



Mary Taylor, CPA
Auditor of State

AIRPORT AUTHORITY
AUGLAIZE COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Airport Authority
Auglaize County
PO Box 400
New Knoxville, Ohio 45871

To the Board of Directors:

We have audited the accompanying basic financial statements of the business-type activities of the Airport Authority, Auglaize County, (the Authority), a component unit of Auglaize County, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority, Auglaize County, and the changes in financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2008, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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Mary Taylor, CPA
Auditor of State

May 15, 2008

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

The discussion and analysis of the Auglaize County Airport Authority's financial performance provides an overall review of the Airport Authority's financial activities for the fiscal years ended December 31, 2007 and 2006. The intent of this discussion and analysis is to look at the Airport Authority's performance as a whole; readers should also review the notes to the financial statements and financial statements to enhance their understanding of the Airport Authority's financial performance.

Financial Highlights

Key financial highlights for 2007 and 2006 are as follows:

- The Airport's net assets decreased by \$1,290 in 2007 and decreased by \$27,384 for 2006. The improvement from 2006 to 2007 was due to an increase in the gross profit margin on fuel sales and additional revenue.
- Airport equipment was disposed of during 2007 that created a gain on disposition of capital assets. During 2006, equipment was sold at a loss.

Using this Annual Financial Report

This report consists of a series of financial statements. The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Airport and present a longer-term view of the Airport's finances.

A question typically asked about the Airport Authority's finances is "How did we do financially during the 2007 and 2006 fiscal years?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Airport and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Airport Authority's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Airport Authority as a whole, the financial position of the Airport Authority has improved or diminished. The reader will need to consider other non-financial factors (e.g. fuel prices, FAA regulations, weather, etc.) in order to assess the overall health of the Airport Authority.

The statement of cash flows provides information about how the Airport Authority finances and meets the cash flow needs of its operations.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

The Airport Authority as a Whole

Recall that the Statement of Net Assets provides the perspective of the Airport Authority as a whole.

Table 1 provides a summary of the Airport Authority's net assets for 2007, compared to 2006:

(Table 1)
Net Assets

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets and Other Assets	\$44,567	\$46,355
Capital Assets	65,149	70,146
Total Assets	<u>109,716</u>	<u>116,501</u>
Liabilities		
Total Liabilities	14,697	20,192
Net Assets		
Invested In Capital Assets	65,149	70,146
Unrestricted	<u>29,870</u>	<u>26,163</u>
Total Net Assets	<u><u>\$95,019</u></u>	<u><u>\$96,309</u></u>

Total assets decreased by \$6,785 from 2006 to 2007. The majority of this change was due to a decrease in cash and a decrease in the value of capital assets.

Total liabilities decreased by \$5,495 from 2006 to 2007. The decrease was the result of a reduction in deferred revenue items for fuel fees.

Total net assets decreased by \$1,290.

Table 2 shows the revenues, expenses and the changes in net assets for the year ended December 31, 2007 compared to the year ended December 31, 2006.

(Table 2)
Changes in Net Assets

	<u>2007</u>	<u>2006</u>
Operating Revenues	\$212,856	\$189,461
Operating Expenses	227,965	217,976
Operating Loss	(15,109)	(28,515)
Nonoperating Revenues/Expenses	13,819	1,131
Increase (Decrease) in Net Assets	<u><u>(\$1,290)</u></u>	<u><u>(\$27,384)</u></u>

Operating revenues increased by \$23,395 mainly due to increased dollars collected for fuel sales and hanger rent. Operating expenses increased by \$9,989 due to rising fuel costs and insurance expense.

Capital Assets

The largest portion of the Airport's net assets each year is its investment in capital assets. There is no debt on any of the assets owned by the Authority. The Airport uses these capital assets to provide services to the businesses and public using the Auglaize County Airport. Table 3 show 2007 balances compared with 2006.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

**(Table 3)
Capital Assets at December 31,
(Net Depreciation)**

	<u>2007</u>	<u>2006</u>
Equipment	\$36,222	\$42,154
Building Improvements	23,796	25,238
Office Improvements	2,683	
Runway Improvements	<u>2,448</u>	<u>2,754</u>
Total	<u>\$65,149</u>	<u>\$70,146</u>

The \$4,997 decrease in capital assets for 2007 was attributable to additions and disposals.

