



**Auditor of State
Betty Montgomery**

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

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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 Airport Authority, Allen County, (the Authority) as of and for the years ended December 31, 2002 and December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Authority prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Regional Airport Authority
Allen County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

April 16, 2003

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General</u>	<u>Capitol Project</u>	<u>(Memorandum Only) Total</u>
Cash Receipts:			
County Contributions	\$72,540	\$23,239	\$95,779
Rents	149,670		149,670
Federal and State Grants		25,354	25,354
Miscellaneous	1,916		1,916
	<u>224,126</u>	<u>48,593</u>	<u>272,719</u>
Total Cash Receipts			
Cash Disbursements:			
Salaries	8,513		8,513
Supplies and Materials	2,408		2,408
Repairs and Maintenance	97,840		97,840
Utilities	16,574		16,574
Contractual Services	24,255		24,255
Capital Outlay	154,525	26,746	181,271
Miscellaneous	29,451		29,451
	<u>333,566</u>	<u>26,746</u>	<u>360,312</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(109,440)</u>	<u>21,847</u>	<u>(87,593)</u>
Other Financing Receipts/(Disbursements):			
Transfers In	1,425		1,425
Transfers Out		(1,425)	(1,425)
Proceeds of Notes	220,000		220,000
Total Other Financing Receipts/(Disbursements)	<u>221,425</u>	<u>(1,425)</u>	<u>220,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements			
	111,985	20,422	132,407
Cash Balances, January 1	<u>93,369</u>	<u>30,950</u>	<u>124,319</u>
Cash Balances, December 31	<u><u>\$205,354</u></u>	<u><u>\$51,372</u></u>	<u><u>\$256,726</u></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 CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Capital Project</u>	<u>Memorandum (Only) Total</u>
Cash Receipts:			
County Contributions	\$81,000		\$81,000
Rents	146,950		146,950
Federal and State Grants			
Miscellaneous	<u>3,854</u>		<u>3,854</u>
Total Cash Receipts	<u>231,804</u>		<u>231,804</u>
Cash Disbursements:			
Salaries	9,202		9,202
Supplies and Materials	3,105		3,105
Repairs and Maintenance	79,430		79,430
Utilities	18,190		18,190
Contractual Services	36,356		36,356
Capital Outlay	93,406		93,406
Miscellaneous	<u>29,299</u>		<u>29,299</u>
Total Cash Disbursements	<u>268,988</u>		<u>268,988</u>
Total Receipts Over/(Under) Disbursements	<u>(37,184)</u>		<u>(37,184)</u>
Cash Balances, January 1	<u>130,553</u>	<u>30,950</u>	<u>161,503</u>
Cash Balances, December 31	<u>93,369</u>	<u>30,950</u>	<u>124,319</u>

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Regional Airport Authority, Allen County, (the Authority) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a seven member Board, appointed by County Commissioners. The Authority is responsible for the safety 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. For the period of January 1, 2001 until August 31, 2002, the Corporation paid the Authority one cent per gallon of fuel sold, five cents per gallon for fuel flowage, one percent of fees collected by the Corporation for instruction, aircraft rental, charters, parts and labor, and storage fees, and 100% of the fees for tie downs and terminal rent. The Authority paid the Corporation \$1,200 per month for buildings and ground maintenance. Beginning September 1, 2002, 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 and Investments

The Authority did not have investments during the audit period.

D. Fund Accounting

The Authority uses fund accounting to segregate cash that is restricted as to use. The Authority classifies its 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.

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN CASH AND INVESTMENTS

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

	2002	2001
Demand Deposits	\$256,726	\$124,319

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Authority, or (3) collateralized by the financial institution's public entity deposit pool.

3. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Note Payable	\$220,000	Variable

The Allen County Commissioners issued the above note payable 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 Treasurer Securities rate. The Authority's revenues have been pledged for the repayment of the note.

Amortization of the above note is scheduled as follows:

Year Ending December 31	Note Payable
2003	\$22,000
2004	22,000
2005	22,000
2006	22,000
2007	22,000
2008-2012	110,000
Total	\$220,000

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. RETIREMENT SYSTEM

The Authority's part-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS 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 December 31, 2001 through December 31, 2002. The Authority has paid 91 percent of contributions required through December 31, 2002.

5. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance from the Old Republic Insurance Company and from the Mutual Insurance Company for the following risks:

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

6. CONTRACTUAL COMMITMENTS

The Authority had entered into two contracts with Hume Supply, Inc. for the improvements on the West Corporate Hangar and T-Hangars with outstanding contract amounts at December 31, 2002, of \$36,260 and \$72,825 respectively.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 accompanying financial statements of the Regional Airport Authority, Allen County, (the Authority) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated April 16, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated April 16, 2003.

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

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by 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

April 16, 2003

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60202-001	Revision of the contract with the operators of the airport	Yes	



**Auditor of State
Betty Montgomery**

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ALLEN COUNTY 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
MAY 20, 2003**