



Dave Yost • Auditor of State

ALLEN COUNTY REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Allen County Regional Airport Authority, Allen County, (the Airport) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Allen County Regional Airport Authority, Allen County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Airport adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 10, 2013

**ALLEN COUNTY REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>All Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|---|------------------------------------|-----------------------------|---|
| | <u>General</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | |
| County Allocation | \$65,974 | | \$65,974 |
| Fuel Sale | 513,517 | | 513,517 |
| Rents | 228,391 | | 228,391 |
| Federal and State Grants | | \$174,893 | 174,893 |
| Interest Earnings | 203 | | 203 |
| Miscellaneous | 68,850 | 3,952 | 72,802 |
| Total Cash Receipts | <u>876,935</u> | <u>178,845</u> | <u>1,055,780</u> |
| Cash Disbursements: | | | |
| Salaries | 78,984 | | 78,984 |
| Supplies and Materials | 7,754 | | 7,754 |
| Fuel Inventory | 423,243 | | 423,243 |
| Repairs and Maintenance | 64,033 | | 64,033 |
| Utilities | 23,767 | | 23,767 |
| Contractual Services | 20,909 | | 20,909 |
| Capital Outlay | 154,468 | 173,210 | 327,678 |
| Debt Service: | | | |
| Principal | 35,333 | | 35,333 |
| Interest | 21,569 | | 21,569 |
| Miscellaneous | 50,072 | | 50,072 |
| Total Cash Disbursements | <u>880,132</u> | <u>173,210</u> | <u>1,053,342</u> |
| Excess Receipts Over/(Under) Disbursements | (3,197) | 5,635 | 2,438 |
| Other Financing Receipts: | | | |
| Debt Proceeds | 11,127 | | 11,127 |
| Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements | <u>7,930</u> | <u>5,635</u> | <u>2,438</u> |
| Fund Cash Balances, January 1 | <u>37,658</u> | <u>16,630</u> | <u>54,288</u> |
| Fund Cash Balances, December 31: | | | |
| Restricted | | 22,265 | 22,265 |
| Unassigned (Deficit) | <u>45,588</u> | | <u>45,588</u> |
| Fund Cash Balances, December 31 | <u><u>\$45,588</u></u> | <u><u>\$22,265</u></u> | <u><u>\$67,853</u></u> |

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

**ALLEN COUNTY REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

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

| | <u>All Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|------------------------------------|-----------------------------|---|
| | <u>General</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | |
| County Allocation | \$74,696 | \$10,810 | \$85,506 |
| Fuel Sales | 397,014 | | 397,014 |
| Rents | 153,109 | | 153,109 |
| Federal and State Grants | | 263,793 | 263,793 |
| Interest Earnings | 157 | | 157 |
| Miscellaneous | 33,733 | | 33,733 |
| Total Cash Receipts | <u>658,709</u> | <u>274,603</u> | <u>933,312</u> |
| Cash Disbursements: | | | |
| Salaries | 79,197 | | 79,197 |
| Supplies and Materials | 7,978 | | 7,978 |
| Fuel Inventory | 342,234 | | 342,234 |
| Repairs and Maintenance | 44,548 | | 44,548 |
| Utilities | 24,873 | | 24,873 |
| Contractual Services | 24,179 | | 24,179 |
| Capital Outlay | 37,750 | 267,189 | 304,939 |
| Debt Service: | | | |
| Principal | 35,333 | | 35,333 |
| Interest | 23,057 | | 23,057 |
| Miscellaneous | 53,241 | | 53,241 |
| Total Cash Disbursements | <u>672,390</u> | <u>267,189</u> | <u>939,579</u> |
| Total Receipts Over (Under) Disbursements | (13,681) | 7,414 | (6,267) |
| Other Financing Receipts (Disbursements): | | | |
| Sale of Capital Assets | 34,889 | | 34,889 |
| Transfers In | | 2,000 | 2,000 |
| Transfers Out | (2,000) | | (2,000) |
| Total Other Financing Receipts/(Disbursements) | <u>32,889</u> | <u>2,000</u> | <u>34,889</u> |
| Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements | 19,208 | 9,414 | 28,622 |
| Fund Cash Balances, January 1 | <u>18,450</u> | <u>7,216</u> | <u>25,666</u> |
| Fund Cash Balances, December 31: | | | |
| Restricted | | 16,630 | 16,630 |
| Unassigned | 37,658 | | 37,658 |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$37,658</u></u> | <u><u>\$16,630</u></u> | <u><u>\$54,288</u></u> |

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

**ALLEN COUNTY REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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

The Airport's management believes these financial statements present all activities for which the Airport 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 Airport 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. Deposits

The Airport's cash is held in demand deposit accounts.

