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

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**VAN WERT COUNTY REGIONAL AIRPORT AUTHORITY**
**VAN WERT COUNTY**
**DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Van Wert County Regional Airport Authority
Van Wert County
1400 Leeson Avenue
Van Wert, Ohio 45891

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Van Wert County Regional Airport Authority, Van Wert County, Ohio (the Airport Authority), a component unit of Van Wert County, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Airport Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Airport Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Qualified Opinion on Rent Revenue for 2016***

We were unable to obtain sufficient evidential matter supporting the amounts recorded as rent revenues and related receivables and deferred inflows for the year ended December 31, 2016. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Rent revenue consisted of $49,943 which is 34% of Total Operating Revenues. We were unable to determine the validity of the revenue for this activity through alternative procedures.

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***Qualified Opinion on Rent Revenue for 2016***

In our opinion, except for the matter described in the *Basis for Qualified Opinion on Rental Revenue for 2016* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Van Wert County Regional Airport Authority, Van Wert County, Ohio, as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Van Wert County Regional Airport Authority, Van Wert County as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2018 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority's internal control over financial reporting and compliance.

Dave Yost

**Dave Yost**
Auditor of State
Columbus, Ohio

August 21, 2018

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, 2017 and 2016. 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 position increased $207,381 for 2017 and decreased $50,332 for 2016. The increase was the result of an increase in capital grants which were used to make taxiway and apron improvements.

- During 2017, the Airport Authority added taxiway improvements to capital assets in the amount $383,263. During 2016, the Airport purchased a John Deere tractor, credit card readers and a rotating beacon.

- During 2017 and 2016, the Airport Authority paid $15,160 and $18,760 respectively, on its long-term loans.

- GASB Statement No. 68 resulted in a net pension liability at December 31, 2017 and 2016, of $71,525 and $48,673, respectively.

The Airport Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Airport Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Airport Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Airport Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Airport Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result implementing GASB 68, the Airport Authority is reporting a new pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

**Using this Financial Report**

This annual report consists of a series of financial statements. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the Airport Authority and present a long-term view of the Airport Authority 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 position and changes in that position. This change in net position 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 position for 2017, compared to 2016 and 2015.

Current assets increased for 2017 due to a larger receivable for grant revenue from the FAA of $290,120.

Table 1
Net Position

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Assets: | | | |
| Current Assets | $372,789 | $65,110 | $98,964 |
| Depreciable Capital Assets, Net | 1,368,963 | 1,097,481 | 1,120,259 |
| Non Depreciable Capital Assets | 214,100 | 214,100 | 214,100 |
| Total Assets | 1,955,852 | 1,376,691 | 1,433,323 |
| Deferred Outflow - Pension | 32,108 | 20,876 | 6,583 |
| Liabilities: | | | |
| Current and Other Liabilities | 410,538 | 34,545 | 30,368 |
| Long-Term Liabilities | 91,880 | 85,458 | 87,043 |
| Total Liabilities | 502,418 | 120,003 | 117,411 |
| Deferred Inflows of Resources | 7,150 | 6,553 | 1,152 |
| Net Position: | | | |
| Net Investment in Capital Assets | 1,546,278 | 1,259,636 | 1,263,654 |
| Unrestricted | (67,886) | 11,375 | 57,689 |
| Total Net Position | $1,478,392 | $1,271,011 | $1,321,343 |

The Airport Authority has a receivable of $16,118 and $2,831 from the Ohio Department of Transportation for 2017 and 2016, respectively. A decrease in cash and grants receivable contributed to the decrease in current assets for 2016.

Total liabilities increased $382,415 due to an increase in contracts payable and retainage payable. Long-term liabilities increased in 2017 and 2016 due to an increase in net pension liability.

The Unrestricted Net Position ended the year with a negative balance due to GAAP related items.

Table 2 shows the changes in net position for the year ended December 31, 2017, as well as revenue and expense comparisons to 2016 and 2015.

Table 2
Changes in Net Position

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Operating Revenues: | | | |
| Charges for Services | $147,917 | $105,629 | $105,547 |
| Grants and Donations | 56,170 | 42,637 | 42,000 |
| Other Revenues | 1,752 | 614 | 492 |
| Total Operating Revenues | 205,839 | 148,880 | 148,039 |
| Operating Expenses: | | | |
| Personal Services | 66,541 | 49,362 | 43,996 |
| Contractual Services | 118,309 | 110,213 | 77,940 |
| Materials and Supplies | 64,460 | 56,488 | 45,550 |
| Other Operating Expenses | 5,242 | 2,778 | 9,469 |
| Depreciation | 111,781 | 108,886 | 99,446 |
| Total Operating Expenses | 366,333 | 327,727 | 276,401 |
| Non Operating Expenses | | | |
| Farm Rental | 28,299 | 28,299 | 40,632 |
| Grants and Donations | - | 18,868 | 74,854 |
| Interest Expense | (1,019) | (1,450) | (1,798) |
| Total Non Operating Expenses | 27,280 | 45,717 | 113,688 |
| Capital Contributions | 340,595 | 82,798 | 136,856 |
| Increase (Decrease) in Net Assets | 207,381 | (50,332) | 122,182 |
| Net Position Beginning of Year | 1,271,011 | 1,321,343 | 1,199,161 |
| Net Position End of Year | $1,478,392 | $1,271,011 | $1,321,343 |

Charges for services revenue increased in 2017 due to increases in hanger rent. Personal services expenses increased due to an increase in the net pension liability. Capital contributions increased in 2017 due to grant received from the FAA.

For 2016, capital contributions and non-operating grants and donations from the FAA decreased. However, the Airport received $19,000 from Van Wert County for a card reader that is shown with capital contributions. In addition, the Airport Authority received $10,000 in donations from the Van Wert Foundation that is for a FAA grant match that also has been shown as capital contributions.

For 2015, while operating revenues fell, the Airport Authority received capital contributions from the FAA for its capital project. Operating grants consist primarily of grant revenue provided by Van Wert County and the City of Van Wert.

Contractual services expenses increases and decreases over the years depending on whether the Airport Authority has projects that are not capitalized.

**Capital Assets and Debt Administration**

**Capital Assets**

Table 3
Capital Assets, Net of Depreciation

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Land | $214,100 | $214,100 | $214,100 |
| Buildings | 52,932 | 55,572 | 58,211 |
| Furniture and Fixtures | 49 | 86 | 122 |
| Equipment | 73,907 | 81,373 | 8,890 |
| Fueling System | 60,979 | 63,882 | 66,786 |
| Rental Plane | 12,400 | 16,534 | 20,667 |
| Taxiways | 1,168,696 | 880,034 | 965,583 |
| Totals | $1,583,063 | $1,311,581 | $1,334,359 |

During 2017, the Airport Authority added improvements to taxiways to capital assets. During 2016, the Airport Authority purchased a new John Deere tractor, a card reader and a rotating beacon. During 2015, the Airport Authority completed a taxiway payment rehab and aircraft ramp reconstruction project.

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

**Debt**

At December 31, 2017, the Airport Authority had two notes outstanding. The Airport Authority owes Van Wert County, as the County issued the notes on behalf of the Airport Authority.

