REGIONAL AIRPORT AUTHORITY
VAN WERT COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Mary Taylor, CPA
Auditor of State

REGIONAL AIRPORT AUTHORITY
VAN WERT COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Regional Airport Authority
Van Wert County
114 East Main Street, Suite 200
Van Wert, Ohio 45891

To the Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of the Regional Airport Authority, Van Wert County, (the Airport Authority), a component unit of Van Wert County, as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents. 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.

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient evidential matter supporting the amounts recorded as materials and supplies inventory for the years ended December 31, 2009 and 2008. Materials and supplies inventory consisted of $200 and $15,953, respectively. We were unable to determine the validity of the materials and supplies inventory through alternative procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence regarding the materials and supplies inventory, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Regional Airport Authority, Van Wert County, as of December 31, 2009 and 2008, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2010, on our consideration of the Airport 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is/are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 13, 2010

REGIONAL AIRPORT AUTHORITY
VAN WERT COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
UNAUDITED

The discussion and analysis of the Van Wert County Regional Airport Authority's (Airport Authority's) financial performance provides an overall review of the financial activities for the years ended December 31, 2009 and 2008. The intent of this discussion and analysis is to look at the Airport Authority's financial performance as a whole and readers should also review the notes to the basic financial statements, and the financial statements to enhance their understanding of the Airport Authority's financial performance.

Financial Highlights

Key Financial highlights for 2009 and 2008 are as follows:

- Total net assets decreased $20,651 for 2009 and increased $310,258 for 2008. The increase for 2008 was an increase of capital contributions which were used for runway resurfacing.

- During 2009, the Airport Authority received $63,191 in capital contributions. For 2008, the Airport Authority received $343,843. The contributions received for 2009 and 2008 were for the runway resurfacing.

- During 2009, the Airport Authority paid $9,510 on its long-term loans. During 2008, the Airport Authority paid $8,360.

Using this Financial Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of revenues, expenses and changes in net assets provide information about the Airport Authority' and present a long-term view of the Airport Authority's finances.

A question typically asked about the Airport Authority's finances is "How did we do financially during 2009 and 2008?" These statements report information about the Airport Authority and its activities in a way that helps answer this question. These statements include all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

These two statements report the Airport Authority's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Airport Authority as a whole, the financial position of the Airport Authority has improved or diminished. The reader will need to consider other non-financial factors (e.g. fuel prices, FAA regulations, weather, etc.) in order to access the overall health of the Airport Authority.

The statement of cash flows provides information about how the Airport Authority finances and meets the cash flow needs of its operations.

The notes to the financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Table 1 provides a summary of the Airport Authority's net assets for 2009 and 2008, compared to 2007.

Table 1
Net Assets

	2009	2008	2007 Restated
Assets:			
Current Assets	$ 32,417	$ 382,371	$ 35,590
Depreciable Capital Assets, Net	1,405,180	1,433,692	1,139,553
Non Depreciable Capital Assets	214,100	214,100	214,100
Total Assets	1,651,697	2,030,163	1,389,243
Liabilities:			
Current and Other Liabilities	21,349	369,040	29,868
Long-Term Liabilities	140,511	150,635	159,145
Total Liabilities	161,860	519,675	189,013
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,468,645	1,487,647	1,185,148
Unrestricted	21,192	22,841	15,082
Total Net Assets	$1,489,837	$1,510,488	$1,200,230

Total assets decreased $378,466 from 2008 to 2009 and increased $640,920 from 2007 to 2008. In 2009, this was due to cash paid to vendors for the completion of the construction of a taxiway ramp. In 2008, the Airport Authority had received capital contributions that were to fund the runway resurfacing. These contributions contributed to an increase in cash. In addition, depreciable capital assets increased for the resurfacing of the runway.

Total liabilities decreased $357,815 from 2008 to 2009 and increased $330,662 from 2007 to 2008. The decrease in 2009 and increase in 2008 were the result of contracts payable for amounts owed to Stantec Consulting and Shelly Company for runway resurfacing.

Table 2 shows the changes in net assets for the years ended December 31, 2009 and 2008, as well as revenue and expense comparisons to 2007.

