



Mary Taylor, CPA
Auditor of State

HIGHLAND REGIONAL AIRPORT AUTHORITY
HIGHLAND COUNTY

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Mary Taylor, CPA

Auditor of State

Highland Regional Airport Authority
Highland County
9500 North Shore Drive
Post Office Box 444
Hillsboro, Ohio 45133

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 government 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 2, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Highland Regional Airport Authority
Highland County
9500 North Shore Drive
Post Office Box 444
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Highland Regional Airport Authority, Highland County, Ohio (the Airport), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Airport's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in paragraph six, 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.

As described more fully in Note 1, during 2007 and 2006, the Airport 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 combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Airport's larger (i.e. major) funds separately. While the Airport 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 the regional airports to reformat their statements. The Airport 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, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Airport as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

We were unable to obtain sufficient evidence to support the completeness of the rents and leases receipts comprising 15% of the total cash receipts in the General Fund for 2007 and 13% in 2006, nor were we able to satisfy ourselves of the completeness by other auditing procedures.

Also, in our opinion, except for such adjustments, if any, might have been determined to be necessary had we been able to obtain sufficient evidence supporting General Fund rents and leases receipts, the combined financial statements referred to above present fairly, in all material respects, the fund cash balance of the Highland Regional Airport Authority, Highland County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Airport has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2009, on our consideration of the Airport'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.



Mary Taylor, CPA
Auditor of State

February 2, 2009

**HIGHLAND REGIONAL AIRPORT AUTHORITY
HIGHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Capital Project</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Grants		\$21,368	\$21,368
Sale of Fuel	\$80,127		80,127
Rents and Leases	14,632		14,632
Interest	58		58
Miscellaneous	377		377
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	95,194	21,368	116,562
Cash Disbursements:			
Current:			
Transportation:			
Utilities	10,719		10,719
Contract Services	12,142		12,142
Supplies and Materials	610		610
Dues, Meetings, and Conferences	1,668		1,668
Repairs and Maintenance	260		260
Fuel Purchased for Resale	79,906		79,906
Credit Card Fees	1,516		1,516
State Sales Tax Remitted	5,564		5,564
Miscellaneous	718		718
Capital Outlay	1,594	21,368	22,962
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	114,697	21,368	136,065
Total Receipts Over/(Under) Disbursements	(19,503)	0	(19,503)
Fund Cash Balances, January 1	31,482	0	31,482
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$11,979</u>	<u>\$0</u>	<u>\$11,979</u>

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

**HIGHLAND REGIONAL AIRPORT AUTHORITY
HIGHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2006**

	General	Capital Project	Totals (Memorandum Only)
Cash Receipts:			
Grants		\$24,828	\$24,828
Sale of Fuel	\$91,560		91,560
Rents and Leases	13,864		13,864
Interest	122		122
Miscellaneous	234		234
Total Cash Receipts	105,780	24,828	130,608
Cash Disbursements:			
Current:			
Transportation:			
Utilities	10,043		10,043
Contract Services	13,386		13,386
Supplies and Materials	262		262
Dues, Meetings, and Conferences	2,247		2,247
Repairs and Maintenance	6,223		6,223
Fuel Purchased for Resale	83,660		83,660
Credit Card Fees	2,124		2,124
State Sales Tax Remitted	5,411		5,411
Miscellaneous	623		623
Capital Outlay	0	24,828	24,828
Total Cash Disbursements	123,979	24,828	148,807
Total Receipts Over/(Under) Disbursements	(18,199)	0	(18,199)
Other Financing Receipts:			
Sale of Assets	3,379		3,379
Total Other Financing Receipts	3,379	0	3,379
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(14,820)	0	(14,820)
Fund Cash Balances, January 1, Restated	46,302	0	46,302
Fund Cash Balances, December 31	\$31,482	\$0	\$31,482

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

**HIGHLAND REGIONAL AIRPORT AUTHORITY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Highland Regional Airport Authority, Highland County, Ohio (the Airport), as a body corporate and politic. The Airport is directed by a seven-member Board, appointed by the Highland County Commissioners. 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. Cash and Deposits

The Airport deposits all available funds in an interest earning checking accounts and money market account at a local commercial bank.