Table 4
Outstanding Debt at Year End

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Airport Hanger Note #1 | $0 | $0 | $4,850 |
| Fuel Tank Removal | 27,500 | 38,500 | 48,500 |
| Airport Hanger Note #2 | 9,285 | 13,445 | 17,355 |
| Total | $36,785 | $51,945 | $70,705 |

The Airport Authority owes $16,430 within one year. The final payment on the debt will be in the year 2019.

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.

The Airport Authority continues to receive support from the FAA allowing the airport to continue constructing ramp and taxiway extensions. For 2015, the Airport Authority was awarded $109,000 for Apron Design and Taxiway B (Partial) Design. For 2016, the Airport Authority was awarded $53,630, which was used to purchase a John Deere Tractor and to replace the rotating beacon. For 2017, the Airport Authority was awarded $499,689 to construct partial parallel Taxiway B and Construct South General Aviation Apron – Grade and Drain. The Airport Authority received $24,983 from ODOT for the matching grant program.

The Airport Authority will continue to seek support from the FAA for its improvements. The FAA Modernization and Reform Act of 2012 reduced federal funding from 95% to 90%. Future grants need a 10% local match.

**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 Michael Jackson, Treasurer/Secretary, 1400 Leeson Avenue, Van Wert, Ohio 45891.

Van Wert County Regional Airport Authority
Van Wert County

Statement of Net Position
December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Assets: | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $27,778 | $37,705 |
| Accounts Receivable | 25,177 | 790 |
| Due from Other Governments | 306,238 | 2,831 |
| Material and Supplies Inventory | 13,596 | 23,784 |
| Total Current Assets | 372,789 | 65,110 |
| Noncurrent Assets: | | |
| Depreciable Capital Assets, Net | 1,368,963 | 1,097,481 |
| Non Depreciable Capital Assets | 214,100 | 214,100 |
| Total Noncurrent Assets | 1,583,063 | 1,311,581 |
| Total Assets | 1,955,852 | 1,376,691 |
| Deferred Outflow: | | |
| Pension | 32,108 | 20,876 |
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts Payable | 5,739 | 15,762 |
| Contracts Payable | 348,449 | 0 |
| Retainage Payable | 34,814 | 0 |
| Sales Tax Payable | 682 | 168 |
| Payroll Taxes Payable | 3,684 | 2,673 |
| Accrued Wages Payable | 640 | 640 |
| Accrued Interest Payable | 100 | 142 |
| Current Portion of Notes Payable | 16,430 | 15,160 |
| Total Current Liabilities | 410,538 | 34,545 |
| Noncurrent Liabilities: | | |
| Notes Payable | 20,355 | 36,785 |
| Net Pension Liability | 71,525 | 48,673 |
| Total Noncurrent Liabilities | 91,880 | 85,458 |
| Total Liabilities | 502,418 | 120,003 |
| Deferred Inflows of Resources | | |
| Pension | 4,030 | 4,488 |
| Hanger Rent | 3,120 | 2,065 |
| Total Deferred Inflows of Resources | 7,150 | 6,553 |
| Net Position: | | |
| Net Investment in Capital Assets | 1,546,278 | 1,259,636 |
| Unrestricted | (67,886) | 11,375 |
| Total Net Position | $1,478,392 | $1,271,011 |

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 Position
For the Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Operating Revenues: | | |
| Sales | $74,949 | $55,686 |
| Grants and Donations | 56,170 | 42,637 |
| Rent | 72,968 | 49,943 |
| Other | 1,752 | 614 |
| Total Operating Revenues | 205,839 | 148,880 |
| | | |
| Operating Expenses: | | |
| Personal Services | 66,541 | 49,362 |
| Contractual Services | 118,309 | 110,213 |
| Materials and Supplies | 64,460 | 56,488 |
| Other Operating Expenses | 5,242 | 2,778 |
| Depreciation | 111,781 | 108,886 |
| Total Operating Expenses | 366,333 | 327,727 |
| | | |
| Operating Loss | (160,494) | (178,847) |
| | | |
| Nonoperating Revenue/Expense: | | |
| Farm Rental Income | 28,299 | 28,299 |
| Grants and Donations | - | 18,868 |
| Interest and Fiscal Charges | (1,019) | (1,450) |
| Total Non-operating Revenue/Expense | 27,280 | 45,717 |
| | | |
| Loss before Capital Contributions | (133,214) | (133,130) |
| | | |
| Capital Contributions | 340,595 | 82,798 |
| | | |
| Change in Net Position | 207,381 | (50,332) |
| | | |
| Net Position Beginning of Year | 1,271,011 | 1,321,343 |
| | | |
| Net Position End of Year | $1,478,392 | $1,271,011 |

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, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Increase (Decrease) in Cash and Cash Equivalents: | | |
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | $69,186 | $57,130 |
| Cash Received for Rent | 73,759 | 52,131 |
| Cash Received for Operating Grants | 56,170 | 42,637 |
| Cash Received for Other Operating Activities | 1,752 | 614 |
| Cash Payments for Employee Services and Benefits | (54,368) | (45,543) |
| Cash Payments to Suppliers for Goods and Services | (205,692) | (177,380) |
| Net Cash Received from (Used for) Operating Activities | (59,193) | (70,411) |
| Cash Flows from Capital and Related Financing Activities: | | |
| Prinicpal Paid on Loan Payable | (15,160) | (18,760) |
| Interest Paid on Loan Payable | (1,061) | (1,582) |
| Capital Contributions | 37,188 | 79,967 |
| Acquisition of Capital Assets | - | (77,375) |
| Net Cash Used for Capital and Related Financing Activities | 20,967 | (17,750) |
| Cash Flows from Non-capital Financing Activities: | | |
| Non-operating Grants and Donations | - | 37,503 |
| Farm Rental Income | 28,299 | 28,299 |
| Net Cash Received from Non-capital Financing Activities: | 28,299 | 65,802 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (9,927) | (22,359) |
| Cash and Cash Equivalents Beginning of Year | 37,705 | 60,064 |
| Cash and Cash Equivalents End of Year | $27,778 | $37,705 |
| Reconciliation of Operating Loss to Net Cash Received for (Used for) Operating Activities: | | |
| Operating Loss | ($160,494) | ($178,847) |
| Adjustments: | | |
| Depreciation | 111,781 | 108,886 |
| (Increase)/Decrease in Accounts Receivable | (24,387) | 2,102 |
| (Increase)/Decrease in Material and Supplies Inventory | 10,188 | (6,411) |
| (Increase)/Decrease in Deferred Outflows | (11,232) | (14,293) |
| Increase/ (Decrease) in Accounts Payable | (10,023) | (1,604) |
| Increase/(Decrease) in Sales Tax Payable | 514 | 114 |
| Increase/(Decrease) in Payroll Taxes Payable | 1,011 | 496 |
| Increase/(Decrease) in Accrued Wages Payable | - | 170 |
| Increase/(Decrease) in Net Pension Liability | 22,852 | 13,575 |
| Increase/Decrease in Deferred Inflow of Resources - Pension | (458) | 3,871 |
| Increase/Decrease in Deferred Inflow of Resources - Hanger Rent | 1,055 | 1,530 |
| Net Cash Received from (Used for) Operating Activities | ($59,193) | ($70,411) |

Noncash Transaction: The Airport recorded capital asset additions for taxiway improvements of $383,263. The asset was not paid for by 12/31/2017; therefore, it is also recorded as accounts payable.

