



Dave Yost • Auditor of State



REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY

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# Dave Yost • 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, 2011 and 2010, 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.

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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Regional Airport Authority, Van Wert County, Ohio, as of December 31, 2011 and 2010, and the respective changes in financial position and cash flows, thereof 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 September 18, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

September 18, 2012

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(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, 2011 and 2010. 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 are as follows:

- Total net assets decreased \$59,182 for 2011 and \$17,653 for 2010. The decrease for 2011 and 2010 was a result of depreciation of capital assets.
- During 2011 and 2010, the Airport Authority received \$6,048 and \$65,694, respectively, in capital contributions. The 2011 capital contributions were for burying above ground telephone lines and for taxiway design and Runway End Identifier Lights (REILs). The 2010 contributions from the FAA were for the Runway End Identifier Lights (REILs).
- During 2011 and 2010, the Airport Authority paid \$11,850 and \$10,680, respectively, on its long-term loans.

**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 the fiscal year?" 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 assess 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.

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(UNAUDITED)  
(Continued)**

Table 1 provides a summary of the Airport Authority's net assets for 2011, compared to 2010 and 2009.

**Table 1  
Net Assets**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Assets:</b>			
Current Assets	\$ 48,727	\$ 33,872	\$ 32,417
Depreciable Capital Assets, Net	1,269,371	1,365,504	1,405,180
Non Depreciable Capital Assets	228,633	222,940	214,100
<b>Total Assets</b>	<b>1,546,731</b>	<b>1,622,316</b>	<b>1,651,697</b>
<b>Liabilities:</b>			
Current and Other Liabilities	17,184	21,603	21,349
Long-Term Liabilities	116,545	128,529	140,511
<b>Total Liabilities</b>	<b>133,729</b>	<b>150,132</b>	<b>161,860</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	1,369,899	1,448,489	1,468,645
Unrestricted	43,103	23,695	21,192
<b>Total Net Assets</b>	<b>\$1,413,002</b>	<b>\$1,472,184</b>	<b>\$1,489,837</b>

Total assets decreased \$75,585 from 2010 to 2011 and \$29,381 from 2009 to 2010. Capital assets decreased as depreciation exceed capital asset additions.

Total liabilities decreased \$16,403 from 2010 to 2011 and \$11,728 from 2009 to 2010 as the Airport Authority continued to pay down its long-term loans.

Table 2 shows the changes in net assets for the year ended December 31, 2011, as well as revenue and expense comparisons to 2010 and 2009.

**Table 2  
Changes in Net Assets**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Operating Revenues:</b>			
Charges for Services	\$ 206,949	\$ 119,386	\$ 111,950
Grants and Donations	34,195	17,774	55,189
Other Revenues	200		
<b>Total Revenues</b>	<b>241,344</b>	<b>137,160</b>	<b>167,139</b>
<b>Operating Expenses:</b>			
Personal Services	34,534	31,819	30,856
Contractual Services	47,340	40,464	79,277
Materials and Supplies	140,178	56,658	52,696
Other Operating Expenses	5,443	13,640	5,985
Depreciation	96,133	95,187	95,187
<b>Total Operating Expenses</b>	<b>323,628</b>	<b>237,768</b>	<b>264,001</b>
<b>Non-Operating Expenses</b>			
Farm Rental	20,244	20,244	17,400
Interest Expense	(3,190)	(2,983)	(4,380)
<b>Total Non-Operating Expenses</b>	<b>17,054</b>	<b>17,261</b>	<b>13,020</b>
Capital Contributions	6,048	65,694	63,191
<b>Increase (Decrease) in Net Assets</b>	<b>(59,182)</b>	<b>(17,653)</b>	<b>(20,651)</b>
<b>Net Assets Beginning of Year</b>	<b>1,472,184</b>	<b>1,489,837</b>	<b>1,510,488</b>
<b>Net Assets End of Year</b>	<b>\$1,413,002</b>	<b>\$1,472,184</b>	<b>\$1,489,837</b>

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(UNAUDITED)  
(Continued)**

Operating revenues increased \$104,184 from 2010 to 2011. Charges for services increased as a result of larger fuel sales. Operating grants consist primarily of grant revenue provided by Van Wert County and the City of Van Wert. During 2011, the Airport Authority received \$1,000 from First Federal Bank for the Airport's Wheels-N-Wings event. In addition, the Airport Authority was awarded a \$5,000 grant from GKN in 2011.

