
6020 N. Honeytown Road  
Smithville, Ohio 44677-9563

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Wayne County Airport Authority, Wayne County, Ohio, (the Airport) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Airport's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Airport's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse and qualified audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Airport prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Airport as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Basis for Additional Opinion Qualification***

Rent receipts are reported at \$61,193 and \$78,140 for the years ended December 31, 2013 and 2012, respectively, which are 11 percent of General Fund receipts for the year ended December 31, 2013, and 14 percent of General Fund receipts for the year ended December 31, 2012. We were unable to obtain sufficient appropriate audit evidence supporting the amounts reported as rent receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Wayne County Airport Authority, Wayne County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 21, 2014

**WAYNE COUNTY AIRPORT AUTHORITY  
WAYNE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>Cash Receipts</b>		
County Contributions	\$ 10,000	\$ -
Sale of Fuel	455,659	478,863
Rents	61,193	78,140
Royalties	145	291
Interest	27	43
	527,024	557,337
<i>Total Cash Receipts</i>		
<b>Cash Disbursements</b>		
Current:		
Transportation:		
Salaries	53,139	41,911
Fringe Benefits	27,885	18,662
Supplies	2,863	2,129
Contracts - Repair	9,917	6,178
Contracts - Services	12,817	10,470
Utilities	31,638	24,936
Advertising and Printing	3,726	197
Fuel	397,933	410,423
Miscellaneous	12,649	12,946
Capital Outlay	27,241	8,695
	579,808	536,547
<i>Total Cash Disbursements</i>		
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	(52,784)	20,790
<b>Other Financing Receipts</b>		
Loan Proceeds	17,152	-
	17,152	-
<i>Net Change in Fund Cash Balance</i>	(35,632)	20,790
<i>Fund Cash Balance, January 1</i>	49,737	28,947
<b>Fund Cash Balance, December 31</b>		
Unassigned	14,105	49,737
<i>Fund Cash Balance, December 31</i>	\$ 14,105	\$ 49,737

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

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**WAYNE COUNTY AIRPORT AUTHORITY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Airport**

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

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

The Airport has no investments.

**D. 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.

**E. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Airport must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Airport classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**WAYNE COUNTY AIRPORT AUTHORITY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Balance (Continued)**

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

The Board can *commit* amounts via formal action (resolution). The Airport must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or an Airport official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Airport applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**2. Equity in Pooled Deposits**

The Airport maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	<u>2012</u>	<u>2013</u>
Demand deposits	\$49,737	\$14,105

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

**WAYNE COUNTY AIRPORT AUTHORITY  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Wayne County CIC Loan	\$17,152	0%

The Airport is obligated for a note payable to the Wayne County Community Improvement Corporation. The total of the note is \$36,000, but only \$17,152 has been spent by December 31, 2013. The remaining \$18,848 is held by Wayne County. The note is payable seven (7) years from the date of execution of the note which was June 11, 2013, without interest.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	CIC Loan
2014	\$0
2015	0
2016	0
2017	0
2018	0
2019-2020	17,152
Total	\$17,152

**4. Retirement System**

The Airport's 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 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Airport contributed an amount equaling 14% of participants' gross salaries. The Airport has paid all contributions required through December 31, 2013.

**5. Risk Management**

**Commercial Insurance**

The Airport has obtained commercial insurance for the following risks:

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

During 2012, the Airport was part of the Wayne County insurance policy. During 2013, the Airport obtained their own insurance. The current policy's effective date was October 23, 2013.

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# Dave Yost • Auditor of State

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

Wayne County Airport Authority  
Wayne County  
6020 North Honeytown Road  
Smithville, Ohio 44677-9563

To the Board of Trustees

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Wayne County Airport Authority, Wayne County, Ohio, (the Airport) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2014, wherein we noted the Airport followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the inability to obtain sufficient appropriate audit evidence supporting the amounts reported as rent receipts at December 31, 2013 and 2012.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Airport's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Airport's financial statements. 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 findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Airport's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Airport's Responses to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Airport's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 21, 2014

WAYNE COUNTY AIRPORT AUTHORITY  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

**Noncompliance and Material Weakness**

**Maintaining Supporting Documentation**

**Ohio Rev. Code § 149.351** requires that all records that are the property of the public office 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 commission provided for under Ohio Rev. Code Sections 149.38 through 149.42. **Ohio Admin. Code § 117-2-02(A)** requires all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule [117-2-03](#) of the Administrative Code. In addition, maintaining organized documentation and support for financial transactions is essential in ensuring the Airport's financial statements are accurately presented and all expenditures are made for a proper public purpose.