See accompanying notes to the basic financial statements

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**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 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 Authority. 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. Pursuant to GASB Statement No. 62, *"Codification of Accounting and Reporting Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*," the Authority follows GASB guidance as applicable to enterprise funds.

**A. Basis of Presentation**

The Airport Authority's basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, 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 position, 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 position. The statement of changes in net position 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 Authority 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 statement of net position 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, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

**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 position. 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. Pensions**

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**K. Accrued Liabilities and Long-term Obligations**

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

**L. Net position**

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position 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. The restricted component of net position is reported 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 components of net position are available. The Airport Authority did not have any restrictions at December 31, 2017 or 2016.

**M. 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.

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include hanger rent and pension. The deferred inflows of resources to pension are explained in Note 8.

**O. 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

At December 31, 2017, the carrying amounts of the Airport Authority's deposits were $27,778. The bank balance was $27,263 on December 31, 2017. The bank balance was covered by federal depository insurance.

Deposits – At December 31, 2016, the carrying amounts of the Airport Authority's deposits were $37,705. The bank balance was $50,640 on December 31, 2016. 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, 2017 and 2016 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, 2017 and 2016, 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, 2017, was as follows:

| | Balance 12/31/2016 | Additions | Deletions | Balance 12/31/2017 |
|---|---|---|---|---|
| ***Capital Assets, not being depreciated*** | | | | |
| Land | $214,100 | $0 | $0 | $214,100 |
| *Total Capital Assets, not being depreciated* | 214,100 | - | - | 214,100 |
| ***Capital Assets, being depreciated*** | | | | |
| Buildings | 105,575 | - | - | 105,575 |
| Vehicles | 1,500 | - | - | 1,500 |
| Furniture and Fixtures | 3,248 | - | - | 3,248 |
| Equipment | 121,875 | - | - | 121,875 |
| Fueling System | 116,150 | - | - | 116,150 |
| Rental Plane | 62,000 | - | - | 62,000 |
| Taxiways | 1,742,324 | 383,263 | - | 2,125,587 |
| Total Capital Assets, being depreciated | 2,152,672 | 383,263 | - | 2,535,935 |
| Less: Accumulated Depreciation | | | | |
| Buildings | (50,003) | (2,640) | - | (52,643) |
| Vehicles | (1,500) | - | - | (1,500) |
| Furniture and Fixtures | (3,162) | (37) | - | (3,199) |
| Equipment | (40,502) | (7,466) | - | (47,968) |
| Fueling System | (52,268) | (2,903) | - | (55,171) |
| Rental Plane | (45,466) | (4,134) | - | (49,600) |
| Taxiways | (862,290) | (94,601) | - | (956,891) |
| Total Accumulated Depreciation | (1,055,191) | (111,781) | - | (1,166,972) |
| Total Capital Assets, being depreciated, net | 1,097,481 | 271,482 | - | 1,368,963 |
| Capital Assets, net | $1,311,581 | $271,482 | $0 | $1,583,063 |

Capital asset activity for the year ended December 31, 2016, was as follows:

| | Balance 12/31/2015 | Additions | Deletions | Balance 12/31/2016 |
|---|---|---|---|---|
| ***Capital Assets, not being depreciated*** | | | | |
| Land | $214,100 | $0 | $0 | $214,100 |
| *Total Capital Assets, not being depreciated* | 214,100 | - | - | 214,100 |
| ***Capital Assets, being depreciated*** | | | | |
| Buildings | 105,575 | - | - | 105,575 |
| Vehicles | 1,500 | - | - | 1,500 |
| Furniture and Fixtures | 3,248 | - | - | 3,248 |
| Equipment | 44,500 | 77,375 | - | 121,875 |
| Fueling System | 116,150 | - | - | 116,150 |
| Rental Plane | 62,000 | - | - | 62,000 |
| Taxiways | 1,733,591 | 8,733 | - | 1,742,324 |
| Total Capital Assets, being depreciated | 2,066,564 | 86,108 | - | 2,152,672 |
| Less: Accumulated Depreciation | | | | |
| Buildings | (47,364) | (2,639) | - | (50,003) |
| Vehicles | (1,500) | - | - | (1,500) |
| Furniture and Fixtures | (3,126) | (36) | - | (3,162) |
| Equipment | (35,610) | (4,892) | - | (40,502) |
| Fueling System | (49,364) | (2,904) | - | (52,268) |
| Rental Plane | (41,333) | (4,133) | - | (45,466) |
| Taxiways | (768,008) | (94,282) | - | (862,290) |
| Total Accumulated Depreciation | (946,305) | (108,886) | - | (1,055,191) |
| Total Capital Assets, being depreciated, net | 1,120,259 | (22,778) | - | 1,097,481 |
| Capital Assets, net | $1,334,359 | ($22,778) | $0 | $1,311,581 |

**6. Long-Term Obligations**

A summary of the long-term obligations for the Authority for the years ended December 31, 2017 and 2016 follows:

| | Interest Rate | Balance at December 31, 2016 | Increases | Decreases | Balance at December 31, 2017 | Due In One Year |
|---|---|---|---|---|---|---|
| Airport Authority | | | | | | |
| Fuel Tank Removal | 1.79% | $38,500 | 0 | $11,000 | $27,500 | $12,000 |
| Airport Hangar Note#2 | 2.11% | 13,445 | 0 | 4,160 | 9,285 | 4,430 |
| Total Notes Payable | | 51,945 | 0 | 15,160 | 36,785 | 16,430 |
| Net Pension Liability | | 48,673 | 28,184 | 5,332 | 71,525 | 0 |
| Total Long-Term Obligations | | $100,618 | $28,184 | $20,492 | $108,310 | $16,430 |

| | Interest Rate | Balance at December 31, 2015 | Increases | Decreases | Balance at December 31, 2016 | Due In One Year |
|---|---|---|---|---|---|---|
| Airport Authority | | | | | | |
| Airport Hangar Note #1 | 4.64% | $4,850 | $0 | $4,850 | $0 | $0 |
| Fuel Tank Removal | 1.79% | 48,500 | 0 | 10,000 | 38,500 | 11,000 |
| Airport Hangar Note#2 | 2.11% | 17,355 | 0 | 3,910 | 13,445 | 4,160 |
| Total Notes Payable | | 70,705 | 0 | 18,760 | 51,945 | 15,160 |
| Net Pension Liability | | 35,098 | 18,907 | 5,332 | 48,673 | 0 |
| Total Long-Term Obligations | | $105,803 | $18,907 | $24,092 | $100,618 | $15,160 |

The interest rates on 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 Removal Note - Terms on the note due to Van Wert County call for 16 annual payments starting on August 2, 2004, 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 Authority's long-term obligations outstanding at December 31, 2017, were as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $16,430 | $688 | $17,118 |
| 2019 | 20,355 | 382 | 20,737 |
| | $36,785 | $1,070 | $37,855 |

## 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.

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

### Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Airport Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Airport Authority's obligation for this liability to annually required payments. The Airport Authority cannot control benefit terms or the manner in which pensions are financed; however, the Airport does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

