



**Auditor of State
Betty Montgomery**

**GEAUGA COUNTY AIRPORT AUTHORITY
GEAUGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Geauga County Airport Authority
Geauga County
15421 Old State Road
P.O. Box 1308
Middlefield, Ohio 44062

To the Board of Trustees:

We have audited the accompanying financial statements of the Geauga County Airport Authority, Geauga County, Ohio, (the Airport Authority) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Airport 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 *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 in Note 1, the Airport 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 combined cash fund balances of the Geauga County Airport Authority, Geauga County, Ohio, as of December 31, 2002 and December 31, 2001, and its combined 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 September 8, 2003 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 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, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 8, 2003

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**GEAUGA COUNTY AIRPORT AUTHORITY
GEAUGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental		\$243,624	\$243,624
Charges for Services	\$143,895		143,895
Interest Income	5,447		5,447
Other Income	119		119
	<hr/>		
Total Cash Receipts	149,461	243,624	393,085
	<hr/>		
Cash Disbursements:			
General Government	122,503		122,503
Debt Service	18,750		18,750
Capital Outlay	12,500	150,449	162,949
	<hr/>		
Total Cash Disbursements	153,753	150,449	304,202
	<hr/>		
Excess of Cash Receipts Over/(Under) Cash Disbursements	(4,292)	93,175	88,883
	<hr/>		
Fund Cash Balances, January 1, 2002	66,378	26,749	93,127
	<hr/>		
Fund Cash Balances, December 31, 2002	\$62,086	\$119,924	\$182,010
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The notes to the financial statement are an integral part of this statement.

**GEAUGA COUNTY AIRPORT AUTHORITY
GEAUGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental	\$20,000	\$25,650	\$45,650
Charges for Services	120,332		120,332
Interest Income	2,318		2,318
Other Income	1,612		1,612
	<hr/>		
Total Cash Receipts	144,262	25,650	169,912
Cash Disbursements:			
General Government	77,917		77,917
Debt Service	21,583		21,583
Capital Outlay	17,600		17,600
	<hr/>		
Total Cash Disbursements	117,100	0	117,100
	<hr/>		
Total Receipts Over/(Under) Cash Disbursements	27,162	25,650	52,812
	<hr/>		
Fund Cash Balances, January 1, 2001	39,216	1,099	40,315
	<hr/>		
Fund Cash Balances, December 31, 2001	\$66,378	\$26,749	\$93,127

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

**GEAUGA COUNTY AIRPORT AUTHORITY
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Geauga County Airport Authority, Geauga County, Ohio, (the Airport 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 Airport Authority is directed by a seven member Board, three appointed by the Geauga County Board of Commissioners, three appointed by the Airport Authority, and one appointed by the Middlefield Village Trustees. The Airport Authority is responsible for the safety and efficient operation and maintenance of the airport.

The Airport Authority's management believes these financial statements present all activities for which the Airport 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 Airport Authority did not have investments during the audit period. They maintain a general check, savings and money market account.

D. 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.

E. Fund Accounting

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

General Fund

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

Special Revenue Fund

This fund is used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Airport Authority had the following significant Special Revenue Fund:

Grant Fund – This fund received federal and state monies for Airport improvements.

**GEOUGA COUNTY AIRPORT AUTHORITY
GEOUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN CASH AND INVESTMENTS

The carrying amount of cash at December 31 follows:

	2002	2001
Demand deposits	\$61,721	\$66,387
Money Market deposits	120,289	26,740
Total deposits	\$182,010	\$93,127

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Geauga County Commissioners Operating Loan (1997)	\$96,850	0%

The Airport Authority is obligated for a loan payable to the Geauga County Commissioners. The interest free loan is payable over a period of 10 years at the amounts specified in the operating agreement between the Airport Authority and the Geauga County Commissioners.