D. Fund Accounting

The Airport uses fund accounting to segregate cash and investments that are restricted as to use. The Airport classifies its funds into the following types:

1. General Fund

The General Fund is reports all financial resources except those required to be accounted for in another fund.

2. Capital Projects Fund

This fund accounts for revenues that are restricted for the acquisition or construction of 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.

**HIGHLAND REGIONAL AIRPORT AUTHORITY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u>\$11,979</u>	<u>\$31,482</u>

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

3. Risk Management

Commercial Insurance

The Highland County Commissioners carry insurance through private carriers for airport property and liability.

4. Prior Period Adjustment

The airport improvement bank account was not included in the fund balance at December 31, 2005. An adjustment was made to the January 1, 2006 balance to include this account as follows:

Fund Balance December 31, 2005	\$31,895
Airport improvement checking account	<u>14,407</u>
Fund Balance January 1, 2006	<u>\$46,302</u>



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*

Highland Regional Airport Authority
Highland County
9500 North Shore Drive
Post Office Box 444
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the financial statements of Highland Regional Airport Authority, Highland County, Ohio (the Airport), as of and for the year ended December 31, 2007 and 2006, and have issued our report thereon dated February 2, 2009, wherein we noted the Airport prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We qualified our report because the Airport did not provide sufficient evidence supporting the completeness of General Fund rents and leases receipts. Except as discussed in the preceding sentence, 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 Airport'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 Airport's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Airport's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 Airport'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 Airport's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Airport's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe findings number 2007-001 and 2007-003 as described above are material weaknesses.

We also noted certain internal control matters that we reported to the Airport's management in a separate letter dated February 2, 2009.

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, 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-01 through 2007-003.

We did note a certain noncompliance matter that we reported to the Airport's management in a separate letter dated February 2, 2009.

We intend this report solely for the information and use of the management. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 2, 2009

**HIGHLAND REGIONAL AIRPORT AUTHORITY
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2007-001

Material Noncompliance/Material Weakness

Ohio Administrative Code, 117-2-02 (A), requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Administrative Code, 117-2-02 (D), in part, provides that all local public offices may maintain accounting records in a manual or computerized format. The records should include the following:

1. Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt.
3. Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts.

The Airport did not maintain these accounting records for the years 2006 and 2007. The Airport maintains four bank accounts for the funds under its control. The accounting records maintained by the Secretary/Treasurer consisted of the check registers for each bank account and monthly reports showing receipts and disbursements consolidated by type for the general operating checking account and the fuel account, only. The receipts, disbursements, and balances of the improvement checking account and the receipts and disbursements of the FAA grants were not included in the monthly reports or annual financial statements. The following audit adjustments were posted to the accompanying financial statements and accounting records as follows:

	2006	2007
General Fund:		
Improvement checking account January 1, 2006 balance	\$14,407	
Improvement checking account disbursements	715	\$8,168
Capital Projects Fund:		
FAA Grant Receipts	24,828	21,368
FAA Grant Disbursements	24,828	21,368

Failure to maintain the required accounting records decreases the controls over cash because there is no record showing all funds and transactions under the Airports control. Failure to maintain these records also increases the risk that theft or fraud may occur and not be detected in a timely manner and increases the risk that transactions could be misclassified on the financial statements. Properly maintaining the required accounting records will help to provide accurate and complete financial information for management to use in the decision making process.

**FINDING NUMBER 2007-001
(Continued)**

The Airport should maintain a cash journal that includes all of the bank accounts and transactions made, a receipts ledger to classify the receipts by type, and an appropriation (or disbursements) ledger to classify the disbursements by type. Monthly reconciliations showing the total of all accounts should be prepared and agreed to the cash journal. In addition, the Airport should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the Airport's activity.