Operating revenues decreased \$29,979 from 2009 to 2010. During 2009, the Airport Authority received additional grant monies from various sources for a painting project.

Operating expenses increased in 2011 due to the purchase of more fuel. Personal services increased as employees received a 3% pay increase for 2011.

Operating expenses decreased from 2009 to 2010. Beginning in 2010, the runway lights are no longer on the entire night. This was estimated to reduce the electric bill approximately \$200 per month. In 2009, a painting project took place causing expenses to be higher.

Capital contributions for 2009, 2010 and 2011 consisted of monies from the FAA and the City of Van Wert for runway resurfacing, for the REILs, for burying above ground telephone lines and for taxiway design.

**Capital Assets and Debt Administration**

**Capital Assets**

**Table 3  
Capital Assets, Net of Depreciation**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 214,100	\$ 214,100	\$ 214,100
Construction in Progress	14,533	8,840	
Buildings	68,770	71,409	74,048
Vehicles			300
Furniture and Fixtures	2	55	109
Equipment	14,507	16,212	18,891
Fueling System	78,400	81,304	84,208
Rental Plane	37,200	41,334	45,467
Taxiways	1,070,492	1,155,190	1,182,157
Totals	<u>\$1,498,004</u>	<u>\$1,588,444</u>	<u>\$1,619,280</u>

For 2011, additions to capital assets were for burying the above ground telephone lines. Funding for this project was provided by the FAA and the project is included as construction in progress.

For 2010, additions to capital assets were for REILs. Funding for this project was provided by the FAA. The construction in progress was for the design of plans for a taxiway that is a project planned for 2012.

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

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(UNAUDITED)  
(Continued)**

**Debt**

At December 31, 2011, 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**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Airport Hanger #1	\$ 18,850	\$ 21,850	\$ 24,850
Fuel Tank Removal	78,500	84,500	89,500
Airport Hanger #2	30,755	33,605	36,285
Total	<u>\$128,105</u>	<u>\$139,955</u>	<u>\$150,635</u>

The Airport Authority owes \$12,040 within one year. 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 and the City of Van Wert. 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 extensions. 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. In 2010, the Airport received \$65,694 for the REILs project. In 2011, the Airport received 56,335 for the burying of above ground telephone lines. 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, 114 East Main Street, Suite 200, Van Wert, Ohio 45891 or email to [vwcocomm.dudgeon@bright.net](mailto:vwcocomm.dudgeon@bright.net).

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents and Investments	\$13,669	\$25,186
Accounts Receivable	7,789	4,663
Due from Other Governments	640	
Material and Supplies Inventory	26,629	4,023
Total Current Assets	48,727	33,872
<b>Non-current Assets:</b>		
Depreciable Capital Assets, Net	1,269,371	1,365,504
Non Depreciable Capital Assets	228,633	222,940
Total Non-current Assets	1,498,004	1,588,444
 Total Assets	 1,546,731	 1,622,316
 <b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	2,914	5,394
Sales Tax Payable	344	434
Payroll Taxes Payable	955	698
Accrued Wages Payable		647
Unearned Revenues	250	1,813
Accrued Interest Payable	681	767
Current Portion of Notes Payable	12,040	11,850
Total Current Liabilities	17,184	21,603
<b>Non-current Liabilities:</b>		
Compensated Absences Payable	480	424
Notes Payable	116,065	128,105
Total Non-current Liabilities	116,545	128,529
 Total Liabilities	 133,729	 150,132
 <b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,369,899	1,448,489
Unrestricted	43,103	23,695
Total Net Assets	\$1,413,002	\$1,472,184