Amortization of the above debt is scheduled as follows:

	Operating Loan
Year ending December 31:	
2004	53,550
2005	22,200
2006	21,100
Total	\$96,850

On September 26, 2002, the Geauga County Commissioners passed a resolution delaying operating loan payments, so the Airport Authority could make the local match of an Improvement Grant. The Board of County Commissioners will allow the Airport Authority to delay payment of existing loans for two years. For purposes of clarification of the two year time frame, it would include \$6,250 for Fiscal Year 2002, \$24,000 for Fiscal Year 2003, and \$20,750 for Fiscal Year 2004 was deferred per the County resolution.

In addition, the Airport Authority did not pay the total amount due to the County per the operating agreement for Fiscal Year 2001. The Airport Authority still owes \$4,417 to the County based on the difference between the operating agreement amount of \$26,000 for Fiscal Year 2001, and the amount submitted to the County for repayment \$21,583 in Fiscal Year 2001.

**GEAUGA COUNTY AIRPORT AUTHORITY
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. RETIREMENT SYSTEM

The Airport Authority's full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS 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 2002 and 2001, OPERS employee members contributed 8.5% of their gross salaries. The Airport Authority contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Airport Authority paid \$689 or 48% of the required contributions for 2001 and none of the required contributions for 2002.

OPERS determined that the secretary/treasurer should be a member of OPERS. There is an Ohio Public Employees Retirement System (OPERS) determination against the Airport Authority for the period of time for which no retirement contributions were remitted. Subsequent to December 31, 2002, the Airport Authority has paid OPERS the required amount for the period February 2002 through December 2002.

5. RISK MANAGEMENT

The Airport Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Officer's and Director's Insurance; and
- Errors and omissions.

6. CONTINGENT LIABILITIES GRANTS

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

7. RELATED PARTY TRANSACTIONS

The Airport Authority rented a tractor from a company owned by an Airport Authority Board Member from August 1999 to June 2000. The Airport Authority made a lump sum payment of \$12,500 for the purchase of the tractor in January, 2002. The Board Member abstained from voting on this issue.

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**Auditor of State
Betty Montgomery**

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

Geauga County Airport Authority
Geauga County
15421 Old State Road
P.O. Box 1308
Middlefield, Ohio 44062

To the Board of Trustees:

We have audited the financial statements of the Geauga County Airport Authority, Geauga County, Ohio, (the Airport Authority) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated September 8, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Airport 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Airport 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgment, could adversely affect the Airport Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-001 through 2002-004.

**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, of the reportable conditions described above, we consider items 2002-001 through 2002-003 to be material weaknesses.

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 Airport Authority in a separate letter dated September 8, 2003.

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



Betty Montgomery
Auditor of State

September 8, 2003

**GEAUGA COUNTY AIRPORT AUTHORITY
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

Finding Number	2002-001
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Documentation of Revenues and Expenditures

The Secretary/Treasurer was unable to locate supporting documentation indicating the hours worked for the former Secretary/Treasurer, for January 2001 to January 2002; and the hangar rental storage agreements for 2001. This could lead to the proper amount of revenue not being collected and disbursement not being properly documented.

To improve controls over revenue and expenditures, the Board should have all employees submit a time sheet for hours worked and all hangar renters submit a storage agreement. Additionally, the Board should maintain all employee time sheets and all hangar rental storage agreements for their permanent records.

Finding Number	2002-002
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Financial Statements and Reconciliation

The following weaknesses were noted during our review of the financial records:

- Bank Reconciliations were not completed on a monthly basis for Fiscal Year 2001, but monthly Bank Reconciliations were completed in Fiscal Year 2002.
- Although the Airport Authority utilizes a pre-numbered duplicate receipt book, a receipt was not prepared for all monies collected by the Secretary/Treasurer. As a result, a lack of completeness and accountability exists relative to the Airport Authority receipts. In addition, revenue posted to the books (Account QuickReport) could not be easily traced to the Bank Statements.
- Transaction descriptions which were documented in the Airport Authority's books (Account QuickReport) did not always state an accurate description of the revenue, which caused revenue to be posted to the improper account without being detected during the normal course of business operations (e.g. fuel sales and hangar rentals were posted to the fuel account). In addition, several descriptions were vague and non-descriptive (e.g., undeposited and "SPLIT").
- For the General Bank Account, adjustments were made to the Account QuickReport with the explanation "Balance Adjustment Opening Balance" with no supporting documentation. The Secretary/Treasurer posted these adjustments to the Account QuickReport to agree with the bank balance. As a result, the Airport Authority could not corroborate the accuracy or nature of the adjustments posted.

The Airport Authority should implement the following procedures to help ensure the financial statements are complete and accurate.

- The Airport Authority should require a pre-numbered duplicate receipt to be issued for all monies received by the Airport Authority. The receipt amounts should then be separately identified on the deposit slip to support the deposit. The receipt book should reflect which receipts are included on which deposit. This will assist in verifying that receipts were deposited accurately and in a timely manner.
- Transaction descriptions should be documented to describe the revenue being received. The description will also assist during the monthly bank to book reconciliation.

**GEAUGA COUNTY AIRPORT AUTHORITY
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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MATERIAL WEAKNESSES (Continued)

Finding Number	2002-003
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Segregation of Duties/Board Monitoring Controls

The Secretary/Treasurer performs the following duties:

- Receives over-the-counter money and processes it through the financial records;
- Receives mail and processes the money through the financial records;
- Prepares and makes the daily deposits with the bank;
- Posts transactions to the computer;
- Processes and posts all disbursements to the system;
- Reconciles the bank account; and
- Prepares the annual financial statements.

The lack of segregation of duties allows for the possibility of errors or diversion of funds occurring without being detected on a timely basis. In addition, no one compares the actual receipts and expenditures to budgeted figures; reviews and approves the financial statements; or reviews the journals, ledgers, and bank reconciliations. As a result, the Board is not completely aware of the financial position of the Airport Authority.

To improve controls over revenue and expenditures, the Board should expand their fiscal monitoring procedures to include review of detail budgetary reports and ledgers. In addition, the Board should ensure reconciliations between the ledgers and journals are performed on a monthly basis, along with bank reconciliations. This will increase their awareness of interim financial activity and also help gauge the Airport's financial status on a regular basis. This type of review will also provide additional checks and balances to reduce the risks inherent in a control environment which lacks a segregation of accounting duties. Since February 2002, the Board has received monthly financial information from the Secretary/Treasurer. The Board should make a resolution in their monthly board meeting that the financial information has been reviewed and approved. By reviewing and approving monthly financial information, the Board will be better able to assess the Airport Authority's current and long-term financial position.

**GEAUGA COUNTY AIRPORT AUTHORITY
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(CONTINUED)**

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

Finding Number	2002-004
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Standard Ledgers

The Airport Authority does not utilize a receipts or expenditure ledger. As a result, the Airport Authority had difficulty summarizing financial transactions by line item/account to prepare the financial statements.

The Airport Authority should utilize receipt and expenditure ledgers. The ledgers should identify the transaction number, date, and payee/vendor, and should be divided between type of receipts/expenditures (fund/account). These ledgers should then be reconciled to the books (Account QuickReport) monthly. These ledgers will assist in the preparation of the year-end financial reports.

**GEAUGA COUNTY AIRPORT AUTHORITY
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-61128-001	Destruction of Records	Partially Corrected	Comment reissued as a material weakness as 2002-001
2000-61128-002	Standard Ledgers	Not Corrected	Comment reissued as 2002-004
2000-61128-003	Segregation of Duties	Not Corrected	Comment reissued as 2002-003
2000-61128-004	Financial Statements and Reconciliation	Partially Corrected	Comment reissued as 2002-002



**Auditor of State
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GEAUGA COUNTY AIRPORT AUTHORITY

GEAUGA 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
OCTOBER 9, 2003**