FINDING NUMBER 2007-002

Material Noncompliance

Ohio Revised Code, 117.38, in part, requires each public office to file a financial report for each fiscal year. Cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. At the time the report is filed, the chief fiscal officer shall publish notice in a local newspaper that the financial report has been completed and is available for public inspection at the office of the chief fiscal officer.

The Airport did not file an annual financial report or publish the notice as required for the years 2006 or 2007. Failure to file annual financial reports could result in unnecessary expenditures if the penalty established by Ohio Revised Code 117.38 (D) is assessed. The penalty is twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.

The Airport should prepare and file an annual financial report each year and publish the notice as required. The annual financial report should include the beginning and ending balances, and the receipts and disbursements for the year classified by type.

FINDING NUMBER 2007-003

Material Weakness/Material Noncompliance

Ohio Administrative Code, 117-2-02 (A), requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Airport did not maintain adequate records for the rents and leases receipts. The Board did not document the approval of the rental rates in the minute records during 2006 or 2007. The Airport did not issue written rental agreements and pre-numbered duplicate receipts were not written for all monies collected. The Airport did not record names on the deposit slips and therefore could reconcile collections to the corresponding bank deposit.

Failure to maintain proper accounting records could result in uncollected funds, may adversely affect the decisions of management, and could result in inaccurate financial reports and/or loss or theft of funds.

As a result the Airport did not provide sufficient evidence to support rental contracts and lease agreements receipts which are included in the rents and leases receipt line item. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the financial statements or to satisfy ourselves regarding the completeness of the underlying transaction through other auditing procedures. Rents and leases represent 15% of the 2007 and, 13% of the 2006 General Fund receipts recorded on the financial statements.

**FINDING NUMBER 2007-003
(Continued)**

To improve accountability over rents and leases receipts the Board should set the rental rates in the minute records each year. Written rental agreements should be used. The rental agreements should include the renter name, date, rental rate, and be signed by both parties. The rental agreement could also include the Airport rules and any liability issues. Payments made should be recorded on the agreement, with date and amount of payment. A pre-numbered duplicate receipt should be issued for every payment received. Bank deposit slips should include the names for the checks and cash being deposited.

In addition, the Airport lacked proper controls over the fuel sales records which could adversely affect the Airport'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 Airport's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Fuel sales records were sometimes incomplete. The markup from the purchase price to the sales price was not set by the Board in the minute record during 2006 or 2007. Cash fuel sales were collected by an official or volunteer at the airport and pre-numbered duplicate receipts were not written for all cash fuel sales. Cash fuel sales could not be matched with the corresponding bank deposit. We were able to perform alternative procedures to determine the reasonableness of cash fuel sales. Inventory records of fuel purchased, sold, and on hand were maintained for 2006 and but only through August of 2007. The credit card sales were recorded at net of the credit card fees.

Failure to keep complete and accurate records of fuel sales increases the risk that theft or fraud may occur and not be detected in a timely manner and increases the risk that the fuel sales reported on the financial statement could be materially incorrect.

To improve accountability over fuel sales, the Board should set the markup rate for fuel sales in the minute records. Pre-numbered duplicate receipts should be written for all cash fuel sales. Anyone collecting money on behalf of the Airport should be bonded. Bank deposit slips should include the names for the checks and cash being deposited. An inventory record should be maintained showing the fuel purchases, sales, and inventory on hand and the underlying records for the figures maintained.

We did not receive a response from officials to the findings above.

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**HIGHLAND REGIONAL AIRPORT AUTHORITY
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Administrative Code 117-2-02 Inadequate account records maintained, inadequate records for rents and leases and fuel sales receipts	No	Not Corrected Reissued as findings 2007-001 and 2007-003



Mary Taylor, CPA
Auditor of State

HIGHLAND COUNTY REGIONAL AIRPORT AUTHORITY

HIGHLAND 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
FEBRUARY 26, 2009**