



**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 -1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees

We have audited the accompanying financial statements of the Regional Airport Authority, Allen County, (the Authority) as of and for the years ended December 31, 2000 and 1999. 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 audits.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Regional Airport Authority, Allen County, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2001, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 6, 2001

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**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types		Total
	General	Capital Project	(Memorandum) Only
Cash Receipts:			
County Contributions	\$158,000		\$158,000
Rents	104,364		104,364
Federal and State Grants		4,847	4,847
Miscellaneous	2,482		2,482
Total Cash Receipts	264,846	4,847	269,693
Cash Disbursements:			
Salaries	8,924		8,924
Supplies and Materials	7,326		7,326
Repairs and Maintenance	30,184		30,184
Utilities	17,309		17,309
Contractual Services	16,800		16,800
Capital Outlay	66,243	35,696	101,939
Miscellaneous	31,574		31,574
Total Cash Disbursements	178,360	35,696	214,056
Total Receipts Over/(Under) Disbursements	86,486	(30,849)	55,637
Other Financing Receipts/(Disbursements):			
Transfers In		17,000	17,000
Transfers Out	(17,000)		(17,000)
Total Other Financing Receipts/(Disbursements)	(17,000)	17,000	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	69,486	(13,849)	55,637
Fund Cash Balances, January 1	61,067	44,799	105,866
Fund Cash Balances, December 31	\$130,553	\$30,950	\$161,503

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

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types		Total
	General	Capital Project	(Memorandum) Only)
Cash Receipts:			
County Contributions	\$81,000		\$81,000
Rents	98,367		98,367
Federal and State Grants		236,716	236,716
Miscellaneous	1,996		1,996
	181,363	236,716	418,079
Total Cash Receipts			
Cash Disbursements:			
Salaries	12,134		12,134
Supplies and Materials	8,136		8,136
Repairs and Maintenance	32,206		32,206
Utilities	14,290		14,290
Contractual Services	16,800		16,800
Capital Outlay	10,924	216,026	226,950
Miscellaneous	30,162		30,162
	124,652	216,026	340,678
Total Cash Disbursements			
Total Receipts Over Disbursements	56,711	20,690	77,401
Other Financing Receipts/(Disbursements):			
Transfers In		15,000	15,000
Transfers Out	(15,000)		(15,000)
	(15,000)	15,000	
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	41,711	35,690	77,401
Fund Cash Balances, January 1	19,356	9,109	28,465
Fund Cash Balances, December 31	\$61,067	\$44,799	\$105,866

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

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Regional Airport Authority, Allen County, (the Authority) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Authority is directed by a seven member Board, appointed by the County Commissioners. The Authority is responsible for the safe and efficient operation and maintenance of the airport.

The Authority contracts with Allen County Aviation Corporation (the Corporation) for a substantial portion of the day-to-day operations of the Allen County Airport. The Corporation pays the Authority one cent per gallon of fuel sold, five cents per gallon for fuel flowage, 1 percent of fees collected by the Corporation for instruction, aircraft rental, charters, parts and labor, and storage fees, and 100% of the fees for tie downs and terminal rent. The Authority pays the Corporation \$1,200 per month for buildings and ground maintenance.

The Authority also receives significant income for land and hangar rental from entities other than the Corporation.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Authority did not have investments during the audit period.

D. Fund Accounting

The Authority uses fund accounting to segregate cash that is restricted as to use. The Authority classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Fund

The Capital Project Fund is used to account for receipts that are restricted for the acquisition or construction of major capital facilities.

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant and Equipment

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

2. EQUITY IN CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$ 161,503</u>	<u>\$105,866</u>

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

3. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Authority contributed an amount equal to 13.55% of participants' gross salaries from January 1999 through June 2000, and an amount equal to 8.13% of participants' gross salaries for July through December 2000. The Authority has paid all contributions required through December 31, 2000.

4. RISK MANAGEMENT

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Inland Marine

5. CONTRACTUAL COMMITMENTS

The Authority had entered into a contract with Bluffton Paving, Inc., for the asphalt paving of the parking lot and various drives, that had an outstanding contract amount at December 31, 2000 of \$53,374. The project is to be paid from the Capital Projects Fund.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees

We have audited the financial statements of the Regional Airport Authority, Allen County, (the Authority), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 6, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated April 6, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-60202-001.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Authority in a separate letter dated April 6, 2001.

This report is intended for the information and use of the audit committee, management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 6, 2001

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-60202-001	Material Weakness
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The Allen County Regional Airport Authority contracts with a private for-profit company, Aviation Corporation, to handle certain day-to-day operations of the Allen County Airport. The Corporation collects gross revenues from fuel sales, flight instruction, aircraft rental, charters, parts, labor, storage, tie downs and terminal rental. The agreement between the Airport Authority and the Aviation Corporation stipulates that the Authority will receive one cent per gallon of fuel sold plus five cents per gallon for flowage fee. The Authority also is to receive 1 percent of flight instruction fees, aircraft rental, charters, parts, and labor and storage revenues; and 100 percent of tie down and terminal revenues. The Corporation provides a monthly statement to the Authority indicating total sales for the month times the applicable percentages, with a total amount of revenues being turned over to the Authority.

The latest written agreement between the Aviation Corporation and the Authority that was produced for audit was dated 1985. The Corporation and the Authority agree that substantial modifications have been made to this agreement, however, there is no written evidence supporting those revised terms. Further, the Corporation denies that the Authority has any right to audit the fuel sales or other revenues the Corporation collects.

The Authority should revise its agreement with Aviation Corporation. Current agreed-upon terms should be specified. The Authority may wish to collect a flat fee from the Corporation or, alternatively, the revision should allow for periodic audit of the relevant Corporation records by Authority management to assure the completeness of revenues received.

The Authority is currently in the negotiation process with the Corporation to revise its agreement. However, no formal agreement has been made to date.

**REGIONAL AIRPORT AUTHORITY
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
1998-60202-001	Revision of the contract with the operators of the airport.	Repeated.	During 2000, the Airport Authority had developed a contract; however, it has not been enacted to date.
1998-60202-002	Prevailing Wages	Fully corrected.	



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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
JUNE 5, 2001**