Debt

The Authority had no outstanding debt to financial institutions or other government entities as of December 31, 2007 and 2006 other than those arising in the normal course of daily airport operations such as sales tax.

Current Financial Issues

For the year ended December 31, 2007, the airport sustained an operating loss even with an operating grant from Auglaize County. Operating costs continue to increase so that the airport can provide the services expected by its customers and maintain the standards established by the FAA.

The main source of revenue for the Authority comes from fuel sales and the Authority tries to continue to be competitive in its fuel pricing. As fuel costs rise, the Authority increases the selling price of the fuel as evidenced by the increase in fuel sales for 2007. Increasing fuel prices to a rate higher than the competition's price to help cover operating expenses could have a negative impact on sales in the competitive market of today's business environment.

As the age of the equipment increases, the cost of maintaining the equipment also increases. As of December 31, 2007, 84 percent of the equipment included in capital assets was purchased prior to the year 2001. The replacement of some of this equipment will be an issue to be addressed in the near future.

Contacting the Airport Authority's Finance Department

This financial report is designed to provide our citizens, taxpayers, airport users, and all interested parties with a general overview of the Airport Authority's finances and to show the Airport Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sean Stroh, Auglaize County Airport Manager, 07776 St. Rt. 219, New Knoxville, OH 45871.

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**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007 AND 2006**

	12/31/07	12/31/06
Assets		
Current Assets		
Cash - Checking	\$15,664	\$24,292
Petty Cash	100	100
Restricted: Cash / CD - First National	512	
Accounts Receivable	10,037	5,879
Inventory - 100LL Fuel	7,425	10,324
Inventory - Jet A Fuel	10,829	5,760
Total Current Assets	44,567	46,355
Non-Current Assets		
Property, Plant and Equipment	395,263	398,153
Less: Accumulated Depreciation	(330,114)	(328,007)
Total Non-Current Assets	65,149	70,146
Total Assets	109,716	116,501
Liabilities		
Current Liabilities		
Accounts Payable	4,009	4,401
Sales Tax Payable	314	199
Deferred Fuel Fees		6,604
Deferred Hanger Rent	10,374	8,988
Total Liabilities	14,697	20,192
Net Assets		
Invested in Capital Assets	65,149	70,146
Restricted	512	
Unrestricted	29,358	26,163
Total Net Assets	\$95,019	\$96,309

See accompanying notes to the basic financial statements.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	12/31/07	12/31/06
Operating Revenues:		
Charges for Services	\$184,426	\$162,385
Operating Grants - County Contributions	22,500	22,500
Other Operating Income	5,930	4,576
Total Operating Revenues	212,856	189,461
Operating Expenses		
Contractual Services	64,266	75,285
Materials and Supplies	103,182	96,262
Repairs and Maintenance	35,157	27,880
Depreciation	11,670	11,792
Travel and Expenses	2,236	1,201
Miscellaneous	11,454	5,556
Total Operating Expenses	227,965	217,976
Operating Income (Loss)	(15,109)	(28,515)
Non-Operating Revenues (Expenses):		
Interest Income	651	686
Donations	3,500	3,000
Gain (Loss) on Sale of Capital Asset	800	(8,973)
Farm Lease Income	8,868	6,418
Total Non-Operating Revenues (Expenses)	13,819	1,131
Increase (Decrease) in Net Assets	(1,290)	(27,384)
Net Assets, Beginning of Year	96,309	123,693
Net Assets, End of Year	\$95,019	\$96,309