D. Funding Accounting

The Airport uses fund accounting to segregate cash that is restricted as to use. The Airport 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. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects.

E. Property, Plant, and Equipment

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

F. Fund Balance

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:

ALLEN COUNTY REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

The Airport classifies assets as *non-spendable* 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 Airport 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 Airport 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.

2. EQUITY IN POOLED DEPOSITS

The carrying amount of deposits at December 31 was as follows:

| | | |
|-----------------|-----------------|-----------------|
| | <u>2012</u> | <u>2011</u> |
| Demand deposits | <u>\$67,853</u> | <u>\$54,288</u> |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. DEBT

The Airport entered into a funding agreement with the Allen County Commissioners on August 5, 2009 in the amount of \$530,000.

This agreement was to issue a note to 1) renew an outstanding bond note with a balance of \$377,000, 2) to secure an additional \$130,000 to fund a 5% match for an FFA grant for improvements, and 3) pay the costs of issuing the note.

**ALLEN COUNTY REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. DEBT (Continued)

The Airport has pledged its revenues to the repayment of the amounts borrowed by the County on its behalf. The note is payable over fifteen years, with a five-year fixed interest rate of 4.58 percent. At the end of the five years, this noted will balloon and will need to be refinanced. Annual principal payments of \$35,333 are to be paid August 5 of the years 2010 through 2013. Interest is to be paid semiannually on February 5 and August 5 of each year. At the end of the five years, this note will balloon and will need to be refinanced. The Airport made debt service payments including interest, to the County in the amounts of \$58,390 and \$56,902 during 2011 and 2012. The Airport did not issue a check to pay the interest amount of \$11,127 due in February 2012. Instead the Airport drew down some of the remaining loan proceeds from the County to pay the interest payment and to increase the outstanding principal. This drawdown is reflected as loan proceeds on the financial statements.

4. RETIREMENT SYSTEMS

The Airport's employees 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 2012 and 2011, OPERS members contributed 10%, of their gross salaries and the Airport contributed an amount equaling 14%, of participants' gross salaries. The Airport has paid all contributions required through December 31, 2012.

5. RISK MANAGEMENT

Commercial Insurance

The Airport has obtained commercial insurance for the following risks:

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

6. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**ALLEN COUNTY REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. RELATED PARTY TRANSACTIONS

A Board member is part owner of the company from which the Airport acquired insurance during 2012 and 2011. The Airport paid \$12,485 to this company in 2012 and \$12,664 in 2011.

The Airport has received a legal opinion from their legal counsel, John Leahy, Assistant Prosecutor for Allen County on November 19, 2009. According to the letter, "Section 2921.42(A)(5) prohibits any public official from having an interest in "...the profits or benefits of a public contract that is not let by competitive bidding...". The letter also notes there are exceptions included in this ORC statute and according to the letter, "It would appear that these transactions would meet the exception set forth in the statute."

8. TRANSFERS

During 2011 the Airport transferred \$2,000 from the General Fund to the Capital Projects Fund to fund further capital improvements.



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

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

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Allen County Regional Airport Authority, Allen County, (the Airport) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 10, 2013 wherein we noted the Airport followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted that in 2011 the Airport adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Airport's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Airport's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Airport'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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Airport's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 10, 2013

**ALLEN COUNTY REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2010-01 | Office of Management and Budget (OMB) Circular A-133 Section 320(a) – the Data Collection Form should be filed within 30 days after receipt of the auditor report, or nine months after the end of the audit period. | N/A | Finding No Longer Valid since the Airport was not subject to A-133 audit |

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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
NOVEMBER 7, 2013**