We noted the following issues in regard to the organization of financial records as well as the underlying documentation and support of certain financial transactions:

- Five of six employees tested did not have pay rates supported by documentation, such as a signed contract or employment agreement, or Board approval noted in the Airport minutes. Alternative procedures were performed by comparing the pay rates to other employees with similar job functions, or pay rates for the same job paid in previous years.
- Three of six payments tested were made to employees that were not supported by timecards. In addition, per our scan of the payroll records, we noted four other checks that did not have time cards or check stubs available. Alternative procedures were performed by reviewing emails or check stubs that contained the hours worked to help support the payment.
- Three of twenty invoices tested for nonpayroll disbursements could not be located. Alternative procedures were performed by scanning the check register for other payments to the vendor and ensuring the purpose and amount were comparable to the amount being tested, and we agreed the vendor name and amount from the canceled check to the check register.
- Nine of seventeen fuel receipts tested did not have any supporting documentation for the amount received, and six of seventeen fuel receipts tested did not have a bank deposit slip and we were unable to verify if it was included as part of a larger deposit on the bank statement. Alternative procedures were performed by scanning the Transaction Detail Report for similar receipts from the same vendor to help ensure the receipt is reasonable and posted to the correct account. In addition, the bank reconciliation was tested noting only immaterial errors, to help ensure the receipts posted to the system were included in the bank balances.
- Two months of 2013 and nine months of 2012 credit card receipt support were not on file at the Airport. Alternative procedures were performed by reviewing the Purvis Brothers invoices for jet fuel purchases, which included the credit card receipt transactions on the invoice. However, these credit card payments on the invoice were net of credit card fees.
- The minute records for the August 2013 meeting and the February, April, May and July 2012 meetings could not be located.

**WAYNE COUNTY AIRPORT AUTHORITY  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-001 (Continued)**

**Noncompliance and Material Weakness (Continued)**

**Maintaining Supporting Documentation (Continued)**

- Three of seven rent receipts tested did not have the lease agreement available to review. Alternative procedures were performed by reviewing older lease agreements, by comparing the amounts and payees to prior years to ensure the amount and payor was reasonable with what was received in prior years, and we reviewed a client prepared Current Lease Agreement spreadsheet. However, the completeness of the rent receipts could not be determined.
- Eleven of twenty-four receipts tested did not have the deposit slips maintained. As a result, we were not able to trace all deposits from the Profit & Loss Detail to a deposit on the bank statement. However, it was noted the Airport was able to reconcile their bank account to the books for December 31, 2013, 2012 and 2011 with immaterial variances.

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

We recommend the Airport maintain all invoices, minutes, timecards, bank deposit slips, credit card receipts and leases for all financial transactions occurring within the Airport and that records be maintained in an orderly manner to support all transactions.

WAYNE COUNTY AIRPORT AUTHORITY  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-002

**Material Weakness**

**Cash Reconciliation**

Strong monitoring practices of Airport financial activities are the responsibility of management and the Board and are essential to ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Management and the Board should review the bank to book reconciliation and monthly financial reports of financial activity of the Airport. Evidence of these reviews should be documented.

The Airport could not locate the bank to book reconciliations during the audit period. As a result, the Airport had to contract with an independent accountant to recreate their bank reconciliations for December 31, 2011, December 31, 2012 and December 31, 2013.

As a result of the recreation of the bank reconciliations, it was noted the December 31, 2013 and 2012 bank reconciliations had an unknown bank over book variance of \$250 and \$784, respectively. These amounts were adjusted to the financial statements. Subsequent monthly bank reconciliations in 2014 did not include unreconciled differences.

We recommend the Airport reconcile all bank accounts to the books on a timely basis and ensure the reconciliations are maintained. In this process all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Airport's ledgers following the completion of the reconciliation. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by an individual with appropriate fiscal authority and by the Board and that evidence of these reviews and approvals be documented.

**Officials' Response:**

We will be sure to maintain appropriate supporting documentation and the cash reconciliations.

Also, we retained an accounting firm to assist us in this area.

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# Dave Yost • Auditor of State

**WAYNE COUNTY AIRPORT AUTHORITY**

**WAYNE 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  
DECEMBER 30, 2014**