Table 2
Changes in Net Assets

	2009	2008	2007 Restated
Operating Revenues:			
Sales	$60,045	$104,774	$120,471
Grants	32,405	37,000	42,000
Rent	51,905	54,346	7,511
Total Operating Revenues	144,355	196,120	169,982
Operating Expenses:			
Personal Services	30,856	34,676	31,075
Contractual Services	79,277	35,164	61,820
Materials and Supplies	52,696	103,740	64,904
Other Operating Expenses	5,985	11,602	7,516
Depreciation	95,187	54,336	54,336
Total Operating Expenses	264,001	239,518	219,651

Table 2
Changes in Net Assets
(Continued)

	2009	2008	2007 Restated
Non Operating Revenues/Expenses:			
Donations	22,784		
Farm Rental	17,400	17,400	17,400
Interest Expense	(4,380)	(7,587)	(8,774)
Total Non Operating Revenues/Expenses	35,804	9,813	8,626
Excess of Revenues Over Expenses	(83,842)	(33,585)	(41,043)
Capital Contributions	63,191	343,843	241,471
Increase in Net Assets	(20,651)	310,258	200,428
Net Assets Beginning of Year	1,510,488	1,200,230	999,802
Net Assets End of Year	$1,489,837	$1,510,488	$1,200,230

Operating revenues decreased $51,765 from 2009 to 2008 and increased $26,138 from 2008 to 2007. Operating grants consist primarily of grant revenue provided by Van Wert County.

Operating expenses increased due to increases in contractual services for maintenance projects in 2009 and increased in 2008 due to increases in materials and supplies for fuel costs in 2008.

Capital contributions increased in 2008, the Airport Authority received monies from the FAA and City of Van Wert for runway resurfacing. That project was completed in 2009.

Capital Assets and Debt Administration

Capital Assets

Table 3
Capital Assets, Net of Depreciation

	2009	2008	2007 Restated
Land	$ 214,100	$ 214,100	$ 214,100
Buildings	74,048	76,687	79,326
Vehicles	300	600	900
Furniture and Fixtures	109	163	881
Equipment	18,891	21,570	24,249
Fueling System	84,208	87,112	90,016
Rental Plane	45,467	49,600	53,733
Taxiways	1,182,157	1,197,960	890,448
Totals	$1,619,280	$1,647,792	$1,353,653

For 2009 and 2008, additions to capital assets were for runway resurfacing. Funding for this project was provided by the Federal Aviation Administration (FAA).

See Note 5 of the notes to the basic financial statements for more detailed information.

Debt

At December 31, 2009 and 2008, the Airport Authority had three notes outstanding. The Airport Authority owes Van Wert County, as the County issued the notes on behalf of the Airport.

Table 4
Outstanding Debt at Year End

	2009	2008	2007
Airport Hanger #1	$ 24,850	$ 27,850	$ 29,850
Fuel Tank Removal	89,500	93,500	97,500
Airport Hanger #2	36,285	38,795	41,155
Total	$150,635	$160,145	$168,505

The Airport Authority owes $10,680 within one year for 2009 and $9,510 for 2008. The final payment on the debt will be in the year 2020.

See Note 6 of the notes to the basic financial statements for more detailed information.

Current Financial Issues and Concerns

The Airport Authority receives operating grants from Van Wert County. The receipt of these operating grants has helped cover the operating expenses of the airport.

The main source of revenue for the Airport Authority comes from fuel sales and the Airport Authority tries to continue to be competitive in its fuel pricing. A decrease in fuel sales has a significant impact on operations. Raising fuel prices to help cover operating expenses could have a negative impact on sales in the competitive market of today's business environment.

In addition, the Airport Authority continues to receive support from the FAA allowing the airport to continue constructing ramp and taxiway extension. In 2007, the Airport was awarded $24,985 for runway design. In 2008, the Airport was awarded $233,366 for the first phase of runway construction and $135,358 for the second phase. A grant from the City of Van Wert in the amount $22,145 was used for the local matching portion of the runway construction. The Airport Authority will continue to seek support from the FAA for its improvements.

Contacting the Airport Authority

This financial report is designed to provide the citizens, taxpayers, airport users and other interested parties with a general overview of the Airport Authority's finances and to show the Airport Authority's accountability for the monies it receives. If you have any questions about this report or need additional financial information, contact Clair Dudgeon, Van Wert Count Commissioner, 121 East Main Street, Van Wert, Ohio 45891 or email to vwcocomm.dudgeon@bright.net.

