



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

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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 general-purpose financial statements of the Airport Authority, Auglaize County, (the Authority), as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2001 and 2000, and the results of its operations 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 30, 2002, 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.

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Jim Petro
Auditor of State

May 30, 2002

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**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**BALANCE SHEET
AS OF DECEMBER 31, 2001 AND 2000**

	2001	2000
Current Assets:		
Cash	\$48,637	\$87,157
Accounts Receivable	3,689	2,184
Fuel Inventory	14,155	14,855
Total Current Assets	66,481	104,196
Fixed Assets:		
Furniture and Equipment	365,628	355,447
Less: Accumulated Depreciation	(264,861)	(232,551)
Total Fixed Assets	100,767	122,896
Total Assets	167,248	227,092
Current Liabilities:		
Accounts Payable	5,300	12,492
Deferred Hanger Revenue	17,245	26,845
Capitalized Lease Payable	14,579	29,610
Total Liabilities	37,124	68,947
Fund Equity and Other Credits:		
Retained Earnings	120,657	145,393
Contributed Capital	9,467	12,752
Total Fund Equity and Other Credits	130,124	158,145
Total Liabilities, Fund Equity and Other Credits	\$167,248	\$227,092

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

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
Operating Revenues:		
Charges for Services	\$138,176	\$165,292
Intergovernmental Revenue	22,500	22,500
Other	215	1,675
Total Operating Revenues	160,891	189,467
Operating Expenses:		
Contract Services	78,215	87,296
Materials and Supplies	73,512	83,194
Interest Expense	1,344	2,427
Other	4,835	5,252
Depreciation	35,680	34,861
Total Operating Expenses	193,586	213,030
Operating Income (Loss)	(32,695)	(23,563)
Non-Operating Revenues (Expenses):		
Investment Income	780	3,067
Donations	3,000	3,000
Other Non-Operating Revenues	8,079	9,873
Other Non-Operating Expenses	(5,500)	(35,149)
Total Non-Operating Revenues (Expenses)	6,359	(19,209)
Net Income (Loss)	(26,336)	(42,772)
Depreciation on Fixed Asset Acquired by Contributed Capital	1,600	2,611
Retained Earnings - Beginning of Year	145,393	185,554
Retained Earnings - End of Year	120,657	145,393
Contributed Capital Beginning of Year	12,752	15,363
Disposal of Assets	(1,685)	
Depreciation on Fixed Asset Acquired by Contributed Capital	(1,600)	(2,611)
Contributed Capital - End of Year	9,467	12,752
Total Fund Equity - End of Year	\$130,124	\$158,145

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

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
Cash Flows from Operating Activities:		
Cash Received from Customers	\$127,287	\$169,434
Cash Payments to Suppliers for Goods and Services	(164,398)	(172,947)
Other Operating Revenues	<u>22,500</u>	<u>22,500</u>
Net Cash Used for Operating Activities	(14,611)	18,987
 Cash Flows from Noncapital Financing Activities:		
Miscellaneous Non-Operating Revenue	<u>11,079</u>	<u>12,873</u>
Net Cash Provided by Noncapital Financing Activities	11,079	12,873
 Cash Flows from Capital and Related Financing Activities:		
Capital Lease Payments	(15,031)	(15,312)
Master Plan Expenses	(5,500)	(11,286)
Acquisition of Capital Assets	<u>(15,237)</u>	<u>(37,012)</u>
Net Cash (Used) for Capital Financing Activities	(35,768)	(63,610)
 Cash Flows from Investing Activities:		
Cash Received from Interest	<u>780</u>	<u>3,067</u>
Net Cash Provided by Investing Activities	780	3,067
 Net Increase (Decrease) in Cash	(38,520)	(28,683)
 Cash at Beginning of Year	<u>87,157</u>	<u>115,840</u>
 Cash at End of Year	<u><u>48,637</u></u>	<u><u>87,157</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:		
Operating Loss	(32,695)	(23,563)
 Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation	35,680	34,861
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,504)	2,707
Increase (Decrease) in Accounts Payable	(7,192)	8,122
Increase (Decrease) in Inventory	700	(2,900)
(Decrease) in Deferred Hanger Revenue	<u>(9,600)</u>	<u>(240)</u>
 Net Cash Used for Operating Activities	<u><u>(\$14,611)</u></u>	<u><u>\$18,987</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, 2001 AND 2000**

1. DESCRIPTION OF THE ENTITY

The Airport Authority, Auglaize County, (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 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 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.

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 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, 2001 AND 2000
(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, and is presented as "Cash" on the balance sheet. During fiscal years 2001 and 2000, the Authority invested in interest bearing checking accounts.

D. Budgetary Process

The Authority prepares an annual budget. A summary of 2000 budgetary activity appears in Note 3. Expenditures are presented net of depreciation.

E. 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.

F. Inventory

Inventory consists of aviation fuel and oil 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 as used.

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2000 follows. A budget was not adopted for the year ending December 31, 2001.

2000 Budget vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
<u>\$113,260</u>	<u>\$205,407</u>	<u>\$92,147</u>
2000 Budget vs. Actual Expenditures		
Budgeted Expenditures	Actual Expenditures	Variance
<u>\$170,800</u>	<u>\$213,318</u>	<u>\$(42,518)</u>

4. EQUITY IN POOLED CASH

Cash on Hand: At December 31, 2001 and 2000, the Authority had \$100 in undeposited cash on hand which is included on the Balance Sheet as part of "Cash."

Deposits: At December 31, 2001, the carrying amount of the Authority's deposits was \$48,537 and the bank balance was \$56,862, and on December 31, 2000, the carrying amount of the Authority's deposits was \$87,057 and the bank balance was \$87,057. For both years, the bank balance was covered by federal depository insurance.

**AIRPORT AUTHORITY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. RECEIVABLES

Receivables, at December 31, 2001 and 2000, consisted of accounts for the rental of hanger space, display cases, and fuel sales.

6. FIXED ASSETS

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

	2001	2000
Equipment	\$365,628	\$355,447
Less Accumulated Depreciation	<u>(264,861)</u>	<u>(232,551)</u>
Net Fixed Assets	<u>\$100,767</u>	<u>\$122,896</u>

7. RISK MANAGEMENT

The Authority has obtained commercial insurance through XL Specialty Group for coverage on hangar keeper's liability insurance in the amount of \$1,000,000; operations and products liability insurance in the amount of \$1,000,000; 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. Auglaize County Commissioners provide property coverage for the buildings and structures of the Airport Authority by including these in the County's property coverage policy.

8. CAPITALIZED LEASE

During fiscal year 1999, the Authority entered into a capitalized lease for a tractor that 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 \$44,921 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded. The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of December 31, 2001.

Fiscal Year Ending December 31,	
2002	\$15,012
Less: amount representing interest	<u>(433)</u>
Present value of minimum lease payments	<u><u>\$14,579</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, 2001 and December 31, 2000, and have issued our report thereon dated May 30, 2002. 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 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 certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated May 30, 2002.

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 30, 2002.

Airport Authority
Auglaize County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the audit committee, management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

May 30, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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AUGLAIZE COUNTY AIRPORT AUTHORITY

AUGLAIZE 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
JULY 2, 2002**