Plan Description – Airport Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Airport employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| **State and Local** | **State and Local** | **State and Local** |
| **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local |
|---|---|
| **2017 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| **2017 Actual Contribution Rates** | |
| Employer: | |
| Pension | 13.0 % |
| Post-employment Health Care Benefits | 1.0 |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Airport Authority's contractually required contribution was $5,598 for 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airport Authority's proportion of the net pension liability was based on the Airport Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS |
|---|---|
| Proportionate Share of the Net Pension Liability | $71,525 |
| Proportionate of the Net Pension Liability | |
| Current Measurement Date | 0.000315% |
| Prior Measurement Date | 0.000281% |
| Change in Proportionate Share | -0.000034% |
| Pension Expense | $18,970 |

At December 31, 2017, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS |
|---|---|
| **Deferred Outflows of Resources** | |
| Differences between expected and actual experience | $97 |
| Changes of assumptions | 11,902 |
| Net difference between projected and actual earnings on pension plan investments | 11,346 |
| Changes in proportion and differences between Airport Authority contributions and proportionate share of contributions | 3,165 |
| Airport Authority contributions subsequent to the measurement date | 5,598 |
| Total Deferred Outflows of Resources | $32,108 |
| | |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $1,675 |
| Changes in proportion and differences between Airport Authority contributions and proportionate share of contributions | 2,355 |
| Total Deferred Inflows of Resources | $4,030 |

$5,598 reported as deferred outflows of resources related to pension resulting from Airport contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS |
|---|---|
| 2018 | ($1,726) |
| 2019 | (1,726) |
| 2020 | (1,726) |
| 2021 | (2,223) |
| 2020 | (2,269) |
| Total | ($9,670) |

**Actuarial Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement in accordance with GASB Statement No. 67. In 2016, the OPERS actuarial consultants conducted an experience study for the period 2011 through 2015 comparing assumptions to actual results. The experience study incorporates both a historical review and forward looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions with the most notable being a reduction in the actuarially assumed rate of return from 8 percent to 7.5 percent for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuations, reflecting experience study results, prepared as of December 31, 2016, compared to December 31, 2015, are presented below.

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| COLA or Ad Hoc COLA | Pre 1/7/2013 Retirees - 3 percent, simple<br>Post 1/7/2013 Retirees - 3 percent, simple<br>through 2018, then 2.15 simple |
| Investment Rate of Return | 7.5 percent |
| Actuarial Cost Method | Individual Entry Age |

Mortality rates were based on the RP-2014 Mortality Table projected 20 years using Projection Scale AA. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality table were used, adjusted for mortality improvements back to the observation base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401 (h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust Portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 23.00 % | 2.75 % |
| Domestic Equities | 20.70 | 6.34 |
| Real Estate | 10.00 | 4.75 |
| Private Equity | 10.00 | 8.97 |
| International Equities | 18.30 | 7.95 |
| Other investments | 18.00 | 4.92 |
| Total | 100.00 % | 5.66 % |

Discount Rate - The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at contractually required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Airport Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Airport Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Airport Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Airport's proportionate share of the net pension liability | $109,280 | $71,525 | $40,074 |

**NOTE 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.

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.

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care overage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in OPERS 2016 CAFR for details.

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14 percent of covered payroll. Each year, the OPERS board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members was 1.0% during calendar year 2017. As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0%. The OPERS is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Airport Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015, were $800, $789, and $739, respectively; 100 percent has been contributed for 2017 and 100 percent for 2016 and 2015.

## 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 Airport Authority'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. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the Airport Authority has implemented Governmental Accounting Standard Board (GASB) Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement impacts the plan and not the employer; therefore, this statement had no effect on net position.

For fiscal year 2017, the Airport Authority has implemented Governmental Accounting Standard Board (GASB) Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14." This statement clarifies the financial statement requirements for certain component units. This statement had no effect on net position.

For fiscal year 2017, the Airport Authority has implemented Governmental Accounting Standard Board (GASB) Statement No. 81, “Irrevocable Split-Interest Agreements.” This statement improves accounting and financial reporting by establishing recognition and measurement requirements for irrevocable split0interest agreements. This statement had no effect on net position.

For fiscal year 2017, the Airport Authority has implemented Governmental Accounting Standard Board (GASB) Statement No. 82, “Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.” This statement addresses implementation issues of the GASB pension suite. This statement had no effect on net position.

**13. ACCOUNTABILITY – FUND BALANCE DEFICITS**

The Airport Authority has a deficit unrestricted net position of $67,886 as of December 31, 2017 due to long-term liabilities accruals from GAAP.

Van Wert County Regional Airport Authority
Van Wert County

Required Supplementary Information
Schedule of the Airport Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Four Years (1)

| | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Airport's Proportion of the Net Pension Liability | 0.0003150% | 0.0002810% | 0.0002910% | 0.0002910% |
| Airport's Proportionate Share of the Net Pension Liability | $71,525 | $48,673 | $35,098 | $34,305 |
| Airport's Covered Employee Payroll | $36,593 | $33,643 | $35,971 | $37,179 |
| Airport's Proportionate Share of the Net Pension Liaiblity as a Percentage of its Covered Payroll | 195.46% | 144.67% | 97.57% | 92.27% |
| Plan Fiduciary Net Position as a Percentage Of the Total Net Pension Liability | 77.25% | 81.08% | 86.45% | 86.36% |

(1) Information Prior to 2013 is not available

Van Wert County Regional Airport Authority
Van Wert County

Required Supplementary Information
Schedule of Airport Authority's Contributions
Ohio Public Employees Retirement System
Last Ten Years

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Contractually Required Contributions | $5,598 | $5,123 | $4,710 | $4,295 |
| Contributions in Relation to the Contractually Required Contribution | (5,598) | (5,123) | (4,710) | (4,295) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| Airport's Covered Payroll | $39,986 | $36,593 | $33,643 | $35,971 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 14.00% | 11.94% |

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| $4,833 | $4,920 | $3,681 | $4,742 | $2,233 | $2,379 |
| (4,833) | (4,920) | (3,681) | (4,742) | (2,233) | (2,379) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $37,179 | $35,143 | $36,807 | $50,886 | $26,800 | $33,986 |
| 13.00% | 14.00% | 10.00% | 9.32% | 8.33% | 7.00% |

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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, 2016 and 2015. 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 position decreased $50,332 for 2016 and increased $122,182 for 2015. The decrease was the result of a decrease in capital grants.

- During 2016, the Airport Authority purchased a John Deere tractor, credit card readers and a rotating beacon. During 2015, the Airport Authority completed a taxiway payment rehab and aircraft ramp reconstruction project.

- During 2016 and 2015, the Airport Authority paid $18,760 and $16,670 respectively, on its long-term loans.

- GASB Statement No. 68 resulted in a net pension liability at December 31, 2016 and 2015, of $48,673 and $35,098, respectively.

During 2015, the Airport Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Airport Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Airport Authority proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Airport Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Airport Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result implementing GASB 68, the Airport Authority is reporting a new pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

## Using this Financial Report

This annual report consists of a series of financial statements. The statement of net position and the statement of revenues, expenses and changes in net position 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 position and changes in that position. This change in net position 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 position for 2016, compared to 2015 and 2014.