REGIONAL AIRPORT AUTHORITY
VAN WERT COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2009 AND 2008

	2009	2008
Assets:		
Current Assets:		
Cash and Cash Equivalents	$29,003	$344,656
Accounts Receivable	3,214	21,762
Material and Supplies Inventory	200	15,953
Total Current Assets	32,417	382,371
Non-current Assets:		
Depreciable Capital Assets, Net	1,405,180	1,433,692
Non Depreciable Capital Assets	214,100	214,100
Total Non-current Assets	1,619,280	1,647,792
Total Assets	1,651,697	2,030,163
Liabilities:		
Current Liabilities:		
Accounts Payable	6,396	26,123
Contracts Payable		324,600
Sales Tax Payable	71	124
Payroll Taxes Payable	1,519	4,018
Accrued Wages Payable	736	655
Unearned Revenues	595	2,597
Accrued Interest Payable	1,352	1,413
Current Portion of Notes Payable	10,680	9,510
Total Current Liabilities	21,349	369,040
Non-current Liabilities:		
Compensated Absences Payable	556	
Notes Payable	139,955	150,635
Total Non-current Liabilities	140,511	150,635
Total Liabilities	161,860	519,675
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,468,645	1,487,647
Unrestricted	21,192	22,841
Total Net Assets	$1,489,837	$1,510,488

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

REGIONAL AIRPORT AUTHORITY
VAN WERT COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Operating Revenues:		
Rent	$51,905	$54,346
Sales	60,045	104,774
Grants	32,405	37,000
Total Operating Revenues	144,355	196,120
Operating Expenses:		
Personal Services	30,856	34,676
Contractual Services	79,277	35,164
Materials and Supplies	52,696	103,740
Other Operating Expenses	5,985	11,602
Depreciation	95,187	54,336
Total Operating Expenses	264,001	239,518
Operating Loss	(119,646)	(43,398)
Non-operating Expenses:		
Donations	22,784	
Farm Rental Income	17,400	17,400
Interest and Fiscal Charges	(4,380)	(7,587)
Total Non-operating Revenues/Expenses	35,804	9,813
Loss before Capital Contribtuions	(83,842)	(33,585)
Capital Contributions	63,191	343,843
Change in Net Assets	(20,651)	310,258
Net Assets Beginning of Year (2008 Restated Note 13)	1,510,488	1,200,230
Net Assets End of Year	$1,489,837	$1,510,488

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

REGIONAL AIRPORT AUTHORITY
VAN WERT COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Cash Flows from Operating Activities:		
Cash Received from Customers	$76,328	$94,903
Cash Received for Rent	51,573	49,397
Cash Received for Operating Grants	33,000	53,000
Cash Payments for Employee Services and Benefits	(32,718)	(34,129)
Cash Payments to Suppliers for Goods and Services	(142,942)	(151,574)
Net Cash Provided by Operating Activities	(14,759)	11,597
Cash Flows from Capital and Related Financing Activities:		
Prinicpal Paid on Loan Payable	(9,510)	(8,360)
Interest Paid on Loan Payable	(4,441)	(7,819)
Capital Contributions	63,191	343,843
Acquisition of Capital Assets	(390,318)	(23,875)
Net Cash Used for Capital and Related Financing Activities	(341,078)	303,789
Cash Flows from Non-capital Financing Activities		
Farm Rental Income	17,400	17,400
Donations	22,784	
Net Cash Provided by Non-capital Financing Activities	40,184	17,400
Net Decrease in Cash and Cash Equivalents	(315,653)	332,786
Cash and Cash Equivalents Beginning of Year	344,656	11,870
Cash and Cash Equivalents End of Year	29,003	344,656
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss	(119,646)	(43,398)
Adjustments:		
Depreciation	95,187	54,336
(Increase)/Decrease in Assets:		
(Increase)/Decrease in Accounts Receivable	18,548	(12,136)
Increase In Material and Supplies Inventory	15,753	(1,859)
Increase/(Decrease) in Liabilities:		
Increase/(Decrease) in Accounts Payable	(19,727)	22,218
Increase/(Decrease) in Contracts Payable	(957)	(5,286)
Increase/(Decrease) in Sales Tax Payable	(53)	(141)
Increase/(Decrease) in Payroll Taxes Payable	(2,499)	692
Increase in Compensated Absences	556	
Increase in Accrued Wages Payable	81	(145)
Increase/(Decrease) in Unearned Revenues	(2,002)	(2,684)
Net Cash Provided by Operating Activities	($14,759)	$11,597

