

**BEMIDJI REGIONAL AIRPORT**  
**BEMIDJI, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2009 AND 2008**

**BEMIDJI REGIONAL AIRPORT**  
**BEMIDJI, MINNESOTA**  
**DECEMBER 31, 2009 AND 2008**

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**BEMIDJI REGIONAL AIRPORT COMMISSION**  
**BEMIDJI, MINNESOTA**

**OFFICIAL DIRECTORY**

<b>Marshall Froyd</b>	<b>Commission Chairperson</b>
<b>Jack Frost</b>	<b>Commission Member</b>
<b>Roger Hellquist</b>	<b>Commission Member</b>
<b>Ron Johnson</b>	<b>Commission Member</b>
<b>Joe Vene</b>	<b>Commission Member</b>
<b>Harold M. Van Leeuwen Jr.</b>	<b>Airport Manager</b>



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## INDEPENDENT AUDITORS' REPORT

**Bemidji Regional Airport Commission  
Bemidji, Minnesota**

We have audited the accompanying financial statements of the business-type activity of the Bemidji Regional Airport, as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Airport's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bemidji Regional Airport's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Bemidji Regional Airport as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 20, 2010, on our consideration of the Bemidji Regional Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 6 is not a required part of the basic financial statement but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bemidji Regional Airport's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Bemidji Regional Airport. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Miller McDonald Inc.*

July 20, 2010  
Bemidji, Minnesota

**BEMIDJI REGIONAL AIRPORT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2009**

This discussion and analysis is to be a readable overview of the Bemidji Regional Airport's financial activities during the year 2009 using the best current data and information, decisions and existing conditions. It should be read in conjunction with the financial statements provided as a part of this audit.

*Financial Highlights*

The airport receives the majority of its funding from three sources; contributions from the City of Bemidji and Beltrami County, state and federal grants and charges for services. Other revenue sources include investment earnings and miscellaneous income. The contributions for the year ended 2009 were \$367,000, state and federal grants amounted to \$1,910,738 and charges for services were \$289,912. Investment earnings and other income totaled \$76,004. Total revenues for FY 2009 of \$2,643,654 exceeded total expenses of \$1,861,120 resulting in an increase in net assets of \$782,415. The prior year increase in net assets was \$1,192,670.

As pointed out in previous years the airport continues to be adequately funded for daily operations and maintenance; however, to continue adequate funding the level will have to increase in FY2012 in that the main source of funding has been held level for 2009 and 2011. Additionally, there has been no dedicated level of funding for long term capital equipment or facility replacement nor has there been dedicated funding for matching federal or state grants. Local share for these items has been accomplished through individual requirement identification to the sponsors and funds are provided as available and only for specific projects. This has made planning and execution of projects difficult because of the long lead time required to obtain federal or state approval and funding. The transition to an Airport Authority in 2009, provided the airport the ability to levy taxes beginning with the 2010 calendar year. The intent of the Authority was to establish within the first levy adequate funding for airport operations, maintenance, and capital investment for acquisition, replacement and major maintenance of capital assets and projects. However, because of the economic conditions the Authority opted to only establish the levy level to support operations and maintenance at the same level previously funded by the city and county. It did not include funding for capital investment or capital maintenance/replacement of equipment. It did however recognize the need to include funding in future levy levels.

The Airport received federal grants (AIP 20, 21 and 22) under the Airport Improvement Program to complete several projects. Grant AIP 20 was \$500,000 in Federal funds under the American Recovery and Reinvestment Act of 2009 (ARRA) to rehabilitate commercial apron and adjacent pavement accessed by airport rescue and firefighting vehicles and other airport vehicles. Grant proceeds recognized in 2009 were \$195,654. Grant AIP 21 was \$1,040,017 including a local match of \$53,132. The project consisted of the acquisition of snow removal equipment, expanding the ARFF building (phase 1 design), environmental assessment for West Development Area, and rehabilitation of the airport terminal (phase 2 design). Grant proceeds recognized in 2009 were \$990,814. Grant AIP 22 was \$6,293,998 including a local match of \$314,699. The project included wildlife hazard assessment and airport terminal improvement (phase 3). Grant proceeds recognized in 2009 were \$76,535.

