



Dave Yost • Auditor of State

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sandusky County Regional Airport Authority
Sandusky County
1500 CR 220
Clyde, Ohio 43410

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Sandusky County Regional Airport Authority, Sandusky County, Ohio (the Authority), a component unit of Sandusky County, as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 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 Authority's internal control. Accordingly, we express no 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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Authority prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section

117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Authority does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Authority as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Sandusky County Regional Airport Authority, Sandusky County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 4, 2016

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY
(A COMPONENT UNIT OF SANDUSKY COUNTY)**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Intergovernmental		\$193,982	\$193,982
SCRA 10 Percent Grant Match		33,178	33,178
SCEDC/Terra Contributions	\$15,811		15,811
Contract/Property Leases	1,080		1,080
Fuel Sales (Jet A, 100 LL)	200,945		200,945
Federal Excise Tax	4,395		4,395
Airport Owned Hangar Rental/Lease	63,860		63,860
Utility Reimbursement (Promedica and LifeFlight)	45,395		45,395
County Youth Program	33,058		33,058
Property Tax Reimbursement	6,722		6,722
Farm Land Rent	92,198		92,198
Ramp Fees	1,665		1,665
Miscellaneous	1,525		1,525
Total Cash Receipts	466,654	227,160	693,814
Cash Disbursements:			
Transportation			
SCRA 10 Percent Grant Match	33,178		33,178
Property Taxes	23,650		23,650
Equipment/Facility Maintenance	24,377		24,377
Diesel and Oil	3,166		3,166
Equipment Purchase	6,400		6,400
AWOS Maintenance Contract	1,200		1,200
Runaway Rehabilitation		227,160	227,160
Fuel Costs (Jet A, 100 LL)	122,466		122,466
Merchant Fee	4,751		4,751
Utilities	38,937		38,937
Dues and Subscriptions	1,003		1,003
Insurance	11,561		11,561
Miscellaneous	547		547
Training and Travel	1,853		1,853
Office Supplies and Postage	5,829		5,829
Wages	61,924		61,924
Payroll Taxes/CSEA	24,573		24,573
Debt Payments	27,114		27,114
Professional Fees	2,780		2,780
Consulting Fees	4,657		4,657
Total Cash Disbursements	399,966	227,160	627,126
Net Change in Fund Cash Balances	66,688		66,688
Fund Cash Balances, January 1	100,098	33	100,131
Fund Cash Balances, December 31			
Restricted		33	33
Unassigned	166,786		166,786
Fund Cash Balances, December 31	\$166,786	\$33	\$166,819

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

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY
(A COMPONENT UNIT OF SANDUSKY COUNTY)**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Intergovernmental		\$288,152	\$288,152
SCRA 10 Percent Grant Match		29,304	29,304
SCEDC/Terra Contributions	\$10,000		10,000
Contract/Property Leases	1,180		1,180
Fuel Sales (Jet A, 100 LL)	280,113		280,113
Federal Excise Tax	8,962		8,962
Airport Owned Hangar Rental/Lease	56,208		56,208
Utility Reimbursement (Promedica and LifeFlight)	28,859		28,859
County Youth Program	12,832		12,832
Property Tax Reimbursement	6,648		6,648
Farm Land Rent	92,199		92,199
Ramp Fees	1,825		1,825
Miscellaneous	1,875		1,875
Total Cash Receipts	<u>500,701</u>	<u>317,456</u>	<u>818,157</u>
Cash Disbursements:			
Transportation			
SCRA 10 Percent Grant Match	29,304		29,304
Property Taxes	23,338		23,338
Equipment/Facility Maintenance	26,879		26,879
Diesel and Oil	3,998		3,998
Equipment Purchase	15,688		15,688
AWOS Maintenance Contract	2,400		2,400
Runaway Rehabilitation		223,830	223,830
Fuel Costs (Jet A, 100 LL)	219,611		219,611
Merchant Fee	6,796		6,796
Utilities	55,551		55,551
Dues and Subscriptions	1,897		1,897
Insurance	11,757		11,757
Miscellaneous	5,246		5,246
Training and Travel	293		293
Office Supplies and Postage	4,021		4,021
Wages	45,465		45,465
Payroll Taxes/CSEA	14,069		14,069
Debt Payments	2,128		2,128
Professional Fees	12,541		12,541
Consulting Fees	2,875	93,626	96,501
Total Cash Disbursements	<u>483,857</u>	<u>317,456</u>	<u>801,313</u>
Excess Receipts Over Disbursements	<u>16,844</u>		<u>16,844</u>
Other Financing Receipts:			
Loan Proceeds	33,688		33,688
Net Change in Fund Cash Balances	50,532		50,532
Fund Cash Balances, January 1	<u>49,566</u>	<u>33</u>	<u>49,599</u>
Fund Cash Balances, December 31			
Restricted		33	33
Unassigned	100,098		100,098
Fund Cash Balances, December 31	<u>\$100,098</u>	<u>\$33</u>	<u>\$100,131</u>