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

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1. DESCRIPTION OF ENTITY

The Van Wert County Regional Airport Authority, (the Airport Authority), is organized in accordance with Chapter 308 of the Ohio Revised Code. The Airport Authority is operated by a board of not less than five nor more than seven members, one named in January of the even year by the City of Van Wert, one County Commissioner named in January of the odd year and all others, currently four members, appointed by the Van Wert County Commissioners for a term of four years, one being named each year, with their term beginning in January. The Van Wert City member and the Commissioner member will each serve a two year term on the Board.

The Airport Authority was established in 1974 and is responsible for administering and maintaining the Van Wert County Airport. Services provided by the Airport Authority include rental space of 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.

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 Airport Authority are accounted for using proprietary fund accounting in accordance with GASB Statement Number 20 *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting".* The Airport 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. Basis of Presentation

The Airport Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

The Airport Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal accounting entity with a self balancing set of accounts. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Accounting System

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

C. Measurement Focus

The accounting and financial reporting treatment is determined by measurement focus. Proprietary accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Airport Authority finances and meets the cash flow needs of its enterprise activity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The Airport Authority uses the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled service charges are recognized as revenue at year end.

On the accrual basis, revenue is recorded on exchange transactions when the exchange takes place. Non-exchange transactions, in which the Airport Authority receives value without directly giving equal value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements may include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Airport Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the airport on a reimbursement basis.

Deferred (Unearned) revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants received before eligibility requirements are met are also recorded as deferred revenue. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

E. Cash and Cash Equivalents

The Airport Authority maintains a depository account. All funds of the Airport Authority are maintained in this account. This depository account is presented in the statement of net assets as "Cash and Cash Equivalents”. The Airport Authority has no investments. Investment procedures are restricted by the provisions of the Ohio Revised Code.

F. Receivables and Payables

Receivables and payables to be recorded on the Airport Authority's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation’s, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

G. Material and Supplies Inventory

Inventory consists of two types of aviation fuel for sale to customers and is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when sold or used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets utilized by the Airport Authority are reported on the statement of net assets. 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 capital assets is on a straight line basis over the estimated useful lives (four to forty years) of the respective assets. The Airport Authority maintains a capitalization threshold of $1,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

I. Contributions of Capital

Contributions of capital arise from grants or outside contributions of resources restricted to capital acquisition and construction.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the financial statements.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Airport Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Airport Authority applies restricted resources when an expense is incurred or purposes for which both restricted and unrestricted net assets are available. The Airport Authority did not have any restricted net assets in either 2009 or 2008.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Airport Authority, these revenues are charges for services for the use of the airport and the sale of fuel. Operating expenses are the necessary costs incurred to provide the services that are the primary activity. All revenue and expenses not meeting these definitions are reported as nonoperating.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. EQUITY IN CASH

Cash on Hand - At December 31, 2009 and 2008, the Airport Authority had $93 and $72, respectively in undeposited cash on hand which is included on the Statement of Net Assets.

Deposits - At December 31, 2009 and 2008, the carrying amounts of the Airport Authority's deposits were $28,910 and $344,584, respectively. The bank balances were $28,910 and $323,726 on December 31, 2009 and 2008 respectively.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Airport Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2009, the Airport Authority's bank balance was not exposed to custodial credit risk because it was covered under federal depository insurance. At December 31, 2008, $73,726 of deposits were not insured or collateralized.

