



Dave Yost • Auditor of State



**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Regional Airport Authority  
Defiance County  
P.O. Box 134  
Defiance, Ohio 43512-0134

To the Board of Trustees:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the cash balances, receipts, and disbursements, and related notes of the Regional Airport Authority, Defiance County, Ohio, (the Authority) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting the financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 the financial statement 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 statement is 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 statement 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 statement, the Authority prepared this financial statement 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Authority does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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 statement referred to above does 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, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Regional Airport Authority, Defiance County, Ohio as of December 31, 2015 and 2014, and its 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(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2017, 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

April 13, 2017

**REGIONAL AIRPORT AUTHORITY**  
**DEFIANCE COUNTY**  
**Statement of Receipts, Disbursements and**  
**Changes in Fund Balance (Regulatory Cash Basis)**  
**For the Years Ended December 31, 2015 and 2014**

	2015	2014
<b>Cash Receipts</b>		
County Contributions	\$12,600	\$25,200
Grants	31,455	387,071
Fixed Base Operator Lease	26,000	20,000
Leased Hanger Income	2,274	2,011
Utility Reimbursements	436	567
Interest	53	66
Miscellaneous		24,139
<i>Total Cash Receipts</i>	<u>72,818</u>	<u>459,054</u>
<b>Cash Disbursements</b>		
Utilities	7,448	6,069
Maintenance and Grounds	5,574	13,388
Building Repairs	5,242	12,386
Equipment	2,928	2,623
Insurance	2,514	2,514
Administration	23,894	31,774
Grants	118,999	275,862
<i>Total Cash Disbursements</i>	<u>166,598</u>	<u>344,616</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	(93,780)	114,438
<i>Fund Cash Balance, January 1</i>	<u>181,948</u>	<u>67,510</u>
<b>Fund Cash Balance, December 31</b>		
Restricted	24,733	112,277
Unassigned	63,435	69,671
<i>Fund Cash Balance, December 31</i>	<u><u>\$88,168</u></u>	<u><u>\$181,948</u></u>

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

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**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014**

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**Note 1 - Reporting Entity**

The Regional Airport Authority, Defiance County (the Authority), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Authority's financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

***Basis of Accounting***

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Deposits and Investments***

The Authority's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

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

***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:

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

***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.

**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Committed** The Board can *commit* amounts via formal action (resolution). The Authority must adhere to these commitments unless the Board amends 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.

**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.

**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.

**Note 3 – Deposits**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2015 was \$88,168 and at December 31, 2014 was \$181,948.

Deposits were insured by the Federal Depository Insurance Corporation

**Note 4 - Risk Management**

**Commercial Insurance**

The Authority has obtained commercial insurance for the risk of comprehensive property and general liability.

**Note 5 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Authority's full time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Authority contributed an amount equaling 14% of participants' gross salaries. The Authority has paid all contributions required through December 31, 2015.

**Note 6 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit

**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2015 AND 2014  
(Continued)**

recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 7 - Airport improvement Program**

The Authority and Defiance County are co-sponsors on the Federal Aviation Administration (FAA) grants. These grants are for runway improvements at the County owned airport. The Authority and the County share grant and project responsibilities to help assure the awards are used as authorized by laws, regulations, and provisions of contracts or grant agreements. The Authority receives grant revenues from the FAA for costs incurred. The Authority then reimburses the County for payments they made to the contractors. In 2015 and 2014, the Authority disbursed \$118,999 and \$275,862, respectively, in grant revenue to the County.

**Note 8 – Miscellaneous Revenues**

Miscellaneous Revenues in 2014 consisted of reimbursements from the United Way of Defiance County for \$12,433 for expenses related to the 2014 hot air balloon festival and a \$11,706 reimbursement from Defiance County Commissioners for the overpayment of an invoice for the improvements made to the Defiance County Airport runway and lights.