*See accompanying notes to the basic financial statements.*

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY**  
VAN WERT COUNTY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues:</b>		
Sales	\$158,155	\$74,460
Grants and Donations	34,195	17,774
Rent	48,794	44,926
Other	200	
Total Operating Revenues	<u>241,344</u>	<u>137,160</u>
<b>Operating Expenses:</b>		
Personal Services	34,534	31,819
Contractual Services	47,340	40,464
Materials and Supplies	140,178	56,658
Other Operating Expenses	5,443	13,640
Depreciation	96,133	95,187
Total Operating Expenses	<u>323,628</u>	<u>237,768</u>
Operating Loss	<u>(82,284)</u>	<u>(100,608)</u>
<b>Non-operating Revenue/Expense:</b>		
Farm Rental Income	20,244	20,244
Interest and Fiscal Charges	(3,190)	(2,983)
Total Non-operating Revenue/Expense	<u>17,054</u>	<u>17,261</u>
Loss before Capital Contributions	(65,230)	(83,347)
Capital Contributions	<u>6,048</u>	<u>65,694</u>
Change in Net Assets	(59,182)	(17,653)
Net Assets Beginning of Year	<u>1,472,184</u>	<u>1,489,837</u>
Net Assets End of Year	<u><u>\$1,413,002</u></u>	<u><u>\$1,472,184</u></u>

*See accompanying notes to the basic financial statements.*

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
Increase (Decrease) in Cash and Cash Equivalents:		
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$154,866	\$75,536
Cash Received for Rent	47,394	44,214
Cash Received for Operating Grants	34,195	17,179
Cash Received for Other Operating Activities	200	
Cash Payments for Employee Services and Benefits	(34,225)	(32,861)
Cash Payments to Suppliers for Goods and Services	(218,780)	(115,224)
Net Cash Used for Operating Activities	(16,350)	(11,156)
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal Paid on OWDA Loan Payable	(11,850)	(10,680)
Interest Paid on OWDA Loan Payable	(3,276)	(3,568)
Capital Contributions	5,408	65,694
Acquisition of Capital Assets	(5,693)	(64,351)
Net Cash Used for Capital and Related Financing Activities	(15,411)	(12,905)
<b>Cash Flows from Non-capital Financing Activities:</b>		
Farm Rental Income	20,244	20,244
Net Decrease in Cash and Cash Equivalents	(11,517)	(3,817)
Cash and Cash Equivalents Beginning of Year	25,186	29,003
Cash and Cash Equivalents End of Year	13,669	25,186
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>		
Operating Loss	(82,284)	(100,608)
<b>Adjustments:</b>		
Depreciation	96,133	95,187
<b>(Increase)/Decrease in Assets:</b>		
Increase in Accounts Receivable	(3,126)	(1,449)
Increase In Material and Supplies Inventory	(22,606)	(3,823)
<b>Increase/(Decrease) in Liabilities:</b>		
Decrease in Accounts Payable	(2,480)	(1,002)
(Decrease) Increase in Sales Tax Payable	(90)	363
(Decrease) Increase in Payroll Taxes Payable	257	(821)
Decrease in Accrued Wages Payable	(647)	(89)
(Decrease) Increase in Compensated Absences Payable	56	(132)
(Decrease) Increase in Unearned Revenues	(1,563)	1,218
Net Cash Used for Operating Activities	(\$16,350)	(\$11,156)

*See accompanying notes to the basic financial statements.*

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**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2011**

**1. DESCRIPTION OF THE 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 six 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, four at large 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.

The Airport Authority is considered a component unit of Van Wert 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 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.

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 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 combined balance sheet 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, collectability.