Table 1
Net Position

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Assets: | | | |
| Current Assets | $65,110 | $98,964 | $89,319 |
| Depreciable Capital Assets, Net | 1,097,481 | 1,120,259 | 1,041,988 |
| Non Depreciable Capital Assets | 214,100 | 214,100 | 214,100 |
| Total Assets | 1,376,691 | 1,433,323 | 1,345,407 |
| Deferred Outflow - Pension | 20,876 | 6,583 | 0 |
| Liabilities: | | | |
| Current and Other Liabilities | 34,545 | 30,368 | 45,156 |
| Long-Term Liabilities | 85,458 | 87,043 | 70,705 |
| Total Liabilities | 120,003 | 117,411 | 115,861 |
| Deferred Inflows of Resources | 6,553 | 1,152 | 375 |
| Net Position: | | | |
| Net Investment in Capital Assets | 1,259,636 | 1,263,654 | 1,168,713 |
| Unrestricted | 11,375 | 57,689 | 60,458 |
| Total Net Position | $1,271,011 | $1,321,343 | $1,229,171 |

Current assets increased for 2015 due a larger receivable for grant revenue from the FAA. A decrease in cash and grants receivable contributed to the decrease in current assets for 2016. The Airport Authority has a receivable of $2,831 from the Ohio Department of Transportation for 2016.

Total liabilities decreased $32,755 for 2015 due to a reduction in contracts payable and a reduction in the long-term loan. Long-term liabilities decreased in 2016 as the Airport continues to pay off its Hanger and Fuel Tank loans. In addition, the liability for net pension decreased during 2016 as a result of a decrease in the Airport Authority's proportionate share.

Table 2 shows the changes in net position for the year ended December 31, 2016, as well as revenue and expense comparisons to 2015 and 2014.

Changes in Net Assets

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Operating Revenues: | | | |
| Charges for Services | $105,629 | $105,547 | $120,162 |
| Grants and Donations | 42,637 | 42,000 | 42,000 |
| Other Revenues | 614 | 492 | 1,225 |
| Total Operating Revenues | 148,880 | 148,039 | 163,387 |
| Operating Expenses: | | | |
| Personal Services | 49,362 | 43,996 | 41,363 |
| Contractual Services | 110,213 | 77,940 | 133,492 |
| Materials and Supplies | 56,488 | 45,550 | 56,605 |
| Other Operating Expenses | 2,778 | 9,469 | 5,556 |
| Depreciation | 108,886 | 99,446 | 98,555 |
| Total Operating Expenses | 327,727 | 276,401 | 335,571 |
| Non Operating Expenses | | | |
| Farm Rental | 28,299 | 40,632 | 40,632 |
| Grants and Donations | 18,868 | 74,854 | 73,216 |
| Interest Expense | (1,450) | (1,798) | (2,196) |
| Total Non Operating Expenses | 45,717 | 113,688 | 111,652 |
| Capital Contributions | 82,798 | 136,856 | - |
| Increase (Decrease) in Net Assets | (50,332) | 122,182 | (60,532) |
| Net Assets Beginning of Year (Restated for 2015) | 1,321,343 | 1,199,161 | 1,289,703 |
| Net Assets End of Year | $1,271,011 | $1,321,343 | $1,229,171 |

For 2016, capital contributions and non-operating grants and donations from the FAA decreased. However, the Airport received $19,000 from Van Wert County for a card reader that is shown with capital contributions. In addition, the Airport Authority received $10,000 in donations from the Van Wert Foundation that is for a FAA grant match that also has been shown as capital contributions.

For 2015, while operating revenues fell, the Airport Authority received capital contributions from the FAA for its capital project. For 2014, operating revenues decreased $300,215 due to a reduction of FAA grant revenues and Hot Air Festival revenues. Operating grants consist primarily of grant revenue provided by Van Wert County and the City of Van Wert.

Contractual services expenses increases and decreases over the years depending on whether the airport has projects that are not capitalized.

## Capital Assets and Debt Administration

### Capital Assets

Table 3
Capital Assets, Net of Depreciation

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Land | $214,100 | $214,100 | $214,100 |
| Buildings | 55,572 | 58,211 | 60,853 |
| Furniture and Fixtures | 86 | 122 | 155 |
| Equipment | 81,373 | 8,890 | 10,593 |
| Fueling System | 63,882 | 66,786 | 69,688 |
| Rental Plane | 16,534 | 20,667 | 24,799 |
| Taxiways | 880,034 | 965,583 | 875,900 |
| Totals | $1,311,581 | $1,334,359 | $1,256,088 |

During 2016, the Airport Authority purchased a new John Deere tractor, a card reader and a rotating beacon. During 2015, the Airport Authority completed a taxiway payment rehab and aircraft ramp reconstruction project. For 2014, additions to capital assets consisted of the installation of a PAPI visual guidance system.

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

### Debt

At December 31, 2016, the Airport Authority had two notes outstanding. The Airport Authority owes Van Wert County, as the County issued the notes on behalf of the Airport Authority.

Table 4
Outstanding Debt at Year End

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Airport Hanger Note #1 | $0 | $4,850 | $8,850 |
| Fuel Tank Removal | 38,500 | 48,500 | 57,500 |
| Airport Hanger Note #2 | 13,445 | 17,355 | 21,025 |
| Total | $51,945 | $70,705 | $87,375 |

The Airport Authority owes $15,160 within one year. The final payment on the debt will be in the year 2019.

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 Authority.

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.

The Airport Authority continues to receive support from the FAA allowing the Airport Authority to continue constructing ramp and taxiway extensions. In 2013, the Airport Authority was awarded $180,246 for tree topping/ removal and for the installation of a visual guidance system (PAPI). The 2013 grant was closed out in 2016. For 2014, the Airport Authority was awarded $157,574 to rehabilitate taxiways, apron and runway markings. For 2015, the Airport Authority was awarded $109,000 for Apron Design and Taxiway B (Partial) Design. For 2016, the Airport Authority was awarded $53,630, which was used to purchase a John Deere Tractor and to replace the rotating beacon.

The Airport Authority will continue to seek support from the FAA for its improvements. The FAA Modernization and Reform Act of 2012 reduced federal funding from 95% to 90%. Future grants need a 10% local match.

## 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 Michael Jackson, Treasurer/Secretary, 1400 Leeson Avenue, Van Wert, Ohio 45891.

Van Wert County Regional Airport Authority
Van Wert County

Statement of Net Position
December 31, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| Assets: | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $37,705 | $60,064 |
| Accounts Receivable | 790 | 2,892 |
| Due from Other Governments | 2,831 | 18,635 |
| Material and Supplies Inventory | 23,784 | 17,373 |
| Total Current Assets | 65,110 | 98,964 |
| Noncurrent Assets: | | |
| Depreciable Capital Assets, Net | 1,097,481 | 1,120,259 |
| Non Depreciable Capital Assets | 214,100 | 214,100 |
| Total Noncurrent Assets | 1,311,581 | 1,334,359 |
| Total Assets | 1,376,691 | 1,433,323 |
| Deferred Outflow: | | |
| Pension | 20,876 | 6,583 |
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts Payable | 15,762 | 8,633 |
| Contracts Payable | 0 | 0 |
| Sales Tax Payable | 168 | 54 |
| Payroll Taxes Payable | 2,673 | 2,177 |
| Accrued Wages Payable | 640 | 470 |
| Accrued Interest Payable | 142 | 274 |
| Current Portion of Notes Payable | 15,160 | 18,760 |
| Total Current Liabilities | 34,545 | 30,368 |
| Noncurrent Liabilities: | | |
| Notes Payable | 36,785 | 51,945 |
| Net Pension Liability | 48,673 | 35,098 |
| Total Noncurrent Liabilities | 85,458 | 87,043 |
| Total Liabilities | 120,003 | 117,411 |
| Deferred Inflows of Resources | | |
| Pension | 4,488 | 617 |
| Hanger Rent | 2,065 | 535 |
| Total Deferred Inflows of Resources | 6,553 | 1,152 |
| Net Position: | | |
| Net Investment in Capital Assets | 1,259,636 | 1,263,654 |
| Unrestricted | 11,375 | 57,689 |
| Total Net Position | $1,271,011 | $1,321,343 |