**BEMIDJI REGIONAL AIRPORT**  
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**YEAR ENDED DECEMBER 31, 2009**

The Airport also received a grant from the Department of Employment and Economic Development for \$250,000 for construction of water, sanitary, and storm utilities along with road construction to support economic development of the Bemidji Regional Airport West JOBZ development. The entire grant was expended in 2009.

Charges for services includes revenue from the PFC's as well as revenue from leases, landing fees and hangar rent.

### **Bemidji Regional Airport Debt**

*Long-term Debt:* The Bemidji Regional Airport has no long-term debt.

*Short Term Debt:* The airport currently has no short-term debt due to an increase in revenues in the current year.

### **Capital Investments**

*Major equipment or structure additions or improvements:* During the year the airport completed construction of an electrical building and continued the design work for the new terminal. Construction also was completed on a new beacon and compass pad as well as a lift station and additional water and sewer lines in the west development area. The airport also received as a part of the American Recovery and Reinvestment Act (stimulus) a \$500,000 grant for ramp repairs which it began work on and will complete in the spring of 2010. In addition the airport was able to purchase an Oshkosh combination Snow Blower and 18 foot broom for improved snow and ice removal from the aircraft operations area with a federal Airport Improvement Grant. Total capital additions for 2009 and 2008 totaled \$2,026,498 and \$2,249,384 respectively.

### **Bemidji Regional Airport as a whole**

*Financial Statement:* The attached audit accurately reflects the financial position at the end of FY2009. When viewed in conjunction with the above provided comments; the audit provides a whole and complete picture of the financial health of the airport and its operating expenses, liabilities and improvements.

*Passenger Facility Charge:* During 2009 we collected and distributed the funds from the passenger facility charge as approved towards the runway reconstruction project. The current collections under the current PFC are being assigned for repayment to the airport for the local share of the completion of the ALP update, AIP's 16 & 17. The predicted collection rate matched the predicted expense rate for these projects. These collections are being used to complete payment for the Master Plan, ALP along with payment of the local share of AIP-16. Repayment of the local share for AIP-16 is estimated to take 72 months at the current collection rate, which is expected to

**BEMIDJI REGIONAL AIRPORT**  
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**YEAR ENDED DECEMBER 31, 2009**

be October 2011. The balance of the local share of AIP-17 along with the local share of AIP-18 will be included in the next PFC application which will be completed in early CY 2011 to have in place prior to the end of the current collections as to prevent interruption of collections.

*Next Year's Budget requirements:* For 2010 the airport continues to be adequately funded for operations and maintenance, however there are escalating costs associated with winter operations, which has been associated with increased Federal Aviation requirements to maintain the airport certification and increased airline requirements because the gradual change in aircraft available to serve Bemidji, specifically the change from Saab 340 turbo prop to CRJ 200/700/900 jets. The airport has been awarded significant federal funding to continue its terminal rehabilitation project, the procurement of a replacement snow-blower/broom combination and ARRA (stimulus) funding for ramp rehabilitation. Some of these funds, the snow-blower/broom and part of the ARRA were received in 2009. The ARRA funds are expected to be \$500K with no local match required. The terminal design and snow blower funds will be "Part B" of the 2009 entitlement funds and should be approximately \$1,043,000 with a local match of 5% of that. The local government units will have to develop a plan to provide the 5% cost share. The first phase of the terminal project is expected to be 2010 funding and will be approximately \$3.5 million federal and 5% (\$175K) local match. The second phase would be 2011 and would be an additional \$3.5 million federal and a possible \$500k in state funding with a local share of approximately \$325K.

The final phase of the terminal project will be the entrance and parking lot and is planned to proceed following completion of the terminal itself, estimated to be spring of 2012. The cost of this final phase is projected to be \$1.5M federal with a local match of 5% (\$45K).

*Financial Contact:* The Airports financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Airport's finances and to demonstrate accountability. Questions should be directed to the Bemidji Regional Airport Manager at 3824 Moberg Dr. NW, Suite 101, Bemidji, Minnesota 56601.



