



**Auditor of State
Betty Montgomery**

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

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**Auditor of State
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 7, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Regional Authority, Allen County, (the Authority), as of and for the years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Authority to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat its statements. The Authority has elected not to reformat its statements. Since this Authority does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or their changes in financial position for the year then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Regional Airport Authority, Allen County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Authority to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 July 7, 2005, 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.



Betty Montgomery
Auditor of State

July 7, 2005

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Capital Projects</u>	<u>(Memorandum Only) Total</u>
Cash Receipts:			
County Contributions	\$99,500	\$24,179	\$123,679
Rents	153,686		153,686
Federal and State Grants		153,845	153,845
Miscellaneous	8,205		8,205
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	261,391	178,024	439,415
Cash Disbursements:			
Salaries	10,254		10,254
Supplies and Materials	7,226		7,226
Repairs and Maintenance	97,357		97,357
Utilities	19,218		19,218
Contractual Services	68,215		68,215
Capital Outlay	27,242	173,600	200,842
Debt Service	26,437		26,437
Miscellaneous	15,411		15,411
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	271,360	173,600	444,960
Total Receipts Over/(Under) Disbursements	(9,969)	4,424	(5,545)
Fund Cash Balances, January 1	78,098	7,168	85,266
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$68,129</u>	<u>\$11,592</u>	<u>\$79,721</u>

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

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Capital Projects</u>	<u>(Memorandum Only) Total</u>
Cash Receipts:			
County Contributions	\$84,500		\$84,500
Rents	149,091		149,091
Federal and State Grants		\$195,839	195,839
Miscellaneous	7,338		7,338
	<u>240,929</u>	<u>195,839</u>	<u>436,768</u>
Cash Disbursements:			
Salaries	10,551		10,551
Supplies and Materials	2,501		2,501
Repairs and Maintenance	83,924		83,924
Utilities	19,281		19,281
Contractual Services	54,781		54,781
Capital Outlay	171,998	214,651	386,649
Debt Service	28,184		28,184
Miscellaneous	22,357		22,357
	<u>393,577</u>	<u>214,651</u>	<u>608,228</u>
Total Receipts Over/(Under) Disbursements	(152,648)	(18,812)	(171,460)
Other Financing Receipts/(Disbursements):			
Transfers In	25,392		25,392
Transfers Out		(25,392)	(25,392)
	<u>25,392</u>	<u>(25,392)</u>	<u> </u>
Total Other Financing Receipts/(Disbursements)	25,392	(25,392)	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(127,256)	(44,204)	(171,460)
Fund Cash Balances, January 1	<u>205,354</u>	<u>51,372</u>	<u>256,726</u>
Fund Cash Balances, December 31	<u><u>\$78,098</u></u>	<u><u>\$7,168</u></u>	<u><u>\$85,266</u></u>

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

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Authority contracts with Allen County Aviation Corporation (the Corporation) for a substantial portion of the day-to-day operations of the Allen County Airport. The Corporation pays the Authority \$500 per month rent and five cents per gallon for fuel flowage. The Authority pays the Corporation \$7,458 per month for buildings and ground maintenance. The Authority also receives significant income for land and hangar rental from entities other than the Corporation.

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

B. Basis of Accounting

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

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

C. Cash

Authority funds are held in demand deposit accounts.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Fund

The Capital Project Fund is used to account for receipts that are restricted for the acquisition or construction of major capital facilities.

E. Property, Plant, and Equipment

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

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN CASH AND INVESTMENTS

The carrying amount of cash at December 31 follows:

	2004	2003
Demand Deposits	\$79,721	\$85,266

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

3. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Note Payable	\$176,000	Variable

The Allen County Commissioners issued the above note on behalf of the Authority for the purpose of hangar improvements. The note is payable over a period of 10 years at \$22,000 annually with an interest rate of 1 percent plus the Treasury Securities rate. The Authority's revenues have been pledged for the repayment of the note.

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	Note Payable
2005	\$22,000
2006	22,000
2007	22,000
2008	22,000
2009	22,000
2010-2012	66,000
Total	\$176,000

4. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS employee members contributed 8.5 percent of their gross salaries. The Authority contributed an amount equal to 13.55 percent of participants' gross salaries for 2004 and 2003. The Authority has paid all contributions required through December 31, 2004.

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. RISK MANAGEMENT

Commercial Insurance

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

- Comprehensive property and general liability;
- Vehicles; and
- Inland Marine.

6. CONTRACTUAL COMMITMENTS

The Authority had entered into a contract with VTF Excavating, LLC., for drainage ditch work with an outstanding contract amount at December 31, 2004 of \$195,489.

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the financial statements of the Regional Airport Authority, Allen County, (the Authority), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 7, 2005, wherein we noted the Authority follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Authority's management dated July 7, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*. In a separate letter to the Authority's management dated July 7, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Regional Airport Authority
Allen County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 7, 2005



**Auditor of State
Betty Montgomery**

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REGIONAL AIRPORT AUTHORITY

ALLEN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 16, 2005**