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 Position
For the Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| Operating Revenues: | | |
| Sales | $55,686 | $53,187 |
| Grants and Donations | 42,637 | 42,000 |
| Rent | 49,943 | 52,360 |
| Other | 614 | 492 |
| Total Operating Revenues | 148,880 | 148,039 |
| | | |
| Operating Expenses: | | |
| Personal Services | 49,362 | 43,996 |
| Contractual Services | 110,213 | 77,940 |
| Materials and Supplies | 56,488 | 45,550 |
| Other Operating Expenses | 2,778 | 9,469 |
| Depreciation | 108,886 | 99,446 |
| Total Operating Expenses | 327,727 | 276,401 |
| | | |
| Operating Loss | (178,847) | (128,362) |
| | | |
| Nonoperating Revenue/Expense: | | |
| Farm Rental Income | 28,299 | 40,632 |
| Grants and Donations | 18,868 | 74,854 |
| Interest and Fiscal Charges | (1,450) | (1,798) |
| Total Non-operating Revenue/Expense | 45,717 | 113,688 |
| | | |
| Loss before Capital Contributions | (133,130) | (14,674) |
| | | |
| Capital Contributions | 82,798 | 136,856 |
| | | |
| Change in Net Position | (50,332) | 122,182 |
| | | |
| Net Position Beginning of Year | 1,321,343 | 1,199,161 |
| | | |
| Net Position End of Year | $1,271,011 | $1,321,343 |

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, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| Increase (Decrease) in Cash and Cash Equivalents: | | |
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | $57,130 | $55,094 |
| Cash Received for Rent | 52,131 | 59,508 |
| Cash Received for Operating Grants | 42,637 | 42,000 |
| Cash Received for Other Operating Activities | 614 | 492 |
| Cash Payments for Employee Services and Benefits | (45,543) | (43,749) |
| Cash Payments to Suppliers for Goods and Services | (177,380) | (142,270) |
| Net Cash Received from (Used for) Operating Activities | (70,411) | (28,925) |
| Cash Flows from Capital and Related Financing Activities: | | |
| Prinicpal Paid on Loan Payable | (18,760) | (16,670) |
| Interest Paid on Loan Payable | (1,582) | (1,916) |
| Capital Contributions | 79,967 | 139,815 |
| Acquisition of Capital Assets | (77,375) | (177,717) |
| Net Cash Used for Capital and Related Financing Activities | (17,750) | (56,488) |
| Cash Flows from Non-capital Financing Activities: | | |
| Non-operating Grants and Donations | 37,503 | 56,219 |
| Farm Rental Income | 28,299 | 40,632 |
| Net Cash Received from Non-capital Financing Activities: | 65,802 | 96,851 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (22,359) | 11,438 |
| Cash and Cash Equivalents Beginning of Year | 60,064 | 48,626 |
| Cash and Cash Equivalents End of Year | $37,705 | $60,064 |
| Reconciliation of Operating Loss to Net Cash Received for (Used for) Operating Activities: | | |
| Operating Loss | ($178,847) | ($128,362) |
| Adjustments: | | |
| Depreciation | 108,886 | 99,446 |
| (Increase)/Decrease in Accounts Receivable | 2,102 | 8,895 |
| (Increase)/Decrease in Material and Supplies Inventory | (6,411) | 8,574 |
| (Increase)/Decrease in Deferred Outflows | (14,293) | (2,288) |
| Increase/ (Decrease) in Accounts Payable | (1,604) | (7,868) |
| Increase/ (Decrease) in Contracts Payable | - | (9,867) |
| Increase/(Decrease) in Sales Tax Payable | 114 | (150) |
| Increase/(Decrease) in Payroll Taxes Payable | 496 | 870 |
| Increase/(Decrease) in Accrued Wages Payable | 170 | 255 |
| Increase/(Decrease) in Net Pension Liability | 13,575 | 793 |
| Increase/Decrease in Deferred Inflow of Resources - Pension | 3,871 | 617 |
| Increase/Decrease in Deferred Inflow of Resources - Hanger Rent | 1,530 | - |
| Increase/(Decrease) in Compensated Absences Payable | - | 160 |
| | ($70,411) | ($28,925) |
| Net Cash Received from (Used for) Operating Activities | | |

Noncash Transaction: The Airport recorded a capital asset for a rotating beacon for $8,733.
The asset was not paid for by 12/31/2016; therefore, it is also recorded as accounts payable.

See accompanying notes to the basic financial statements

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## 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 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 Authority. 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. Pursuant to GASB Statement No. 62, *"Codification of Accounting and Reporting Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*," the Authority follows GASB guidance as applicable to enterprise funds.

### A. Basis of Presentation

The Airport Authority's basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, 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 position, 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 position. The statement of changes in net position 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 Authority 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 statement of net position 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, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

**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 position. 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. Pensions**

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**K. Accrued Liabilities and Long-term Obligations**

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

**L. Net position**

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position 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. The restricted component of net position is reported 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 components of net position are available. The Airport Authority did not have any restrictions at December 31, 2016 or 2015.

**M. 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.

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then. The deferred outflows of resources related to pension are explained in Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Authority, deferred inflows of resources include hanger rent and pension. The deferred inflows of resources to pension are explained in Note 8.

**O. 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

Deposits – At December 31, 2016, the carrying amounts of the Airport Authority's deposits were $37,705. The bank balance was $50,640 on December 31, 2016. The bank balance was covered by federal depository insurance.

At December 31, 2015, the carrying amounts of the Airport Authority's deposits were $60,064. The bank balance was $60,123 on December 31, 2015. 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016, was as follows:

| | Balance 12/31/2015 | Additions | Deletions | Balance 12/31/2016 |
|---|---|---|---|---|
| ***Capital Assets, not being depreciated*** | | | | |
| Land | $214,100 | $0 | $0 | $214,100 |
| *Total Capital Assets, not being depreciated* | 214,100 | - | - | 214,100 |
| ***Capital Assets, being depreciated*** | | | | |
| Buildings | 105,575 | - | - | 105,575 |
| Vehicles | 1,500 | - | - | 1,500 |
| Furniture and Fixtures | 3,248 | - | - | 3,248 |
| Equipment | 44,500 | 77,375 | - | 121,875 |
| Fueling System | 116,150 | - | - | 116,150 |
| Rental Plane | 62,000 | - | - | 62,000 |
| Taxiways | 1,733,591 | 8,733 | - | 1,742,324 |
| Total Capital Assets, being depreciated | 2,066,564 | 86,108 | - | 2,152,672 |
| Less: Accumulated Depreciation | | | | |
| Buildings | (47,364) | (2,639) | - | (50,003) |
| Vehicles | (1,500) | - | - | (1,500) |
| Furniture and Fixtures | (3,126) | (36) | - | (3,162) |
| Equipment | (35,610) | (4,892) | - | (40,502) |
| Fueling System | (49,364) | (2,904) | - | (52,268) |
| Rental Plane | (41,333) | (4,133) | - | (45,466) |
| Taxiways | (768,008) | (94,282) | - | (862,290) |
| Total Accumulated Depreciation | (946,305) | (108,886) | - | (1,055,191) |
| Total Capital Assets, being depreciated, net | 1,120,259 | (22,778) | - | 1,097,481 |
| Capital Assets, net | $1,334,359 | ($22,778) | $0 | $1,311,581 |

