



Dave Yost • Auditor of State

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Regional Airport Authority
Morrow County
P.O. Box 346
Mount Gilead, Ohio 43338

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Regional Airport Authority, Morrow County, Ohio, (the Authority) as of and for the years ended December 31, 2013 and 2012.

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 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 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these 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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

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, 2013 and 2012, 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 November 19, 2014, 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

November 19, 2014

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Rents	\$ 14,895	\$ -	\$ 14,895
Grants	-	207,239	207,239
<i>Total Cash Receipts</i>	<u>14,895</u>	<u>207,239</u>	<u>222,134</u>
Cash Disbursements			
Current:			
Transportation:			
Electric	446	-	446
Repairs	4,496	-	4,496
Treasurer State of Ohio - Audit	1,887	-	1,887
Miscellaneous	109	-	109
Capital Outlay	-	243,354	243,354
Debt Service:			
Principal Retirement	4,140	-	4,140
Interest and Fiscal Charges	1,860	-	1,860
<i>Total Cash Disbursements</i>	<u>12,938</u>	<u>243,354</u>	<u>256,292</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,957</u>	<u>(36,115)</u>	<u>(34,158)</u>
<i>Fund Cash Balances, January 1</i>	<u>9,307</u>	<u>36,268</u>	<u>45,575</u>
Fund Cash Balances, December 31			
Restricted	-	153	153
Unassigned	11,264	-	11,264
<i>Fund Cash Balances, December 31</i>	<u>\$ 11,264</u>	<u>\$ 153</u>	<u>\$ 11,417</u>

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

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Rents	\$ 12,501	\$ -	\$ 12,501
Grants	-	315,308	315,308
	12,501	315,308	327,809
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Transportation:			
Electric	874	-	874
Repairs	4,344	-	4,344
Gas	395	-	395
Water	114	-	114
Capital Outlay	-	298,304	298,304
Debt Service:			
Principal Retirement	4,258	-	4,258
Interest and Fiscal Charges	2,242	-	2,242
	12,227	298,304	310,531
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over Disbursements</i>	274	17,004	17,278
<i>Fund Cash Balances, January 1</i>	9,033	19,264	28,297
Fund Cash Balances, December 31			
Restricted	-	36,268	36,268
Unassigned	9,307	-	9,307
	9,307	36,268	45,575
<i>Fund Cash Balances, December 31</i>	\$ 9,307	\$ 36,268	\$ 45,575

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, 2013 AND 2012**

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 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

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 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).

These statements include 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

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 private-purpose trusts or for capital projects) that are restricted for expenditure for specific purposes. 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. Deposits

The Authority maintains a checking account for all General Fund activity.

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. 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.

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:

1. Nonspendable

The Authority classifies assets as *nonspendable* 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 Authority 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 Authority 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.

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

2. Equity in Pooled Deposits

The Authority maintains a deposit and pool for the General Fund. The Federal Grant Fund is accounted for on behalf of the Authority by Morrow County. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2013	2012
Demand deposits	\$11,417	\$45,575

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 in 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. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Hangar Loan	\$35,056	5%

The Authority issued debt in December 2008 to purchase airport hangers. The amount issued was \$54,000. The loan is payable in monthly \$500 installments over next seven year period. The rate of this loan is 5%.

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

Year ending December 31:	Bank Loan
2014	\$6,000
2015	6,000
2016	6,000
2017	6,000
2018	6,000
2019-2020	11,390
Total	\$41,390

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Risk Management

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

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

5. Contingent Liabilities

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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INDEPENDENT AUDITOR'S 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, 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 Regional Airport Authority, Morrow County, Ohio, (the Authority) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 19, 2014, 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 statements, 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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2013-001 to be a significant deficiency.

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, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

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

November 19, 2014

**REGIONAL AIRPORT AUTHORITY
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance / Significant Deficiency

Maintaining Documentation

Ohio Rev. Code Section 149.351 requires that all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Sections 149.38 through 149.42.

The Airport disposed of all deposit slips throughout the audit period. The absence of deposit slips made it difficult to trace individual deposits of hanger rents and other miscellaneous receipts from underlying records to bank deposits. The Authority reconciled the bank account to the accounting records at December 31, 2013 and 2012 supporting that all receipts recorded in the Authority's accounting records were properly deposited.

Failure to maintain organized, underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

We recommend the Airport maintain all documentation for financial transactions occurring within the Airport and that records be maintained in an orderly manner to support all transactions.

Officials' Response:

The Authority reconciled the accounting records with the bank account statements each month during 2013 and 2012 supporting that all receipts recorded were properly deposited.

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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
DECEMBER 23, 2014**