



**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

AUGLAIZE COUNTY AIRPORT AUTHORITY

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REPORT OF INDEPENDENT ACCOUNTANTS

Airport Authority
Auglaize County
Neil Armstrong Airport
P. O. Box 400
New Knoxville, OH 45871

To the Board of Trustees:

We have audited the accompanying financial statements of the Airport Authority, Auglaize County, Ohio, (the Authority), a component unit of Auglaize County, as of and for the years ended December 31, 1999 and 1998. 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 1999 and 1998, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2000 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 5, 2000

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AUGLAIZE COUNTY AIRPORT AUTHORITY

**BALANCE SHEET
AS OF DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Current Assets:		
Cash	\$115,840	\$120,808
Accounts Receivable	4,892	4,421
Fuel Inventory	<u>11,954</u>	<u>12,909</u>
Total Current Assets	132,686	138,138
Fixed Assets:		
Furniture and Equipment	342,297	293,585
Less: Accumulated Depreciation	<u>(197,690)</u>	<u>(168,169)</u>
Total Fixed Assets	<u>144,607</u>	<u>125,416</u>
Total Assets	<u><u>\$277,293</u></u>	<u><u>\$263,554</u></u>
Current Liabilities:		
Accounts Payable	\$4,370	\$3,228
Deferred Hanger Revenue	11,485	2,125
Due to Other Governments	15,600	0
Capitalized Lease Payable	<u>44,922</u>	<u>0</u>
Total Liabilities	76,377	5,353
Fund Equity and Other Credits:		
Retained Earnings	185,553	240,225
Contributed Capital	<u>15,363</u>	<u>17,976</u>
Total Fund Equity and Other Credits	<u>200,916</u>	<u>258,201</u>
Total Liabilities, Fund Equity and Other Credits	<u><u>\$277,293</u></u>	<u><u>\$263,554</u></u>

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

AUGLAIZE COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Operating Revenues:		
Charges for Services	\$126,685	\$128,656
Intergovernmental Revenue	22,500	22,500
Other	1,705	548
Total Operating Revenues	<u>150,890</u>	<u>151,704</u>
Operating Expenses:		
Contractual Services	72,985	83,312
Materials and Supplies	55,879	60,984
Other	3,581	2,823
Depreciation	29,521	29,088
Total Operating Expenses	<u>161,966</u>	<u>176,207</u>
(Loss) From Operations	<u>(11,076)</u>	<u>(24,503)</u>
Non-Operating Revenues (Expenses):		
Investment Income	5,892	4,813
Donations	82,000	4,500
Proceeds from the Sale of Fixed Assets	9,100	0
Other Non-Operating Revenues	6,111	23,781
Other Non-Operating Expenses	(149,312)	(11,608)
Total Non-Operating Revenues (Expenses)	<u>(46,209)</u>	<u>21,486</u>
Net Income	(57,285)	(3,017)
Depreciation on Fixed Asset Acquired by Contributed Capital	2,613	2,611
Retained Earnings - Beginning of Year	<u>240,225</u>	<u>240,631</u>
Retained Earnings - End of Year	185,553	240,225
Contributed Capital Beginning of Year	\$17,976	\$20,587
Contributions During the Year	0	0
Depreciation on Fixed Asset Acquired by Contributed Capital	(2,613)	(2,611)
Contributed Capital - End of Year	<u>15,363</u>	<u>17,976</u>
Total Fund Equity - End of Year	<u>\$200,916</u>	<u>\$258,201</u>

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

AUGLAIZE COUNTY AIRPORT AUTHORITY

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$152,878	\$128,910
Cash Payments to Suppliers for Goods and Services	(130,347)	(155,866)
Other Operating Revenues	22,500	22,500
Net Cash Used for Operating Activities	<u>45,031</u>	<u>(4,456)</u>
Cash Flows from Noncapital Financing Activities:		
Miscellaneous Non-Operating Revenue	88,111	86,092
Other Non-Operating Expenses	(149,312)	(11,608)
Net Cash Provided by Noncapital Financing Activities	<u>(61,201)</u>	<u>74,484</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from the Sale of Fixed Assets	9,100	0
Capital Lease Proceeds	44,922	0
Acquisition of Capital Assets	(48,712)	(5,511)
Net Cash (Used) for Capital Financing Activities	<u>5,310</u>	<u>(5,511)</u>
Cash Flows from Investing Activities:		
Cash Received from Interest	5,892	4,813
Net Cash Provided by Investing Activities	<u>5,892</u>	<u>4,813</u>
 Net Increase (Decrease) in Cash	 (4,968)	 69,330
 Cash at Beginning of Year	 <u>120,808</u>	 <u>51,478</u>
 Cash at End of Year	 <u><u>\$115,840</u></u>	 <u><u>\$120,808</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:		
Operating Income (Loss)	(\$11,076)	(\$24,503)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:		
Depreciation	29,521	29,088
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable	(471)	(43)
Increase(Decrease) in Accounts Payable	1,142	(10,000)
(Decrease) in Inventory	955	1,252
Increase(Decrease) in Deferred Hanger Revenue	9,360	(250)
Increase in Due to Other Governments	15,600	0
Net Cash Used for Operating Activities	<u><u>\$45,031</u></u>	<u><u>(\$4,456)</u></u>

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

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**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. DESCRIPTION OF THE ENTITY

The Auglaize County Airport Authority (the "Authority") is organized in accordance with Chapter 308 of the Ohio Revised Code. The Authority operates under a nine member board appointed by the Auglaize County Commissioners for a term of a three years. The Authority was established in 1967 and is responsible for administering and maintaining the Neil Armstrong Airport. Services provided by the Authority include rental space for hangars, display cases, and office space; they also supply aviation fuel. In addition, they act upon various inquiries made concerning the welfare of the airport.