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# Dave Yost • Auditor of State

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

Regional Airport Authority  
Defiance County  
P.O. Box 134  
Defiance, Ohio 43512-0134

To the Board of Trustees:

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 statement of the Regional Airport Authority, Defiance, County, (the Authority) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statement, and have issued our report thereon dated April 13, 2017, wherein we noted the Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Authority'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 statement, but not to the extent necessary to opine on the effectiveness of the Authority'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 Authority's financial statement. 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Authority's financial statement is 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*.

***Entity's Responses to Findings***

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

***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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority'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

April 13, 2017

**REGIONAL AIRPORT AUTHORITY  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS**

**DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Material Weakness**

**Posting of Transactions and Cash Reconciliations**

In order for management to properly monitor the activity of the Authority, transactions must be posted in a timely manner and the bank accounts must be reconciled timely to detect errors. The monthly reconciliation of bank account balances to the accounting systems ending fund balance is an important method in detecting errors in the postings of revenues and disbursements and bank account records. After the reconciliation is completed, any errors found should be immediately corrected and month end financial information should be generated by the Secretary/Treasurer.

The Secretary/Treasurer did not post receipts and disbursements timely. Many of the transactions were posted several days after the transactions were made. In addition, the Secretary/Treasurer did not reconcile the bank accounts as of December 31, 2015, which resulted in the Authority being declared unauditible by the Auditor of State's Office. Subsequently, the Secretary/Treasurer corrected \$20,712 in posting errors and reconciled the bank accounts.

Failure to post transactions as they occur and to perform monthly bank reconciliations (which reconciles the Authority's total bank account balances to the general ledger system fund balance total) resulted in posting errors not being detected in a timely manner. It also resulted in the Board not receiving accurate financial information for the Regional Airport Authority in 2015 and 2014.

These issues went undetected and uncorrected due to the lack of monitoring by the Board.

In an effort to help ensure financial activity of the Authority is being properly accounted for and reported, we recommend:

- The Secretary/Treasurer post all receipts and disbursements as they occur.
- The Secretary/Treasurer performs a bank reconciliation each month.
- The Secretary/Treasurer present the monthly bank reconciliations to the Board as evidence that all bank balances have been reconciled to the Authority's manual fund balance total each month without significant adjusting factors on the reconciliation.
- The Board periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of bank account balances, outstanding checks and deposits in transit. The Secretary/Treasurer's monthly bank reconciliations should be reviewed, initialed, and approved in the minutes by the Board.
- The Board review receipt reports, disbursement reports, and monthly fund balances to determine if transactions are being posted in a timely manner and to the correct fund line item.

If the Board is unable to perform these duties then they should consider assigning the responsibilities to an audit or finance committee of the Board.

**Officials' Response:**

All recommended items listed in the Independent Auditor's Report related to finding numbered 2015-001 will be implemented. All documents mentioned will be prepared on a monthly basis and presented to the Board at the regular monthly board meetings.

**FINDING NUMBER 2015-002**

**Material Weakness**

**Fund Classifications**

**Governmental Accounting Standards Board (GASB) Statement No. 54** established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are non-spendable, restricted, committed, assigned, and unassigned.

Restricted revenues included those where constraints have placed been on the use by either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions or enabling legislation.

The Authority reported \$112,277 and \$24,733 in federal grant funds at December 31, 2015 and 2014, respectively, as unassigned fund balance instead of restricted fund balance.

The Authority lacked a policy regarding financial review which contributed to these material errors occurring without detection. Adjusting entries were posted to the financial statements to correct these errors.

In order to help ensure the Regional Airport Authority's governmental fund balances are reported in accordance with GASB 54, we recommend the Secretary/Treasurer and Board review Auditor of State Bulletin 2011-004. In addition, we recommend the Board adopt policies and procedures including a final review of the financial statements.

**Officials' Response:**

Going forward all federal grant funds will be posted into the restricted fund balance.



# Dave Yost • Auditor of State

DEFIANCE 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  
MAY 4, 2017