See accompanying notes to the basic financial statements.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	12/31/07	12/31/06
Cash Flows from Operating Activities		
Cash Received from Customers	\$210,657	\$195,599
Cash Paid to Suppliers	(225,918)	(209,148)
Net Cash from Operating Activities	(15,261)	(13,549)
Cash Flows from Capital and Related Financing Activities		
Proceeds - Sale of Capital Asset	800	3,706
Acquisition of Capital Assets	(6,674)	(9,792)
Net Cash Used for Capital and Related Financing Activities	(5,874)	(6,086)
Cash Flows from Non Capital Financing Activities		
Farm Income	8,868	6,418
Donations	3,500	3,000
Net Cash from Non - Capital Financing Activities	12,368	9,418
Cash Flows from Investing Activities		
Interest on Cash Equivalents	651	686
Net Cash from Investing Activities	651	686
Net Increase (Decrease) in Cash and Cash Equivalents	(8,116)	(9,531)
Cash and Cash Equivalents at Beginning of Year	24,392	33,923
Cash and Cash Equivalents at End of Year	16,276	24,392
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:		
Operating Income (Loss)	(15,109)	(28,515)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	11,670	11,792
Changes in Assets and Liabilities:		
Accounts Receivable	(4,158)	131
Fuel Inventory	(2,170)	6,397
Accounts Payable	(392)	(3,817)
Sales Tax Payable	116	46
Deferred Fuel Fees	(6,604)	6,604
Deferred Hanger Rental Income	1,386	(6,187)
Total Adjustments	(152)	14,966
Net Cash from Operating Activities	(\$15,261)	(\$13,549)

See accompanying notes to the basic financial statements.

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**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. DESCRIPTION OF THE ENTITY

The Airport Authority, Auglaize County, (the Authority), is organized in accordance with Chapter 308 of the Ohio Revised Code. The Authority operates under a nine member board appointed by the Auglaize County Commissioners for a term of three years. The Authority was established in 1967 and is responsible for administering and maintaining the Neil Armstrong Airport. Services provided by the Authority include rental space of hangars, display cases, and office space; they also supply aviation fuel. In addition, they act upon various inquiries made concerning the welfare of the airport.

The Authority is considered a component unit of Auglaize County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of the Authority are accounted for using proprietary fund accounting in accordance with GASB Statement Number 20 *“Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting”*. The Airport Authority applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with, or contradict GASB pronouncements.

A. Basis of Presentation

The Authority’s basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

The Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal accounting entity with a self balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Accounting System

The Authority maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Authority and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

C. Measurement Focus

The accounting and financial reporting treatment is determined by measurement focus. Proprietary accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The Authority uses the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled service charges are recognized as revenue at year end.

On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements may include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Airport Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the airport on a reimbursement basis.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants received before eligibility requirements are met are also recorded as deferred revenue. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

E. Cash and Cash Equivalents

The Authority maintains an interest bearing depository account and a certificate of deposit. All funds of the Authority are maintained in these two accounts. This interest bearing depository account is presented in the combined balance sheet as "Cash – Checking". The Authority has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general operating fund during 2007 and 2006 amounted to \$651 and \$686, respectively.

F. Receivables and Payables

Receivables and payables to be recorded on the Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentations, but also be a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

G. Inventory

Inventory consists of two types of aviation fuel for sale to customers and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when sold or used.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets utilized by the Authority are reported on the statement of net assets. Equipment and improvements are stated at cost except for donated equipment, which is stated at fair market value at the date of receipt. Depreciation of capital assets is on a straight line basis over the estimated useful lives (five to twenty years) of the respective assets. The Authority maintains a capitalization threshold of \$2,500. The land and buildings of the airport are owned by Auglaize County. The equipment are the assets of the Airport Authority. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Authority did not have any restricted net assets in 2006; however, for 2007, restricted assets existed in the amount of \$512 to provide for scholarships. There were no net assets restricted by enabling legislation at December 31, 2007 or December 31, 2006.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Authority, these revenues are charges for services for the use of the airport and the sale of fuel. Operating expenses are the necessary costs incurred to provide the services that are the primary activity. All revenue and expenses not meeting these definitions are reported as nonoperating.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. EQUITY IN CASH

A. Cash on Hand:

At December 31, 2007 and 2006, the Authority had \$100 in undeposited cash on hand which is included on the Balance Sheet as Petty Cash.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

3. EQUITY IN CASH (Continued)

B. Deposits:

At December 31, 2007, the carrying amount of the Authority's deposits was \$16,176 and the bank balance was \$16,350, and on December 31, 2006, the carrying amount of the Authority's deposits was \$24,292 and the bank balance was \$24,292. The Ohio Revised Code prescribes allowable deposits and investments.