Capital asset activity for the year ended December 31, 2015, was as follows:

| | Balance 12/31/2014 | Additions | Deletions | Balance 12/31/2015 |
|---|---|---|---|---|
| ***Capital Assets, not being depreciated*** | | | | |
| Land | $214,100 | $0 | $0 | $214,100 |
| *Total Capital Assets, not being depreciated* | 214,100 | - | - | 214,100 |
| ***Capital Assets, being depreciated*** | | | | |
| Buildings | 105,575 | - | - | 105,575 |
| Vehicles | 1,500 | - | - | 1,500 |
| Furniture and Fixtures | 3,248 | - | - | 3,248 |
| Equipment | 44,500 | - | - | 44,500 |
| Fueling System | 116,150 | - | - | 116,150 |
| Rental Plane | 62,000 | - | - | 62,000 |
| Taxiways | 1,555,874 | 177,717 | - | 1,733,591 |
| Total Capital Assets, being depreciated | 1,888,847 | 177,717 | - | 2,066,564 |
| Less: Accumulated Depreciation | | | | |
| Buildings | (44,722) | (2,642) | - | (47,364) |
| Vehicles | (1,500) | - | - | (1,500) |
| Furniture and Fixtures | (3,093) | (33) | - | (3,126) |
| Equipment | (33,907) | (1,703) | - | (35,610) |
| Fueling System | (46,462) | (2,902) | - | (49,364) |
| Rental Plane | (37,201) | (4,132) | - | (41,333) |
| Taxiways | (679,974) | (88,034) | - | (768,008) |
| Total Accumulated Depreciation | (846,859) | (99,446) | - | (946,305) |
| | | - | | |
| Total Capital Assets, being depreciated, net | 1,041,988 | 78,271 | - | 1,120,259 |
| Capital Assets, net | $1,256,088 | $78,271 | $0 | $1,334,359 |

## 6. Long-Term Obligations

A summary of the long-term obligations for the Authority for the years ended December 31, 2016 and 2015 follows:

| | Interest Rate | Balance at December 31, 2015 | Increases | Decreases | Balance at December 31, 2016 | Due In One Year |
|---|---|---|---|---|---|---|
| Airport Authority | | | | | | |
| Airport Hangar Note #1 | 4.64% | $4,850 | $0 | $4,850 | $0 | $0 |
| Fuel Tank Removal | 1.79% | 48,500 | 0 | 10,000 | 38,500 | 11,000 |
| Airport Hangar Note #2 | 2.11% | 17,355 | 0 | 3,910 | 13,445 | 4,160 |
| Total Notes Payable | | 70,705 | 0 | 18,760 | 51,945 | 15,160 |
| Net Pension Liability | | 35,098 | 18,907 | 5,332 | 48,673 | 0 |
| Total Long-Term Obligations | | $105,803 | $18,907 | $24,092 | $100,618 | $15,160 |

| | Interest Rate | Balance at December 31, 2014 | Increases | Decreases | Balance at December 31, 2015 | Due In One Year |
|---|---|---|---|---|---|---|
| Airport Authority | | | | | | |
| Airport Hangar Note #1 | 4.64% | $8,850 | $0 | $4,000 | $4,850 | $4,850 |
| Fuel Tank Removal | 1.79% | 57,500 | 0 | 9,000 | 48,500 | 10,000 |
| Airport Hangar Note #2 | 2.11% | 21,025 | 0 | 3,670 | 17,355 | 3,910 |
| Total Notes Payable | | 87,375 | 0 | 16,670 | 70,705 | 18,760 |
| Net Pension Liability | | 34,305 | 5,705 | 4,912 | 35,098 | 0 |
| Total Long-Term Obligations | | $121,680 | $5,705 | $21,582 | $105,803 | $18,760 |

The interest rates on 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 Removal Note - Terms on the note due to Van Wert County call for 16 annual payments starting on August 2, 2004, 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 Authority's long-term obligations outstanding at December 31, 2016, were as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $15,160 | $973 | $16,133 |
| 2018 | 16,430 | 688 | 17,118 |
| 2019 | 20,355 | 382 | 20,737 |
| | $51,945 | $2,043 | $53,988 |

## 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.

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

### Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Airport Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Airport Authority's obligation for this liability to annually required payments. The Airport Authority cannot control benefit terms or the manner in which pensions are financed; however, the Airport Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

Plan Description – Airport Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Airport Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers .org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| **State and Local** | **State and Local** | **State and Local** |
| **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local |
|---|---|
| **2016 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| **2016 Actual Contribution Rates** | |
| Employer: | |
| Pension | 12.0 % |
| Post-employment Health Care Benefits | 2.0 |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Airport Authority's contractually required contribution was $5,123 for 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airport Authority's proportion of the net pension liability was based on the Airport Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS |
|---|---|
| Proportionate Share of the Net Pension Liability | $48,673 |
| Proportionate Share of the Net Pension Liability: | |
| Current Measurement Date | 0.000281% |
| Prior Measurement Date | 0.000291% |
| Change in Proportionate Share | -0.00001% |
| Pension Expense | $7,013 |

At December 31, 2016, the Airport Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS |
|---|---|
| **Deferred Outflows of Resources** | |
| Net difference between projected and actual earnings on pension plan investments | $15,753 |
| Airport Authority contributions subsequent to the measurement date | 5,123 |
| Total Deferred Outflows of Resources | $20,876 |
| | |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $1,348 |
| Changes in proportion and differences between Airport Authority contributions and proportionate share of contributions | 3,140 |
| Total Deferred Inflows of Resources | $4,488 |

$5,123 reported as deferred outflows of resources related to pension resulting from Airport Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS |
|---|---|
| 2017 | ($2,725) |
| 2018 | (2,725) |
| 2019 | (2,725) |
| 2020 | (3,079) |
| 2021 | (3,151) |
| Total | ($14,405) |

**Actuarial Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement in accordance with GASB Statement No. 67:

| | |
|---|---|
| Wage Inflation | 3.75 percent |
| Future Salary Increases, including inflation | 4.25 to 10.05 percent including wage inflation |
| COLA or Ad Hoc COLA, post January 7, 2013 Retirees | 3 percent, simple |
| COLA or Ad Hoc COLA, pre January 7, 2013 Retirees | 3 percent simple through 2018, then 2.8 simple |
| Investment Rate of Return | 8 percent |
| Actuarial Cost Method | Individual Entry Age |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is .4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 20.70 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 18.30 | 7.40 |
| Other investments | 18.00 | 4.59 |
| Total | 100.00 % | 5.27 % |

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Airport Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Airport Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Airport Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|
| Airport's proportionate share of the net pension liability | $77,548 | $48,673 | $24,318 |

**Changes Between Measurement Date and Report Date**

In October 2016, the OPERS Board adopted certain assumption changes which will impact the annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City’s net pension liability is expected to be significant.