4. RECEIVABLES

As of December 31, 2009 and 2008, the accounts receivable balance consisted of balances due from customers for the sale of fuel and rental of hangar space.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

Governmental Assets:	Restated Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Capital Assets, not being depreciated				
Land	$ 214,100			$ 214,100
Capital Assets, being depreciated				
Buildings	105,575			105,575
Vehicles	1,500			1,500
Furniture and Fixtures	3,035			3,035
Equipment	43,000			43,000
Fueling System	116,150			116,150
Rental Plane	62,000			62,000
Taxiways	1,024,074	$348,475		1,372,549
Total Capital Assets, being depreciated	1,355,334	348,475		1,703,809
Less: Accumulated Depreciation				
Buildings	(26,249)	(2,639)		(28,888)
Vehicles	(600)	(300)		(900)
Furniture and Fixtures	(2,154)	(718)		(2,872)
Equipment	(18,751)	(2,679)		(21,430)
Fueling System	(26,134)	(2,904)		(29,038)
Rental Plane	(8,267)	(4,133)		(12,400)
Taxiways	(133,626)	(40,963)		(174,589)
Total Accumulated Depreciation	(215,781)	(54,336)		(270,117)
Total Capital Assets, being depreciated, net	1,139,553	294,139		1,433,692
Governmental Activities Capital Assets, Net	$1,353,653	$294,139	$0	$1,647,792

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2009, was as follows:

Governmental Assets:	**Balance 12/31/2008**	**Additions**	**Deletions**	**Balance 12/31/2009**
Capital Assets, not being depreciated				
Land	$ 214,100			$ 214,100
Capital Assets, being depreciated:				
Land Improvements				
Buildings	105,575			105,575
Vehicles	1,500			1,500
Furniture and Fixtures	3,035			3,035
Equipment	43,000			43,000
Fueling System	116,150			116,150
Rental Plane	62,000			62,000
Taxiways	1,372,549	$66,675		1,439,224
Total Capital Assets, being depreciated	1,703,809	66,675		1,770,484
Less: Accumulated Depreciation				
Land Improvements				
Buildings	(28,888)	(2,639)		(31,527)
Vehicles	(900)	(300)		(1,200)
Furniture and Fixtures	(2,872)	(54)		(2,926)
Equipment	(21,430)	(2,679)		(24,109)
Fueling System	(29,038)	(2,904)		(31,942)
Rental Plane	(12,400)	(4,133)		(16,533)
Taxiways	(174,589)	(82,478)		(257,067)
Total Accumulated Depreciation	(270,117)	(95,187)		(365,304)
Total Capital Assets, being depreciated, net	1,433,692	(28,512)		1,405,180
Governmental Activities Capital Assets, Net	$1,647,792	($28,512)	$0	$1,619,280

6. DEBT

A summary of notes payable transactions for the Airport Authority for the year ended December 31, 2008, follows:

	Interest Rate	**Balance at December 31, 2007**	**Increase**	**Decrease**	**Balance at December 31, 2008**	**Due In One Year**
Airport Hangar #1	4.64%	$ 29,850		$2,000	$ 27,850	$3,000
Fuel Tank Removal	5.69%	97,500		4,000	93,500	4,000
Airport Hangar #2	4.12%	41,155		2,360	38,795	2,510
Total Notes Payable		$168,505	$0	$8,360	$160,145	$9,510

A summary of notes payable transactions for the Airport Authority for the year ended December 31, 2009, follows:

6. DEBT (Continued)

	Interest Rate	Balance at December 31, 2008	Increase	Decrease	Balance at December 31, 2009	Due In One Year
Airport Hangar #1	4.64%	$ 27,850		$3,000	$ 24,850	$ 3,000
Fuel Tank Removal	4.54%	93,500		4,000	89,500	5,000
Airport Hangar #2	4.39%	38,795		2,510	36,285	2,680
Total Notes Payable		$160,145	$0	$9,510	$150,635	$10,680

The interest rates on the airport notes are adjusted annually on the date that the annual payment is due. The adjusted rate is the prime rate multiplied by 65 percent except for the Hangar #1 note which is adjusted annually to 85 percent of the lowest rate for a 1 year Treasury Strip from the *Wall Street Journal*. The interest rate shall never exceed the lesser of 12 percent or the maximum interest rate permitted by law.

Airport Hanger Note #1 - Terms on the note due to Van Wert County call for a total of 20 annual payments starting on August 1, 1997, at varying amounts based on the interest rate and principal due at that time. The original amount of the note was $49,850.

Fuel Tank Note - Terms on the note due to Van Wert County call for twenty annual payments starting on August 2, 2001, at varying amounts based on the interest rate and principal due at that time. The original amount of the note was $108,000.