**BEMIDJI REGIONAL AIRPORT**  
**STATEMENTS OF NET ASSETS**  
**DECEMBER 31, 2009 AND 2008**

<b><u>ASSETS</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 304,862	\$ -
Accounts Receivable	6,856	-
Due from Other Governmental Units	318,069	759,397
Prepaid Insurance	17,514	22,109
<b>Total Current Assets</b>	<b>647,301</b>	<b>781,506</b>
<b><u>Capital Assets</u></b>		
Land	861,567	861,567
Buildings	4,055,472	4,055,472
Runways and Improvements	20,057,515	19,587,626
Equipment	2,537,581	1,814,593
Construction In Progress	687,228	-
	28,199,363	26,319,258
Less: Accumulated Depreciation	(8,411,967)	(7,358,667)
<b>Total Capital Assets</b>	<b>19,787,396</b>	<b>18,960,591</b>
<b><u>Non-Current Assets</u></b>		
Capital Credits Receivable	11,688	9,709
<b>Total Assets</b>	<b>20,446,385</b>	<b>19,751,806</b>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	312,587	409,414
Rent Payable	807	2,576
Accrued Liabilities	4,178	4,237
<b>Total Current Liabilities</b>	<b>317,572</b>	<b>416,227</b>
<b><u>Long-Term Liabilities</u></b>		
Accrued Compensated Absences	36,734	25,915
<b>Total Liabilities</b>	<b>354,306</b>	<b>442,142</b>
<b><u>NET ASSETS</u></b>		
Invested in Capital, Net of Related Debt	19,787,396	18,960,591
Restricted	38,749	38,121
Undesignated	265,934	310,952
<b>Total Net Assets</b>	<b>\$ 20,092,079</b>	<b>\$ 19,309,664</b>

See Accompanying Notes to Financial Statements.

**BEMIDJI REGIONAL AIRPORT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
<b><u>Revenues</u></b>		
Rents	\$ 289,912	\$ 276,182
Other	62,127	23,544
<b>Total Revenues</b>	<b>352,039</b>	<b>299,726</b>
<b><u>Expenses</u></b>		
Salaries and Wages	276,250	243,596
Payroll Taxes and Employee Benefits	49,069	44,969
Utilities	70,573	87,348
Maintenance and Repairs	70,108	68,448
Supplies	49,467	50,584
Other Services and Charges	145,960	178,204
Depreciation and Amortization	1,199,693	1,136,600
<b>Total Expenses</b>	<b>1,861,120</b>	<b>1,809,749</b>
<b><u>Operating Loss</u></b>	<b>(1,509,081)</b>	<b>(1,510,023)</b>
<b><u>Non-Operating Revenues (Expense)</u></b>		
State and Federal Grants	1,910,738	2,299,851
Beltrami County/City of Bemidji Contributions	367,000	360,000
Interest Income	4,413	7,564
Interest Expense	(119)	(201)
Other Contributions	9,464	35,479
<b>Total Non-Operating Revenues (Expense)</b>	<b>2,291,496</b>	<b>2,702,693</b>
<b><u>Net Income</u></b>	<b>782,415</b>	<b>1,192,670</b>
<b><u>Net Assets, Beginning of Year</u></b>	<b>19,309,664</b>	<b>18,116,994</b>
<b><u>Net Assets, End of Year</u></b>	<b>\$ 20,092,079</b>	<b>\$ 19,309,664</b>

See Accompanying Notes to Financial Statements.

**BEMIDJI REGIONAL AIRPORT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>2009</u>	<u>2008</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received From Users	\$ 298,487	\$ 308,154
Cash Paid to Suppliers and Employees	<u>(742,899)</u>	<u>(1,214,079)</u>
Net Cash Provided by ( Used in) Operating Activities	<u>(444,412)</u>	<u>(905,925)</u>
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>		
Proceeds of City and County Contributions	367,000	339,285
Proceeds of Federal and State Grants	<u>99,376</u>	<u>120,307</u>
Net Cash Provided by Non-Capital Financing Activities	<u>466,376</u>	<u>459,592</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Acquisition of Property and Equipment	(2,026,498)	(2,249,384)
Proceeds from Sales of Equipment	42,950	-
Proceeds of Federal and State Capital Grants	2,262,152	2,688,354
Interest Paid on Bonds and Notes	<u>(119)</u>	<u>(201)</u>
Net Cash Used in Capital and Related Financing Activities	<u>278,485</u>	<u>438,769</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Interest on Investments	<u>4,413</u>	<u>7,564</u>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	<u>304,862</u>	<u>-</u>
<b><u>Cash and Cash Equivalents, Beginning of Year</u></b>	<u>-</u>	<u>-</u>
<b><u>Cash and Cash Equivalents (Deficit), End of Year</u></b>	<u>\$ 304,862</u>	<u>\$ -</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