The Authority is considered a component unit of Auglaize County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of the Authority are accounted for using proprietary fund accounting.

The Authority applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

A. Accounting System

The Authority maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Authority and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

B. Revenue and Expenditure Recognition

The Authority maintains its fund as a proprietary type fund. Propriety funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when a potential revenue meets the asset recognition criteria, but does not meet the revenue recognition criteria. In the subsequent period, when the revenue recognition criteria is met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Hanger rent paid in advance is not considered earned until subsequent years.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash

To improve cash management, all cash received by the Authority is pooled in a central bank account. Monies for the fund, is maintained in this account. The fund's interest in the pool is presented as "cash" on the balance sheet. During fiscal years 1999 and 1998, the Authority invested in an interest bearing checking account.

D. Fixed Assets and Depreciation

Equipment and improvements are stated at cost except for donated equipment, which is stated at fair market value at the date of receipt. Depreciation of fixed assets is on a straight line basis over the estimated useful lives (five to twenty years) of the respective assets. The Authority maintains a capitalization threshold of \$2,500.

The land and buildings of the airport are owned by Auglaize County. The equipment and runway improvements are the assets of the Airport Authority.

E. Inventory

Inventory consists of the aviation fuel and oil for sale to the customers and is stated at cost to the Authority. Cost is determined on a first-in, first-out basis. The cost of inventory is recorded as an expenditure when purchased.

3. EQUITY IN POOLED CASH

Cash on Hand: At December 31, 1999 and 1998, the Authority had \$100 in undeposited cash on hand which is included on the Balance Sheet of the Authority as part of "Cash."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At December 31, 1999, the carrying amount of the Authority's deposits was \$115,740 and the bank balance was \$116,790. Of the bank balance \$100,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized.

At December 31, 1998, the carrying amount of the Authority's deposits was \$120,708 and the bank balance was \$126,691. Of the bank balance \$100,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized.

Although the securities were held by the pledging financial institutions trust departments in the Authority's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirement would potentially subject the Authority to a successful claim by the FDIC.

4. RECEIVABLES

Receivables at December 31, 1999 and 1998, consisted of accounts for the rental of hanger space and display cases.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. FIXED ASSETS

A summary of the fixed assets at December 31, follows:

	1999	1998
Equipment	\$342,297	293,585
Less Accumulated Depreciation	<u>(197,690)</u>	<u>(168,169)</u>
Net Fixed Assets	<u>\$144,607</u>	<u>\$125,416</u>

6. CONTRIBUTED CAPITAL

The change in the Airport Authority's contributed capital account at December 31, is as follows:

	1999	1998
Balance January 1	\$17,976	\$20,587
Depreciation on Contributed Capital	<u>(2,613)</u>	<u>(2,611)</u>
Balance December 31	<u>\$15,363</u>	<u>\$17,976</u>

7. RISK MANAGEMENT

The Authority has obtained commercial insurance coverage for hangar keeper's liability insurance in the amount of \$1,000,000; operations and products liability insurance in the amount of \$500,000; comprehensive general liability insurance coverage on the premises in the amount of \$1,000,000; and inland marine insurance coverage in the amounts listed in the policy. The Authority also contracted with Auto-Owners (Mutual) Insurance Company for coverage on vehicles in the amount of \$500,000.

8. CAPITALIZED LEASE

During fiscal year 1999, the Authority entered into a capitalized lease for a tractor. The lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Fixed assets acquired by lease have been capitalized in the amount of \$44,922 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the enterprise fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 1999.

Fiscal Year Ending December 31,	Enterprise Fund
2000	\$17,739
2001	16,375
2002	<u>15,012</u>
Total minimum lease payments	49,126
Less: amount representing interest	<u>(4,204)</u>
Present value of minimum lease payments	<u><u>\$44,922</u></u>

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

Airport Authority
Auglaize County
Neil Armstrong Airport
P. O. Box 400
New Knoxville, OH 45871

To the Board of Trustees:

We have audited the accompanying financial statements of the Airport Authority, Auglaize County, (the Authority), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 5, 2000. 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 an immaterial instance of noncompliance that we have reported to management of the Authority in a separate letter dated May 5, 2000.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 May 5, 2000.

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

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Jim Petro
Auditor of State

May 5, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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AUGLAIZE COUNTY AIRPORT AUTHORITY

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 20, 2000**