Airport Hanger Note #2 - Terms on the note due to Van Wert County call for a total of 20 annual payments starting on October 1, 2001, at varying amounts based on the interest rate and principal due at that time. The original amount of the note was $55,390.

Principal and interest requirements to retire the Airport's long-term obligations outstanding at December 31, 2009, were as follows:

Year	Principal	Interest
2010	$ 10,680	$ 5,141
2011	11,850	4,739
2012	12,040	4,305
2013	13,250	3,861
2014	15,440	3,383
2015-2019	87,240	8,421
2020	135	8
Totals	$150,635	$29,858

7. LEASES

The land and buildings of the Airport Authority are owned by the City of Van Wert. The Airport Authority leases three parcels of land from the City of Van Wert:

Parcel # 12-0334452.5500 containing 99.3120 acres and having nine structures, two of which have been erected by the Airport Authority and listed as assets owned by the Airport Authority, with the remaining seven being used or rented out by the Airport Authority in their operations for generating income.

Parcel # 12-0334452.5600 containing 40.1830 acres, and Parcel # 12-030892.0000 containing 3.4 acres and is located in the landing clear zone. These assets are the property of the City of Van Wert and are not the property of the Airport Authority. The Airport Authority leases these assets for the sum of $1.00 per year.

8. DEFINED BENEFIT PENSION PLAN

Plan Description – The Airport Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions, plus any investment earnings. 3.) The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members contributed 10 percent. A portion of the employer's contribution to OPERS is set aside to fund post retirement health care benefits. The Airport Authority's contribution rate was 14 percent, of which 7 percent was used to fund pension benefits and 7 percent was used to fund health care for the year 2008 and from January 1 to March 31, 2009. From April 1 to December 31, 2009, 8.5 percent was used to fund pension benefits and 5.5 percent was used to fund health care. Employer contribution rates are actuarially determined. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent.

The Airport Authority's required contributions for pension obligations to the traditional plan for the years ended December 31, 2009, 2008, and 2007 were $2,233, $2,379, and $1,913, respectively; 86 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

9. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage, commonly referred to as OPEB (other postemployment benefits). OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD) and the Combined Plan (CP), all of which are described in Note 8.

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Tradition Pension and the Combined Plans. Members of the member-directed plan do not qualify for ancillary benefits. In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available.

9. POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The Ohio Revised Code provides statutory authority for employer contributions.

The Airport Authority's contribution rate was 14 percent, of which 7 percent was used to fund the pension benefits and 7 percent was used to fund health care for the year 2008 and from January 1 to March 31, 2009. From April 1 to December 31, 2009, 8.5 percent was used to fund pension benefits and 5.5 percent was used to fund health care.

The Airport Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were $1,480, $2,379, and $1,226, respectively; 86 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

10. OTHER EMPLOYEE BENEFIT

Full time employees of the Airport Authority earn vacation, after completion of one full year of service. Employees earn eighty hours of vacation leave pro rata over twenty-six bi-weekly pays at 3.1 hours. An employee with at least one year of service is entitled to payment for any earned but unused vacation up to but not more than two years accumulated hours. Accumulated, unused vacation is paid upon separation if the employee has at least one year of service with the Airport Authority.

11. RISK MANAGEMENT

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

- Hangar keeper's liability
- General liability on the premises
- Inland marine coverage
- Vehicles

Van Wert County Commissioners provide property coverage for the buildings and structures of the Airport Authority by including these in the County's property coverage policy.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from the last fiscal year.

12. PRIOR PERIOD ADJUSTMENT

A trainer plane was not included in the December 31, 2007 capital assets; therefore, capital assets were understated. Book value of the asset at December 31, 2007, was $53,733. Net assets at December 31, 2007, were increased $53,733, from $1,146,497 to $1,200,230.

13. RELATED PARTIES

The Authority allows Miller Aviation to store bulk fuel in Authority storage tanks with an allowance to the Authority to sell Miller Aviation fuel to other customers at cost plus mark-up; in return, Miller Aviation pays a $.07 storage fee on each gallon of fuel they use.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Regional Airport Authority
Van Wert County
114 East Main Street, Suite 200
Van Wert, Ohio 45891

To the Board of Trustees:

We have audited the financial statements of the Regional Airport Authority, Van Wert County, (the Airport Authority) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 13, 2010, wherein we qualified our opinion because we were unable to obtain sufficient evidential matter supporting the amounts reported as material and supplies inventory for the years ended December 31, 2009 and 2008. 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 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 Airport Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Airport 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies..