<b><u>Operating Loss</u></b>	\$ (1,509,081)	\$ (1,510,023)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Depreciation and Amortization	1,199,693	1,136,600
Gain on Sale of Equipment	(42,950)	-
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(8,833)	5,852
(Increase) Decrease in Prepaid Insurance	4,595	(8,766)
Increase (Decrease) in Accounts Payable	(96,827)	(521,810)
Increase (Decrease) in Accrued Liabilities	(59)	(1,244)
Increase (Decrease) in Accrued Compensated Absences	10,819	(9,110)
Increase (Decrease) in Rent Payable	<u>(1,769)</u>	<u>2,576</u>
<b><u>Net Cash Provided by (Used in) Operating Activities</u></b>	<u>\$ (444,412)</u>	<u>\$ (905,925)</u>

See Accompanying Notes to Financial Statements.

**BEMIDJI REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

1. **Summary of Significant Accounting Policies**

The financial statements of Bemidji Regional Airport have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**Organization** - Beltrami County and the City of Bemidji, Minnesota entered into an agreement, effective January 1, 1981, providing for the joint operation of the Bemidji Regional Airport. The agreement provides that the City and County shall contribute equally toward the operation of the Airport.

An Airport Commission was created to operate, maintain, enlarge and improve the existing airport. The Commission is empowered to exercise on behalf of the County and City all the powers of each of the municipalities as granted by Minnesota State Statutes. In 2009 an Airport Authority was created. The transition to an Airport Authority allows the Bemidji Regional Airport additional powers under Minnesota Statutes, including the ability to levy taxes.

The Commission consists of five members. The City Council and County Board each appoint two members who are elected members of the Council/Board. A Community member who is mutually appointed by the City Council and County Board serves as Chairman of the Commission.

The agreement is to be in effect for the term of five years and thereafter for like periods of five years until terminated by a one-year written notice from either the County or City.

**Capital Assets** – All capital assets acquired after December 31, 1980, are capitalized and recorded at cost. Capital assets contributed or assigned by the City to the joint airport were not capitalized or recorded since historical cost data was not available. Depreciation is calculated on property and equipment that has been capitalized. The straight-line method is used over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to operating expense as incurred. Useful lives of the joint airport assets are estimated at three to thirty years.

The City owns certain buildings and other fixed assets on the airport site which have been assigned to the Bemidji Regional Airport for the duration of the agreement. These assets are not reflected in the capital assets of the airport.

**Cash and Cash Equivalents** – The Bemidji Regional Airport considers cash and cash equivalents to be cash in banks and short-term certificates of deposit.

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**Accounts Receivable** – Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management’s assessment of the credit history with customers having outstanding balances and current relationships with them, it has been concluded that bad debt losses on balances outstanding at year-end will be immaterial.

**Prepays** – Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis.

**Revenues** – The Airport Commission has an agreement with the State of Minnesota that provides state operating funds annually to a maximum of \$120,307. The Commission has entered into other agreements with the two air carriers serving Bemidji which provide landing fee and rental revenues based on levels of usage.

**Use of Estimates in the Preparation of Financial Statements** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. **Deposits**

**Authority** - In accordance with Minnesota Statutes, the Bemidji Regional Airport maintains deposits at those depository banks authorized by the Commission. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all Commission deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better, revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission Treasurer or in a financial institution other than that furnishing the collateral.

**Custodial Credit Risk** – The custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission’s deposits may not be covered. The Commission’s policy for custodial credit risk is to maintain compliance with Minnesota Statutes that require all the Commission’s deposits to be protected by insurance, surety bond, or pledged collateral. The Commission’s custodial credit risk at December 31, 2009 was zero.

