



**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006**



**Mary Taylor, CPA**  
Auditor of State



**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

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Mary Taylor, CPA  
Auditor of State

Regional Airport Authority  
Defiance County  
07557 State Route 15, P.O. Box 134  
Defiance, Ohio 43512-0134

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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 30, 2007

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# Mary Taylor, CPA

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## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Regional Airport Authority  
Defiance County  
07557 State Route 15, P.O. Box 134  
Defiance, Ohio 43512-0134

To the Board of Trustees:

We have audited the accompanying financial statements of the Regional Airport Authority, Defiance County, (the Authority) as of and for the years ended December 31, 2006 and 2005. 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.

Instead of the fund the accompanying financial statements present, GAAP require presenting entity wide statements. 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 their statements. The Authority has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Regional Airport Authority, Defiance County, as of December 31, 2006 and 2005, 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 July 30, 2007, 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.



**Mary Taylor, CPA**  
Auditor of State

July 30, 2007

**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<b>2006</b>	<b>2005</b>
<b>Cash Receipts:</b>		
County Contributions	\$110,254	\$25,200
Grants	425,127	418,944
Fixed Base Operator Lease	24,000	24,000
Leased Hanger Income:		
Land Lease	1,970	1,903
Utility Reimbursements	645	514
Interest	501	134
 Total Cash Receipts	 562,497	 470,695
<b>Cash Disbursements:</b>		
Utilities	12,074	6,585
Maintenance and Grounds	4,809	53,576
Building Repairs	4,901	1,782
Equipment	3,837	3,538
Insurance	2,186	2,091
Administration	10,325	13,112
Grants	505,453	411,653
 Total Cash Disbursements	 543,585	 492,337
 Total Cash Receipts Over/(Under) Cash Disbursements	 18,912	 (21,642)
 Cash Balances, January 1	 13,364	 35,006
 <b>Cash Balances, December 31</b>	 <b>\$32,276</b>	 <b>\$13,364</b>

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

**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

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

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

**B. 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. 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.

**2. CASH**

The carrying amount of cash at December 31 follows:

	<u>2006</u>	<u>2005</u>
Demand Deposits	<u>\$32,276</u>	<u>\$13,364</u>

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

**3. RETIREMENT SYSTEM**

The Authority's 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.

**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. RETIREMENT SYSTEM – (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Authority contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Authority has paid all contributions required through December 31, 2006.

**4. RISK MANAGEMENT**

**Commercial Insurance**

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

- Comprehensive property and general liability;

**5. OUTSTANDING CONTRACTUAL COMMITMENTS**

The Authority awarded a contract for sewer and lighting improvements in 2006 for \$182,134 to RB Zachrich. During 2006, \$143,758 had been paid on this contract, leaving an outstanding balance of \$38,376 as of December 31, 2006.

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# Mary Taylor, CPA

Auditor of State

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

Regional Airport Authority  
Defiance County  
07557 State Route 15, P.O. Box 134  
Defiance, County 43512-0134

To the Board of Trustees:

We have audited the financial statements of the Regional Airport Authority, Defiance County (the Authority) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 30, 2007, 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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

Our consideration of 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, we believe finding number 2006-001, described above, is also a material weaknesses.

We also noted certain internal control matters that we reported to the Authority's management in a separate letter dated July 30, 2007.

#### **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 that we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Authority's management in a separate letter dated July 30, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

July 30, 2007

**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Material Weakness**

**Monitoring of Financial Activity**

Inaccurate posting of transactions impedes the ability of the Authority to accurately assess the financial status of the Airport. We noted examples such as the following in our testing:

- Revenues and fund balance were understated by \$1,728 due to reconciling as of the bank statement date instead of December 31.
- Grant monies in the amount of \$153,152 were incorrectly posted as county contributions and miscellaneous revenue.

As a result, the Authority's financial statements did not correctly reflect the financial activity of the Authority. The accompanying financial statements have been adjusted so these transactions reflect their intended purpose.

We recommend the Board of Trustees should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Board to ensure that errors and omissions are detected and corrected.

**Management's Response**

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





**Mary Taylor, CPA**  
Auditor of State

**REGIONAL AIRPORT AUTHORITY**

**DEFIANCE 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 23, 2007**