



**REGIONAL AIRPORT AUTHORITY  
MORROW COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2011-2010**



**Dave Yost • Auditor of State**



**REGIONAL AIRPORT AUTHORITY  
MORROW COUNTY**

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# Dave Yost • Auditor of State

Regional Airport Authority  
Morrow County  
P.O. Box 346  
Mount Gilead, Ohio 43338

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 Authority 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

August 1, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Regional Airport Authority  
Morrow County  
P.O. Box 346  
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the accompanying financial statements of the Regional Airport Authority, Morrow County, Ohio, (the Authority) as of and for the years ended December 31, 2011 and 2010. 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 funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Authority's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require authorities 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above present fairly, in all material respects, the fund cash balances as of December 31, 2011 and 2010 of the Regional Airport Authority, Morrow County, Ohio, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Regional Airport Authority adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2012, 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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**Dave Yost**  
Auditor of State

August 1, 2012

**REGIONAL AIRPORT AUTHORITY  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Rents	\$ 10,501	\$ -	\$ 10,501
Grants	-	342,525	342,525
	<u>10,501</u>	<u>342,525</u>	<u>353,026</u>
<b>Total Cash Receipts</b>			
	<u>10,501</u>	<u>342,525</u>	<u>353,026</u>
<b>Cash Disbursements:</b>			
Current:			
Electric	733	-	733
Property Taxes	546	-	546
Repairs	560	-	560
Gas	546	-	546
Water	259	-	259
Miscellaneous	2,019	-	2,019
Capital Outlay	-	331,417	331,417
Debt Service:			
Redemption of Principal	3,731	-	3,731
Interest and Other Fiscal Charges	2,269	-	2,269
	<u>10,663</u>	<u>331,417</u>	<u>342,080</u>
<b>Total Cash Disbursements</b>			
	<u>10,663</u>	<u>331,417</u>	<u>342,080</u>
<b>Total Receipts Over/(Under) Disbursements</b>	(162)	11,108	10,946
<b>Fund Cash Balances, January 1</b>	<u>9,195</u>	<u>8,156</u>	<u>17,351</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	19,264	19,264
Unassigned	9,033	-	9,033
	<u>9,033</u>	<u>-</u>	<u>9,033</u>
<b>Fund Cash Balances December 31</b>	<u>\$ 9,033</u>	<u>\$ 19,264</u>	<u>\$ 28,297</u>

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

**REGIONAL AIRPORT AUTHORITY  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Rents	\$ 14,301	\$ -	\$ 14,301
Grants	-	61,190	61,190
Donations	4,680	-	
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	18,981	61,190	80,171
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Electric	683	-	683
Property Taxes	555	-	555
Repairs	2,527	-	2,527
Gas	485	-	485
Water	89	-	89
Miscellaneous	1,034	-	1,034
Capital Outlay	-	63,107	63,107
Debt Service:			
Redemption of Principal	3,549	-	3,549
Interest and Other Fiscal Charges	2,451	-	2,451
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	11,373	63,107	74,480
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	7,608	(1,917)	5,691
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfer Out	(4,725)	-	(4,725)
Transfer In	-	4,725	4,725
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(4,725)	4,725	-
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	2,883	2,808	5,691
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	6,312	5,348	11,660
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$ 9,195</u>	<u>\$ 8,156</u>	<u>\$ 17,351</u>

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

**REGIONAL AIRPORT AUTHORITY  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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, Morrow County, Ohio as a body corporate and politic. The Morrow 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Authority 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 the Auditor of State prescribes or permits.

**C. 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

This fund accounts for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted for expenditure for specific purposes. The Authority had the following Special Revenue Fund:

Federal Grant Fund – This fund receives Federal grant funding for the repairs and improvements of the Airport runways.

**D. Property, Plant, and Equipment**

The Authority records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**REGIONAL AIRPORT AUTHORITY  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**E. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Authority must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**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 Authority 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 Authority 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 Authority 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.

**REGIONAL AIRPORT AUTHORITY  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Equity in Pooled Deposits**

The Authority 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>2011</u>	<u>2010</u>
Demand deposits	<u>\$28,297</u>	<u>\$17,351</u>

**Deposits:** A portion of the demand deposits balance listed above is maintained by the Morrow County Auditor in an agency fund. That portion is reported in the Airport's financial statements in the Special Revenue fund type, and is secured by pooled collateral obtained by Morrow County. The remaining portion is secured by the Federal Depository Insurance Corporation.

**3. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Hanger Loan	<u>\$43,454</u>	5%

The Authority issued debt in December 2008 to purchase airport hangers. The amount issued was \$54,000. The loan is payable in monthly \$500 installments over the next 10 years. The rate of this loan is 5%.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	<u>Principal</u>	<u>Interest</u>
2012	\$3,922	\$2,078
2013	4,123	1,877
2014	4,334	1,667
2015	4,555	1,445
2016	4,888	1,112
2017-2021	<u>21,632</u>	<u>2,235</u>
Total	<u>\$43,454</u>	<u>\$10,414</u>

**4. Risk Management**

**Commercial Insurance**

The Authority has obtained commercial insurance for the following risks:

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

**REGIONAL AIRPORT AUTHORITY  
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Contingent Liabilities**

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# Dave Yost • 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  
Morrow County  
P.O. Box 346  
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the financial statements of the Regional Airport Authority, Morrow County, Ohio, (the Authority) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 1, 2012, wherein we noted the Authority followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Authority adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **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 a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated August 1, 2012.

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

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**Dave Yost**  
Auditor of State

August 1, 2012

REGIONAL AIRPORT AUTHORITY  
MORROW COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Financial Statement Presentation – Bank Reconciliation	Yes	

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# Dave Yost • Auditor of State

**MORROW COUNTY REGIONAL AIRPORT AUTHORITY**

**MORROW 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  
SEPTEMBER 4, 2012**