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**3. Capital Assets**

	1/1/2009			12/31/2009
	Balance	Additions	Disposals	Balance
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 861,567	\$ -	\$ -	\$ 861,567
<b>Depreciable Capital Assets</b>				
Buildings, and Improvements	23,643,098	469,889	-	24,112,987
Furniture, Fixtures, and Equipment	1,814,593	869,381	(146,393)	2,537,581
Construction in Progress	-	687,228	-	687,228
<b>Total Depreciable Capital Assets</b>	<b>25,457,691</b>	<b>2,026,498</b>	<b>(146,393)</b>	<b>27,337,796</b>
Less Accumulated Depreciation	(7,358,667)	(1,199,693)	146,393	(8,411,967)
<b>Depreciable Capital Assets, Net</b>	<b>18,099,024</b>	<b>826,805</b>	<b>-</b>	<b>18,211,809</b>
<b>Total Capital Assets, Net</b>	<b>\$ 18,960,591</b>	<b>\$ 826,805</b>	<b>\$ -</b>	<b>\$ 19,787,396</b>

**4. Defined Benefit Pension Plan – Statewide**

**Plan Description**

All full-time and certain part-time employees of Bemidji Regional Airport are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual

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rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PERFF and PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the web at [mnpera.org](http://mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Airport makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2009. The Airport is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, and 6.75% for Coordinated Plan PERF members. The Airport's contributions for the years ending December 31, 2009, 2008 and 2007, were \$11,747, \$10,201 and \$9,007 respectively. The Airport's contributions were equal to the contractually required contributions for each year as set by state statute.

**BEMIDJI REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

5. **Risk Management**

The airport is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; errors and omissions; employee injuries and illness; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three years.

6. **Commitments and Contingencies**

The airport participates in numerous Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the airport has not complied with the rules and regulations governing the grant, refunds of money received may be required and the ability to collect any related receivable at December 31, 2009 may be impaired. In the opinion of the airport, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

7. **Compensated Absences**

The airport permits employees to accumulate earned but unused paid time off. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating leave benefits that is vested as severance pay.



**BEMIDJI REGIONAL AIRPORT**  
**SCHEDULE OF PASSENGER FACILITY CHARGE REVENUE**  
**DECEMBER 31, 2009**

<u>Approved Applications</u>	<u>Current Year Imposed</u>	<u>Current Year Used/Spent</u>	<u>Cummulative Balance</u>
Application # 3 01-02-C-01-BJI (amended)	\$ -	\$ (5,993.11)	\$ -
Application # 4 60-03-C-00-BJI	<u>83,669.90</u>	<u>89,663.01</u>	<u>504,577.37</u>
<b>Total Authority</b>	<b><u>\$ 83,669.90</u></b>	<b><u>\$ 83,669.90</u></b>	<b><u>\$ 504,577.37</u></b>
	<u>Current Year</u>		<u>Cumulative</u>
PFC Revenue Received	\$ 83,622.68		\$ 1,044,744.45
Interest Earned	<u>47.22</u>		<u>4,437.29</u>
<b>Total PFC Revenue Received</b>	<b><u>\$ 83,669.90</u></b>		<b><u>\$ 1,049,181.74</u></b>
Expenditures on Approved PFC Projects			<b><u>\$ 1,049,181.74</u></b>

**BEMIDJI REGIONAL AIRPORT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2009**

<u>Funding Source</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b><u>Administering Agency</u></b>			
<b><u>U.S. Department of Transportation</u></b>			
Pass-Through Minnesota Department of Transportation	Airport Improvement Program	20.106	\$ 1,261,000
	Airport Improvement Program ARRA	20.106	<u>195,654</u>
<b>Total Federal Assistance Expended</b>			<b><u>\$ 1,456,654</u></b>

**Note 1 –Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Bemidji Regional Airport. The Schedule is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profits Organizations*. Therefore, some amounts in this schedule may differ from amounts presented in or used in the preparation of the financial statements.