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

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Sandusky County Regional Airport Authority, Sandusky County, Ohio (the Authority) as a body corporate and politic. The Sandusky County Commissioners appoint five Board members to direct the Authority. The Authority is responsible for the safe and efficient operation and maintenance of Sandusky County Regional Airport Authority

Sandusky County (the County) is a political subdivision of the State of Ohio. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, the County's primary government and basic financial statements include component units, which are defined as legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or impose its will over the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; or (3) the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the County is obligated for the debt of the organization. The Authority is a legally separate entity and is reported by the County as a discretely presented component unit in the County's basic financial statements. The Authority does not have any component units and does not include any organizations in its presentation.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Fund Accounting

The Authority uses fund accounting to segregate cash that is restricted as to use. The Authority classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2. Special Revenue Fund

This fund accounts for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Authority had the following significant Special Revenue Fund:

Airport Improvement Program Grant 1812 – This fund receives federal money for design services for the runway rehabilitation project.

D. Property, Plant, and Equipment

The Authority records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Authority must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Authority classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Board can *commit* amounts via formal action (resolution). The Authority must adhere to these commitments unless the Board amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or an Authority official delegated that authority by resolution, or by State Statute.

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. EQUITY IN POOLED DEPOSITS

The Authority maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2015	2014
Total deposits	\$166,819	\$100,131

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Clydescope Loan	\$6,000	4%
Purvis Loan	6,691	0%
Total	\$12,691	

On December 11, 2014, the Authority signed a promissory note through Clydescope for \$30,000. Payments were to be made quarterly in five equal installments of \$6,000 at four percent interest, commencing March 31, 2015. As of December 31, 2015, there was one installment remaining plus interest of \$60.

On August 1, 2012, Purvis Brothers, Inc. purchased a FuelMaster self-serve point-of-sale (POS) unit for the Authority's fuel farm. The cost of \$9,470.92 was to be repaid at a rate of three cents per gallon for each gallon purchased at the Authority's fuel farm. On August 7, 2014, the loan was amended to add a Water Defense System to the Authority's fuel farm. With the addition to the loan balance in 2014, the repayment rate increased to five cents per gallon for each gallon purchased at the Authority's fuel farm. As of December 31, 2015, the Authority's Purvis Loan balance was \$6,691. No amortization schedule is available for this loan as payments are based on the amount of fuel purchased.

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

5. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

6. SCRAA 10 PERCENT GRANT MATCH

The Authority has a 10 percent grant matching requirement for their runway rehabilitation project. The Authority initially pays all of these disbursements from their Special Revenue fund, and then records a disbursement from the general fund and receipt into the special revenue fund to reimburse the Special Revenue Fund for the matching portion and any overages.



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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

Sandusky County Regional Airport Authority
Sandusky County
1500 CR 220
Clyde, Ohio 43410

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 cash balances, receipts, and disbursements by fund type of Sandusky County Regional Airport Authority, Sandusky County, Ohio (the Authority) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated August 4, 2016, wherein we noted the Authority followed financial reporting provisions Ohio Revised Code Section 117.38 and the Ohio Administrative Code Section 117-2-03(D) permit, and wherein we noted the Authority is a component unit of Sandusky County.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 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 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 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the 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*.

Entity's Response to Findings

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

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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

August 4, 2016

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Bank Reconciliations

Accurate bank reconciliations should be performed monthly by the Fiscal Officer and approved by the Board. The Airport Manager did compare transactions included on the bank statements to the Authority's accounting system, but the reconciliation did not support the fund balance of the accounting system because the cash basis accounting system incorrectly included receivables, payables, and other errors. This error was a result of inadequate policies and procedures in posting transactions and reviewing bank reconciliations. The records were returned to the Authority for correction and resulted in audit adjustments that increased fund balance by \$12,494 in 2015 and \$1,507 in 2014. The accompanying financial statements and accounting system have been adjusted to correct these errors.

Failure to reconcile bank balances to fund balances on a monthly basis can result in inaccurate financial reporting, undetected accounting errors, and long standing reconciliation differences. We recommend the Authority implement controls over bank reconciliations, including performing monthly bank reconciliations by the Fiscal Officer that are reviewed and approved by the Board at monthly meetings.

Officials' Response:

We have implemented additional controls around the reconciliation of bank records. These steps are already in place and will be continued going forward.

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SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY

SANDUSKY 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
AUGUST 23, 2016**