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 2011 or 2010.

**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 non-operating.

**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.

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. EQUITY IN CASH**

**Cash on Hand** – At December 31, 2010, the Airport Authority had \$103 in un-deposited cash on hand which is included on the Statement of Net Assets.

**Deposits** – At December 31, 2011, the carrying amounts of the Airport Authority's deposits were \$13,669. The bank balance was \$14,443 on December 31, 2011. The bank balance was covered by federal depository insurance. At December 31, 2010, the carrying amounts of the Airport Authority's deposits were \$25,083. The bank balance was \$27,877 on December 31, 2010. The bank balance was covered by federal depository insurance.

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. For the years ended December 31, 2011 and 2010, the Airport Authority's bank balance was not exposed to custodial credit risk because they were covered under federal depository insurance.

**4. RECEIVABLES**

As of December 31, 2011 and 2010, 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, 2011, was as follows:

	<b>Balance 12/31/2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2011</b>
<b>Governmental Assets</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 214,100			\$ 214,100
Construction in Progress	8,840	\$ 5,693		14,533
Total Capital Assets, not being depreciated	222,940	5,693		228,633
<b>Capital Assets, being depreciated</b>				
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	1,494,735			1,494,735
Total Capital Assets, being depreciated	1,825,995			1,825,995
<b>Less: Accumulated Depreciation</b>				
Buildings	(34,166)	(2,639)		(36,805)
Vehicles	(1,500)			(1,500)
Furniture and Fixtures	(2,980)	(53)		(3,033)
Equipment	(26,788)	(1,705)		(28,493)
Fueling System	(34,846)	(2,904)		(37,750)
Rental Plane	(20,666)	(4,134)		(24,800)
Taxiways	(339,545)	(84,698)		(424,243)
Total Accumulated Depreciation	(460,491)	(96,133)		(556,624)
Total Capital Assets, being depreciated, net	1,365,504	(96,133)		1,269,371
Governmental Activities Capital Assets, net	<u>\$1,588,444</u>	<u>(\$90,440)</u>	<u>\$0</u>	<u>\$1,498,004</u>

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2011  
(Continued)**

**5. CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance 12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2010</u>
<b>Governmental Assets:</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 214,100			\$ 214,100
Construction in Progress		\$ 8,840		8,840
Total Capital Assets, not being depreciated	<u>214,100</u>	<u>8,840</u>		<u>222,940</u>
<b>Capital Assets, being depreciated:</b>				
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	1,439,224	55,511		1,494,735
Total Capital Assets, being depreciated	<u>1,770,484</u>	<u>55,511</u>		<u>1,825,995</u>
<b>Less: Accumulated Depreciation:</b>				
Buildings	(31,527)	(2,639)		(34,166)
Vehicles	(1,200)	(300)		(1,500)
Furniture and Fixtures	(2,926)	(54)		(2,980)
Equipment	(24,109)	(2,679)		(26,788)
Fueling System	(31,942)	(2,904)		(34,846)
Rental Plane	(16,533)	(4,133)		(20,666)
Taxiways	(257,067)	(82,478)		(339,545)
Total Accumulated Depreciation	<u>(365,304)</u>	<u>(95,187)</u>		<u>(460,491)</u>
Total Capital Assets, being depreciated, net	<u>1,405,180</u>	<u>(39,676)</u>		<u>1,365,504</u>
Governmental Activities Capital Assets, net	<u>\$1,619,280</u>	<u>(\$30,836)</u>	<u>\$0</u>	<u>\$1,588,444</u>

**6. DEBT**

A summary of the notes payable transactions for the Authority for the years ended December 31, 2011 and 2010 follows:

	<u>Interest Rate</u>	<u>Balance at 12/31/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2011</u>	<u>Due In One Year</u>
Airport Authority						
Airport Hangar #1	4.64%	\$ 21,850		\$ 3,000	\$ 18,850	\$ 3,000
Fuel Tank Removal	1.79%	84,500		6,000	78,500	6,000
Airport Hangar #2	2.11%	33,605		2,850	30,755	3,040
Total Notes Payable		<u>\$139,955</u>	<u>\$0</u>	<u>\$11,850</u>	<u>\$128,105</u>	<u>\$12,040</u>

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2011  
(Continued)**

**6. DEBT (Continued)**

	<u>Interest Rate</u>	<u>Balance at 12/31/2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/2010</u>	<u>Due In One Year</u>
Airport Authority						
Airport Hangar #1	4.64%	\$ 24,850		\$ 3,000	\$ 21,850	\$ 3,000
Fuel Tank Removal	1.79%	89,500		5,000	84,500	6,000
Airport Hangar #2	2.11%	36,285		2,680	33,605	2,850
Total Notes Payable		<u>\$150,635</u>	<u>\$0</u>	<u>\$10,680</u>	<u>\$139,955</u>	<u>\$11,850</u>

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% except for the Hanger #1 note which is adjusted annually to 85% 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 % 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 five 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, 2011, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 12,040	\$ 2,882
2013	13,250	2,572
2014	15,440	2,235
2015	16,670	1,837
2016	18,760	1,413
2017-2020	51,945	2,043
	<u>\$128,105</u>	<u>\$12,982</u>

**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.

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2011  
(Continued)**

**7. LEASES (Continued)**

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% 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, 2011, members contributed 10%.

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 for 2011 was 14 percent, of which 4 percent was used to fund pension benefits and 10 percent was used to fund health care for the Traditional Plan. For the Combined Plan, 6.05 percent was used to fund pension benefits and 7.95 percent was used to fund health care. Employer contribution rates are actuarially determined for the Traditional Plan. 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, 2011, 2010, and 2009 were \$3,681, \$4,742, and \$2,233, respectively; 90 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

**9. POSTEMPLOYMENT BENEFITS**

**Plan Description** – 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.

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2011  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

**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.

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 for 2011 was 14 percent, of which 4 percent was used to fund pension benefits and 10 percent was used to fund health care for the Traditional Plan. For the Combined Plan, 6.05 percent was used to fund pension benefits and 7.95 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, 2011, 2010, and 2009 were \$1,472, \$2,382, and \$1,480, respectively; 90 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

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.

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2011  
(Continued)**

**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.

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# Dave Yost • Auditor of State

## 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 business-type activities of the Regional Airport Authority, Van Wert County, (the Airport Authority) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 18, 2012. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. 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.

### **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 also noted certain matters not requiring inclusion in this report that we reported to the Airport Authority's management in a separate letter dated September 18, 2012.

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

We intend this report solely for the information and use of management, the Board, and others within the Airport Authority. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

September 18, 2012

**REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

**FINDING NUMBER 2011-01**

**Significant Deficiency – Hanger Rental**

The Airport Authority did not obtain lease agreements on 71 percent of the hanger rent collected in 2011 and 75 percent of the hanger rent collected in 2010. 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 and of Van Wert County for which the Airport Authority is a component unit.

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:**

After reviewing the above finding the airport board has determined the airport manager Tom Dunno will implement all new leases starting in January 2013. The airport board and airport manager will complete a Hanger Rental written procedures and add it to our airport procedure manual.

**REGIONAL AIRPORT AUTHORITY  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009 - 001	Material Weakness - Materials and Supplies Inventory Records	Yes	
2009 - 002	Material Weakness -Aviation Fuel Sales	No	Partially Corrected, see Management Letter
2009 - 003	Significant Deficiency - Hanger Rental	No	Not Corrected, see Finding 2011-01
2009 - 004	Significant Deficiency - Airplane Rental	No	Partially Corrected, see Management Letter



# Dave Yost • Auditor of State

VAN WERT 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  
NOVEMBER 8, 2012