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 findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be material weaknesses.

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. We consider findings 2009-003 and 2009-004 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Airport 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 did note certain matters not requiring inclusion in this report that we reported to the Airport Authority's management in a separate letter dated May 13, 2010.

The Airport Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Airport Authority's responses and, accordingly, we express no opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 13, 2010

REGIONAL AIRPORT AUTHORITY
VAN WERT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING 2009-001

Material Weakness - Materials and Supplies Inventory Records

Source documentation was not maintained for the amount reported as materials and supplies inventory which consisted mainly of aviation fuel. The material and supplies inventory was reported at $200 and $15,953 for the years 2009 and 2008, respectively. In addition, there was no evidence that a physical inventory was taken of the amount of fuel on hand, at any given point in time or at either December 31, 2009 or 2008 year-end.

The lack of documentation for the material and supplies inventory including a physical inventory on hand by month, gallons purchased and sales could result in errors in the financial statements and/or irregularities that go undetected. The lack of a substantiated inventory of materials and supplies resulted in the qualification of the opinion for the years ended December 31, 2009 and 2008, and has resulted in the inability to determine the fair presentation of this asset on the current financial statements.

To help ensure the accuracy of the financial statements, policies and procedures should be developed for the maintenance of source documentation for material and supplies inventory. The policy should address procedures for the maintenance of an inventory tracking system which should include the method to measure the fuel purchased, fuel used and remaining fuel on hand at given points in time.

Officials Response:

The Airport Authority Board has enlisted CPA Mr. Sealscott to help set up proper procedures using Quick Books. When the procedures are finalized the Board and the Airport Manager will put into writing final procedures and a written policy for this area.

FINDING 2009-002

Material Weakness -– Aviation Fuel Sales

The small size of the Airport Authority's operations does not allow for an adequate segregation of duties for the collection of fuel sales. Since fuel sales represented $50,139 and $99,849, or 35 and 51 percent of current operating revenues for 2009 and 2008, respectively, it is important that the Airport Authority Board adopt policies and procedures for the proper monitoring and reporting of fuel sale activity. The following weaknesses were noted in the monitoring and recording of fuel sales:

- There was no evidence that the Board approved the fuel sale prices or method in which fuel sale prices were to be determined;
- There was no evidence that the Board authorized or approved a policy regarding discounts to be allowed on fuel sales at the discretion of the Airport Manager. The receipts for sales in which a discount was allowed did not contain the reason for discount or the discount amount;
- Sales receipts were generated in the system for each cash or credit card sales, however, not all the receipts indicated the customer name and duplicate receipts were not issued;
- Sales invoices were produced that covered multiple fuel sales over a period of several months, and the sales on these invoices were dated with the invoice date resulting in difficulties when agreeing the amounts to the fuel sales log for verification of proper reporting.

FINDING 2009-002
(Continued)

- Since there was no inventory maintained on the aviation fuel, the Board could not perform a comparison of the cost versus sales and/or inventory versus gallons sold to determine the reasonableness of the revenue amount collected as a monitoring procedure.

- There was no evidence that the Board approved an official agreement with a company for the company's pre-purchase of aviation fuel on behalf of the Airport Authority and storage of the fuel in the airport tank, or had established procedures regarding accountability for the storage and sales activity under this verbal agreement.

Control deficiencies exist due to the lack of Board control over the approval of rates and discounts, required detailed documentation for cash fuel sales, and the maintenance of an inventory of aviation fuel in order to make comparisons of cost and inventory versus sales. These deficiencies could result in fuel sales going unreported or underpaid resulting in loss of revenues and in the possibility of diversion of cash to personal use without detection. The lack of an official agreement with the company that establishes the responsibilities and the monetary requirements from each party in regard to the purchase, storage and sale of the aviation fuel could lead to misunderstandings.

These control deficiencies could result in the material misstatement of revenues and the accounts receivable related to fuel sales for financial statement presentation of the Airport Authority.

