



**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009-2008



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2009.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	14

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Mary Taylor, CPA
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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 15, 2010

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Mary Taylor, CPA

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, County, (the Authority) as of and for the years ended December 31, 2009 and 2008. 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.

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, 2009 and 2008 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, 2009 and 2008 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Regional Airport Authority, Morrow County, Ohio, as of December 31, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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The Authority 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 November 15, 2010, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 15, 2010

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Rents	\$ 11,191	\$ -	\$ 11,191
Grants	-	18,028	18,028
Donations	1,000	-	1,000
	12,191	18,028	30,219
Total Cash Receipts	12,191	18,028	30,219
Cash Disbursements:			
Current:			
Transportation:			
Electric	260	-	260
Property Taxes	1,097	-	1,097
Repairs	2,710	-	2,710
Legal Fees	373	-	373
Water	152	-	152
Gas	41	-	41
Miscellaneous	196	-	196
Capital Outlay		20,886	20,886
Debt Service:			
Redemption of Principal	8,013	-	8,013
Interest and Other Fiscal Charges	1,257	-	1,257
	14,099	20,886	34,985
Total Cash Disbursements	14,099	20,886	34,985
Total Receipts Over/(Under) Disbursements	(1,908)	(2,858)	(4,766)
Other Financing Receipts:			
Loan Proceeds		7,895	7,895
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(1,908)	5,037	3,129
Fund Cash Balances, January 1	8,220	311	8,531
Fund Cash Balances, December 31	\$ 6,312	\$ 5,348	\$ 11,660

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 BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Rents	\$ 7,126	\$ -	\$ 7,126
Cash Disbursements:			
Current:			
Transportation:			
Electric	264	-	264
Property Taxes	1,172		1,172
Repairs	2,551		2,551
Insurance	2,500		2,500
Miscellaneous	38		38
Capital Outlay	54,000		54,000
 Total Cash Disbursements	60,525	-	60,525
 Total Receipts Over/(Under) Disbursements	(53,399)	-	(53,399)
Other Financing Receipts:			
Loan Proceeds	54,000		54,000
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	601	-	601
 Fund Cash Balances, January 1	7,619	311	7,930
 Fund Cash Balances, December 31	\$ 8,220	\$ 311	\$ 8,531

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, 2009 AND 2008**

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, (the Authority) as a body corporate and politic. The Morrow County Commissioners appoints 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 trusts or for capital projects) that are restricted for expenditure for specific purpose. 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, 2009 AND 2008
(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:

	2009	2008
Demand deposits	\$11,660	\$8,531

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 on 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. County Payment of Airport Expenditures

Some Authority expenditures were paid by Morrow County through the County's General Fund. The Total expenditures paid from the County's General Fund during 2009 and 2008 were \$3,202 and \$6,506, respectively.

4. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Hanger Loan	\$50,734	5%

The Authority issued debt in December 2008 to purchase airport hangers. The amount issued was \$54,000. The loan is payable in \$500 installments over the next 12 years. The Authority also receives \$5,000 from the loaner, Whetstone Flyers, for rent during the year. The loan payment for 2009 was the net result of the settlement between rents owned versus debt owed. The rate of interest on this loan is 5%.

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

Year ending December 31:	Principal	Interest
2010	\$3,549	\$2,451
2011	3,731	2,269
2012	3,922	2,078
2013	4,123	1,877
2014	4,334	1,667
2015-2019	25,228	4,638
2020	5,847	154
Total	\$50,734	\$15,134

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Related Party Transactions

A Board member loaned the Authority \$7,895 during 2009 for planning expenditures. The Authority repaid \$6,395 of this loan in 2009. The Board member forgave the Authority for the remaining amount of the loan. \$1,500.

5. Risk Management

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

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

6. Contingencies

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.

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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*

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, 2009 and 2008, and have issued our report thereon dated November 15, 2010, wherein we noted the Authority 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-01 to be a material weakness.

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 also noted a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated November 15, 2010

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 15, 2010

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Financial Statement Presentation – Bank Reconciliation

A strong internal control policy would require an entity to reconcile the bank statement(s) to their accounting system to determine the completeness and accuracy of their financial records.

Monthly financial reports throughout 2009 were not reconciled to the Authority's bank accounts each month. Furthermore, the activity for which the County was the Authority's fiscal agent was not recorded on the Authority's financial statements.

The following audit adjustments were required to record all activity for the Authority and have been made to the Authority's financial statements and accounting records, if applicable

Description	Fund	Amount
To record principal expenditures for the airport hanger loan in the correct period.	General	\$1,618
To record interest expenditures for the airport hanger loan in the correct period.	General	\$1,257
To record miscellaneous expenditures of bank payments and other miscellaneous expenditures	General	\$30
To reduce expenditures that were recorded twice	General	\$110
To record rental receipts in the correct period.	General	\$100
The Authority did not post loan proceeds for Airport hangers and the corresponding capital outlay expenditures of Airport hangers. (2008)	General	\$54,000
To record opening equity.	Special Revenue	\$311
To record grant receipts for the activity recorded on the County's ledgers	Special Revenue	\$18,028
To record capital outlay for the activity recorded on the County's ledgers	Special Revenue	\$20,886
To record loan proceeds for the activity recorded on the County's ledgers.	Special Revenue	\$7,895
To record the net effect of the Special Revenue Fund errors noted above.	Special Revenue	\$5,348

Lack of performing a monthly reconciliation does not allow the Board or Fiscal Officer to review the completeness of the Authority's financial position. Furthermore, failure to maintain accurate monthly reconciliations between accounting and bank activity can lead to irregularities, overspending or negative balances and trends that go undisclosed or are not identified by the Board a timely manner. The Board should develop policies to ensure the monthly review of accounting activity and monthly bank reconciliations by someone independent of the Authority's fiscal officer who performs all accounting functions. If necessary, the Board should review the viable use of the current accounting software utilized by the Authority.

Officials' Response: We did not receive an Official's Response to the finding denoted above.

REGIONAL AIRPORT AUTHORITY
MORROW COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Board Meetings	Yes	



Mary Taylor, CPA
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
JANUARY 11, 2011**