## NOTE 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.

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 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The health care coverage provided by OPERS meets the definition of another post-employment benefit (OPEB) as described in GASB Statement No. 45. See OPERS' CAFR referenced below for additional information.

OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Further information can be found in the OPERS 2016 CAFR.

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, by calling (614) 222-6701 or (800) 222-7377 or visiting https://www.OPERS.org/financial/reports.shtml.

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 2016 was 14 percent, of which 12 percent was used to fund pension benefits and 2 percent was used to fund health care for all plans. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries of covered dependents and the coverage selected.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees and the traditional pension and combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. As recommended by the OPERS actuary, the portion of the employer contribution allocated to health care beginning January 1, 2016, remained at 2 percent for both the traditional pension and combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a retiree medical account for member-directed plan members. The employer contribution as a percentage of covered payroll deposited into the retiree medical accounts for 2016 was 4 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Health Care Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statement of Changes in Fiduciary Net Position for the year ended December 31, 2016, reflects a partial year of activity in the 401(h) Health Care Trust and the VEBA Trust prior to the termination of these trusts as of the end of the business day June 30, 2016, and the assets and liabilities or net position of these trusts being consolidated into the 115 Health Care Trust on July 1, 2016.

The Airport Authority's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014, were $789, $739, and $752, respectively; 76 percent has been contributed for 2016 and 100 percent for 2015 and 2014.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

## 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 Airport Authority'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. CHANGE IN ACCOUNTING PRINCIPLES

For 2016, the Airport Authority has implemented Governmental Accounting Standard Board (GASB) Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to the fair value of investments. This statement had no effect on net position or fund balances.

For 2016, the Airport Authority has implemented Governmental Accounting Standard Board Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This establishes requirements for defined benefit pension systems that are not within the scope of GASB Statement 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of GASB Statements 67 and 68. This statement had no effect on net position or fund balances.

For 2016, the Airport Authority has implemented Governmental Accounting Standard Board Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for state and Local Governments." This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement had no effect on net position or fund balances.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting governments own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the Airport Authority's financial statements as the Airport Authority does not collect tax revenues nor have any tax abatement agreements of their own.

For 2016, the Airport Authority has implemented Governmental Accounting Standard Board Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.” The objective of this statement is to address a practice issue regarding the scope and applicability of Statement 68. This statement had no effect on net position or fund balances

For 2016, the Airport Authority has implemented Governmental Accounting Standard Board and Statement No. 79, “Certain External Investment Pools and Pool Participants.” This statement addresses accounting and financial reporting for certain external investment pools and pool participants. This statement had no effect on net position or fund balances.

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Van Wert County Regional Airport Authority
Van Wert County

Required Supplementary Information
Schedule of the Airport Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Three Years (1)

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Airport's Proportion of the Net Pension Liability | 0.0000281% | 0.0002910% | 0.0002910% |
| Airport's Proportionate Share of the Net Pension Liability | $48,673 | $35,098 | $34,305 |
| Airport's Covered Employee Payroll | $33,643 | $35,971 | $37,179 |
| Airport's Proportionate Share of the Net Pension Liaiblity as a Percentage of its Covered-Employee Payroll | 144.67% | 97.57% | 92.27% |
| Plan Fiduciary Net Position as a Percentage Of the Total Net Pension Liability | 86.45% | 86.45% | 86.36% |

(1) Information Prior to 2013 is not available

Van Wert County Regional Airport Authority
Van Wert County

Required Supplementary Information
Schedule of Airport Authority's Contributions
Ohio Public Employees Retirement System
Last Ten Years

| | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Contractually Required Contributions | $5,123 | $4,710 | $4,295 | $4,833 |
| Contributions in Relation to the Contractually Required Contribution | (5,123) | (4,710) | (4,295) | (4,833) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| County's Covered-Employee Payroll | $36,593 | $33,643 | $35,971 | $37,179 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 11.94% | 13.00% |

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| $4,920 | $3,681 | $4,742 | $2,233 | $2,379 | $1,913 |
| (4,920) | (3,681) | (4,742) | (2,233) | (2,379) | (1,913) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $35,143 | $36,807 | $50,886 | $26,800 | $33,986 | $22,664 |
| 14.00% | 10.00% | 9.32% | 8.33% | 7.00% | 8.44% |

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

Van Wert County Regional Airport Authority
Van Wert County
1400 Leeson Avenue
Van Wert, Ohio 45891

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Van Wert County Regional Airport Authority, Van Wert County, (the Airport Authority) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Airport Authority's basic financial statements and have issued our report thereon dated August 21, 2018 wherein, we qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as rent revenue and related receivables and deferred inflows for the year ended December 31, 2016.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Airport Authority's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Airport Authority's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

***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, opining 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*.

***Airport Authority's Response to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Airport Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Airport Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Dave Yost

**Dave Yost**
Auditor of State
Columbus, Ohio

August 21, 2018

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

**FINDING NUMBER 2017-001**

**Rent Revenue– Material Weakness**

The Van Wert County Regional Airport Authority (the Airport Authority) has a fiscal responsibility to properly report the financial activity and related assets, receivables, liabilities, deferred inflows and outflows, and net position of the Airport Authority to better provide information used in making decisions for the Airport Authority's operations.

Rent revenue on the Airport Authority's financial statements included Hanger Rental revenue consisting of $33,316. This amount is 67% of the rent revenue line item, 22% of total operating revenue, and 12% of total revenue for the Airport Authority for the year ended December 31, 2016. The Airport Authority did not obtain any lease agreements on the hangar rent collected in 2016.

The lack of approved leases on file indicating the applicable rate to be charged and time frame of rent of hangar space could result in inaccurate collection of revenue, possible loss of revenue, and overlapping of renters in the same rental space. This deficiency could also result in potential misstatement of revenues related to the hangar airplane rent revenue and accounts receivable and deferred inflows of resources for financial statement presentation of the Van Wert County Regional Airport Authority. Our opinion, therefore, has been modified on rent revenue for 2016.

The Airport Authority Board should implement procedures that require all lease agreements for hangars to be in writing. A copy of the lease should be maintained. The Board should then monitor that the rates charged and recorded are in agreement with the authorized rates and leases.

**Official's Response:**

We implemented a hangar lease policy in 2017.

VAN WERT COUNTY REGIONAL AIRPORT
AIRPORT AUTHORITY
1400 Leeson Avenue ~ Van Wert, Ohio 45891
Ph: 419-232-4500 E-mail: manager@vanwertcountyairport.org

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**December 31, 2017 and 2016**

| Finding Number | Finding Summary | Status | Additional Information |
|---|---|---|---|
| 2015-001 | Sales Revenue – No receipts, pump reports, fuel logs, or other support was maintained. | Corrected | |
| 2015-002 | Rent Revenue – No lease agreements were maintained for hangar rentals. | Not Corrected | Repeated see 2017-001. Hangar leases were maintained for 2017, however they were not for 2016. |

**VAN WERT COUNTY 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**
**OCTOBER 23, 2018**