To establish appropriate controls over aviation fuel sales, the Board should consider the following:

- The Board should approve or set policies regarding fuel rates and the method in which they are determined;

- The Board should establish procedures for discounts, the amounts allowed, when they are allowed and for what reasons;

- Documentation should be required on all sales receipts or other form indicating the customer name, number of gallons sold, price per gallon, discounts allowed and the reason, amount due and the amount paid, and be prepared for each cash fuel sale;

- The billing invoices prepared should include the date of each sale;

- The Board should monitor the number of gallons sold to amounts invoiced, discounts given and amount paid. In addition, a periodic inventory should be maintained and the Board should perform monitoring procedures over fuel purchases and inventory versus sales using actual inventory amounts to support the fuel sales revenue received;

- The Board should enter into an official agreement with company that is purchasing the aviation fuel, on behalf of the Airport Authority, that would outline the details of the agreement and the responsibilities of each party. The Board should consult with legal counsel regarding the preparation of the agreement to cover any legalities or liabilities that might arise. The Board should approve all contracts or agreements by Board resolution, and establish procedures to monitor and account for the implementation of the agreement.

Officials Response:

The area of fuel sales has several parts that need to be improved. The airport board will work on establishing a signed contract with Miller Fuel. In addition we will set up written guide lines with the airport manager pertaining to price and discount. In the area of inventory and accounting we will again use Mr. Sealscott to help us with proper procedures using the Quick Books program.

FINDING 2009-003

Significant Deficiency - Hanger Rental

The Airport Authority did not obtain lease agreements on 24 percent of the hanger rent collected in 2009 and 27 percent of the hanger rent collected in 2008. In addition, there was no documentation available indicating the Board's approval of the monthly rates to be charged for each hanger.

The lack of approved leases on file indicating the applicable rate to be charged, and evidence of Board approval of the rental rates could result in collections of inaccurate amounts resulting in possible loss of revenue, potential misstatements of the financial statements, and rates charged which were not in accordance with the intentions of the Board, and potential misstatement of revenues and accounts receivable related to hanger rental for financial statement presentation of the Airport Authority.

The Airport Authority Board should implement procedures that require all lease agreements for hangers to be in writing and that the hanger lease rates are approved by the Board. The actual lease agreements should be updated when there is a change in the amount of rent charged. A copy of the lease should be maintained on file.

Officials Response:

The Airport Authority Board has enlisted CPA Mr. Sealscott to help set up proper procedures using Quick Books. When the procedures are finalized the Board and the Airport Manager will put into writing final procedures and a written policy for this area.

FINDING 2009-004

Significant Deficiency - Airplane Rental

The Airport Authority did not have documentation available indicating the Board's approval of the rates charged for introductory flights and the Board had not approved the airplane rental rate changes made in May of 2008, which covered collections from May of 2008 through 2009. Airplane rental revenues were $12,049 and $14,463 which represents 8.4 and 7.4 percent of operating revenues for the years 2009 and 2008, respectively.

The lack of Board approval of the introductory flight and airplane rental rates could result in inconsistent collections of rent amounts, amounts charged that may not be in accordance with the intentions of the Board, and potential misstatement of revenues related to the airplane rentals for financial statement presentation of the Airport Authority.

The Airport Authority Board should implement procedures that require all rates for introductory flights and airplane rental to be approved by Board resolution before charged. The Board should then monitor that the rates charged and recorded by the Airport Manager are in agreement with the rates authorized by the Board.

Officials Response:

The Airport Authority Board has enlisted CPA Mr. Sealscott to help set up proper procedures using Quick Books. When the procedures are finalized the Board and the Airport Manager will put into writing final procedures and a written policy for this area.

REGIONAL AIRPORT AUTHORITY
VAN WERT 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; ***Explain***
2007-001	Material Weakness – Destruction of Records	Yes	
2007-002	Noncompliance – Contract Estimates	Yes	
2007-003	Material Weakness – Financial Reporting	No	Reported in a separate letter to management of the Airport.
2007-004	Material Weakness – Materials and Supplies Inventory	No	See Finding Number 2009-001
2007-005	Significant Deficiency – Hanger Rental	No	See Finding Number 2009-003
2007-006	Material Weakness – Aviation Fuel Sales	No	See Finding Number 2009-002

Mary Taylor, CPA
Auditor of State

REGIONAL AIRPORT AUTHORITY

VAN WERT 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
JUNE 29, 2010

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