For both years, the bank balance was covered by federal depository insurance.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. For both the year December 31, 2007 and 2006, the Authority's bank balance was not exposed to custodial credit risk because they were covered under federal depository insurance.

4. RECEIVABLES

As of December 31, 2007 and 2006, the accounts receivable balance consisted of balances due from customers for the sale of fuel and rental of hangar space.

5. CAPITAL ASSETS

A summary of the capital assets at December 31, 2007 and 2006 is as follows:

	Balance 12/31/05	Additions	Deductions	Balance 12/31/06
Capital Assets:				
Equipment	\$370,301	\$9,792	(\$16,904)	\$363,189
Building Improvements	28,844			28,844
Runway Improvements	6,120			6,120
Total Capital Assets	<u>405,265</u>	<u>9,792</u>	<u>(16,904)</u>	<u>398,153</u>
Less: Accumulated Depreciation				
Equipment	(315,218)	(10,044)	4,226	(321,036)
Building Improvements	(2,163)	(1,442)		(3,605)
Runway Improvements	(3,060)	(306)		(3,366)
Total Accumulated Depreciation	<u>(320,441)</u>	<u>(11,792)</u>	<u>4,226</u>	<u>(328,007)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$84,824</u>	<u>(\$2,000)</u>	<u>(\$12,678)</u>	<u>\$70,146</u>

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

5. CAPITAL ASSETS (Continued)

	Balance 12/31/06	Additions	Deductions	Balance 12/31/07
Capital Assets:				
Equipment	\$363,189	\$5,236	(\$10,950)	\$357,475
Building Improvements	28,844			28,844
Office Improvements		2,824		2,824
Runway Improvements	6,120			6,120
Total Capital Assets	<u>398,153</u>	<u>8,060</u>	<u>(10,950)</u>	<u>395,263</u>
Less: Accumulated Depreciation				
Equipment	(321,036)	(9,622)	9,404	(321,254)
Building Improvements	(3,605)	(1,442)		(5,047)
Office Improvements		(141)		(141)
Runway Improvements	(3,366)	(306)		(3,672)
Total Accumulated Depreciation	<u>(328,007)</u>	<u>(11,511)</u>	<u>9,404</u>	<u>(330,114)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$70,146</u>	<u>(\$3,451)</u>	<u>(\$1,546)</u>	<u>\$ 65,149</u>

6. RISK MANAGEMENT

The Authority has obtained commercial insurance for the following risks:

- Hangar keeper's liability
- General liability on the premises
- Vehicles

Auglaize County Commissioners provide property coverage for the buildings and structures of the Airport Authority by including these in the County's property coverage policy.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from the last fiscal year.

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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*

Airport Authority
Auglaize County
PO Box 400
New Knoxville, Ohio 45871

To the Board of Directors:

We have audited the financial statements of the business-type activities of the Airport Authority, Auglaize County, (the Authority), as of and for the years ended December 31, 2007 and 2006, which comprise the Authority's basic financial statements and have issued our report thereon dated May 15, 2008. 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Authority's management in a separate letter dated May 15, 2008.

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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*.

We did note certain noncompliance or other matters that we reported to the Authority's management in a separate letter dated May 15, 2008.

We intend this report solely for the information and use of the finance/audit committee, management, and Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 15, 2008



Mary Taylor, CPA
Auditor of State

AUGLAIZE COUNTY AIRPORT AUTHORITY

AUGLAIZE 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
JUNE 17, 2008**