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**AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE  
 FINANCIAL STATEMENTS PERFORMED IN  
 ACCORDANCE WITH THE MINNESOTA  
 LEGAL COMPLIANCE AUDIT GUIDE FOR LOCAL GOVERNMENT**

**Bemidji Regional Airport Commission  
 Bemidji, Minnesota**

We have audited the financial statements of the business-type activities, of the Bemidji Regional Airport, as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 20, 2010.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the Bemidji Regional Airport, complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the use of the Bemidji Regional Airport, the Commission and other appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Miller McDonald, Inc.*

July 20, 2010  
 Bemidji, Minnesota



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**AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE  
 PASSENGER FACILITY CHARGE PROGRAM AND INTERNAL CONTROL BASED ON AN  
 AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
 WITH GOVERNMENT AUDITING STANDARDS**

Bemidji Regional Airport Commission  
 Bemidji, Minnesota

We have audited the financial statements of the business-type activity Bemidji Regional Airport as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated July 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, (the Guide) issued by the Federal Aviation Administration.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Bemidji Regional Airport's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bemidji Regional Airport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bemidji Regional Airport's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial

reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. Finding 07-1. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bemidji Regional Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Bemidji Regional Airport, in a separate letter dated July 20, 2010.

Bemidji Regional Airport's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Bemidji Regional Airport's response and, accordingly, we express no opinion on it. In our opinion, Bemidji Regional Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the years ended December 31, 2009 and 2008.

This report is intended solely for the information and use of the Bemidji Regional Airport, the Commission and other appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Miller McDonald, Inc.*  
July 20, 2010  
Bemidji, Minnesota



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**AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER**  
**COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Bemidji Regional Airport Commission  
 Bemidji, Minnesota

**Compliance**

We have audited the compliance of the Bemidji Regional Airport with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Bemidji Regional Airport's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Bemidji Regional Airport's, management. Our responsibility is to express an opinion on the Bemidji Regional Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Bemidji Regional Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Bemidji Regional Airport's compliance with those requirements.

In our opinion, the Bemidji Regional Airport complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

**Internal Control Over Compliance**

The management of the Bemidji Regional Airport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Bemidji Regional Airport's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bemidji Regional Airport's control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the use of and information of management, the Commission and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Miller McDonald, Inc.*

July 20, 2010  
Bemidji, Minnesota

**BEMIDJI REGIONAL AIRPORT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2009**

**A. Summary of Auditor's Results**

1. An unqualified report was issued.
2. One significant deficiency in internal control was reported on the audit of the financial statements and it was not identified as a material weakness.
3. The audit did not disclose any noncompliance that was material to the financial statements.
4. No significant deficiencies relating to the audit of federal programs are reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB A-133*.
5. An unqualified report on compliance for major federal award programs was issued.
6. No findings were disclosed that are required to be reported in accordance with Section 510 (a) of OMB A-133.
7. Major programs:  
    Airport Improvement Program CFDA No. 20.106
8. A \$300,000 threshold was used to distinguish between Type A and Type B programs.
9. The Bemidji Regional Airport did not qualify as a low-risk auditee.

**B. Findings Related to Financial Statements Audited in Accordance with *Government Audit Standards*.**

**Previously Reported Item Not Resolved During the Year**

**Finding: 07-1 – Auditor Prepares the Financial Statements**

The Airport's Auditor prepares the financial statements. This is not unusual in entities the size of the Bemidji Regional Airport; however, the Airport's management and governance personnel should be aware that even though they assume responsibility for the financial statements the fact that the Auditor has prepared the financial statements indicates a control deficiency by management.



**BEMIDJI REGIONAL AIRPORT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2009**

**Corrective Action Plan (CAP):**

**1. Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**2. Actions Planned in Response to Finding**

The Airport has noted the finding and will take this recommendation under advisement. Because of the level and depth of knowledge that this finding will require to resolve, the Commission does not feel it is either capable of or has a pressing need to resolve anytime soon. Management and the Commission are both completely satisfied with continuing to have the audit firm prepare the financial statements. When or if the audit firm is no longer able to provide this service because of a violation of their ethics, generally accepted auditing standards or law, we will then consider other options.

**3. Official Responsible for Ensuring CAP Implementation**

Harold Van Leeuwen, Airport Manager

**4. Planned Completion of CAP**

Ongoing

**5. Plan to Monitor Completion of CAP**

The Commission will continue to review the audited financial statements.

**C. Findings and Questioned Costs for Federal Award Programs**

**Internal Control Findings**

1. None

**Questioned Costs**

1. None

**D. Findings and Questioned Costs for Passenger Facility Charge Program**

1. None

**BEMIDJI REGIONAL AIRPORT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2009**

**E. Findings and Questioned Costs for Minnesota Legal Compliance Manual**

**1. None**