



**SANDUSKY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005



**Auditor of State
Betty Montgomery**

**SANDUSKY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

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**Auditor of State
Betty Montgomery**

Sandusky Regional Airport Authority
Sandusky County
101 South Front Street
Fremont, Ohio 43420-3021

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 14, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sandusky Regional Airport Authority
Sandusky County
101 South Front Street
Fremont, Ohio 43420-3021

To the Board of Trustees:

We have audited the accompanying financial statements of Sandusky Regional Airport Authority, Sandusky County, (the Authority) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Authority has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Authority to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Authority does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat its statements. The Authority has elected not to reformat its statements. Since this Authority does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Sandusky Regional Airport Authority, Sandusky County, as of December 31, 2005 and 2004, or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Sandusky Regional Airport Authority, Sandusky County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Authority to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Authority has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

June 14, 2006

**SANDUSKY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental		\$476,505	\$476,505
Interest	\$215		215
SCEDC Contributions	68,712		68,712
Contract/FBO Property Lease	600		600
Fuel Sales/Airport Operations/Hanger Rent	68,611		68,611
Farm Land Rent/Lifeflight Rent	36,194		36,194
Lifeflight utility/Property tax reimbursement	9,931		9,931
Open House	5,000		5,000
Equipment Sales	9,100		9,100
Other Revenue	2,251		2,251
	<u>200,614</u>	<u>476,505</u>	<u>677,119</u>
Total Cash Receipts			
	<u>200,614</u>	<u>476,505</u>	<u>677,119</u>
Cash Disbursements:			
Legal/Consultant Fees	12,067	10,007	22,074
Rent	26,878		26,878
Property Taxes	12,901		12,901
Management Fees	70,986		70,986
Fuel Reimbursement	39,685		39,685
Advertising	73		73
Air Show	4,143		4,143
Equipment	7,523		7,523
Sales Tax	2,454		2,454
East Paralell Taxiway		13,725	13,725
West Paralell Taxiway	23,592	448,216	471,808
Utilities	10,137		10,137
Insurance	2,700		2,700
Crop Damages	40	760	800
Miscellaneous	3,509		3,509
	<u>216,688</u>	<u>472,708</u>	<u>689,396</u>
Total Cash Disbursements			
	<u>216,688</u>	<u>472,708</u>	<u>689,396</u>
Total Receipts Over/(Under) Disbursements	<u>(16,074)</u>	<u>3,797</u>	<u>(12,277)</u>
Other Financing Receipts and (Disbursements):			
Advances-In	4,283		4,283
Advances-Out		(4,283)	(4,283)
	<u>4,283</u>	<u>(4,283)</u>	<u></u>
Total Other Financing Receipts/(Disbursements)			
	<u>4,283</u>	<u>(4,283)</u>	<u></u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	<u>(11,791)</u>	<u>(486)</u>	<u>(12,277)</u>
Fund Cash Balances, January 1	<u>40,806</u>	<u>1,875</u>	<u>42,681</u>
Fund Cash Balances, December 31	<u><u>\$29,015</u></u>	<u><u>\$1,389</u></u>	<u><u>\$30,404</u></u>

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

**SANDUSKY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental		\$192,472	\$192,472
Interest	\$191		191
SCEDC Contributions	68,712		68,712
Contract/FBO Property Lease	150		150
Fuel Sales/Airport Operations/Hanger Rent	240,135		240,135
Farm Land Rent/Lifeflight Rent	50,238		50,238
Lifeflight utility/Property tax reimbursement	13,399		13,399
Air Show	28,647		28,647
Donations	7,345		7,345
Other Revenue	633		633
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	409,450	192,472	601,922
Cash Disbursements:			
Legal/Consultant Fees	19,413	16,857	36,270
Rent	73,604		73,604
Property Taxes	12,678		12,678
Management Fees	41,250		41,250
Fuel Reimbursement	155,963		155,963
Advertising	210	1,508	1,718
Air Show	29,923		29,923
Equipment	11,487		11,487
Sales Tax	10,107		10,107
East Paralell Taxiway	6,375	57,375	63,750
Tree/Stump/Brush Removal	32	599	631
Fencing/Runway Sealing/Equipment	13,408	112,992	126,400
Tiling	73		73
Utilities	18,698		18,698
Insurance	10,081		10,081
Audit	4,078	2,718	6,796
Miscellaneous	2,730		2,730
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	410,110	192,049	602,159
Total Receipts Over/(Under) Disbursements	(660)	423	(237)
Other Financing Receipts and (Disbursements):			
Advances-In		4,226	4,226
Advances-Out	(4,226)		(4,226)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(4,226)	4,226	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,886)	4,649	(237)
Fund Cash Balances, January 1	45,692	(2,774)	42,918
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$40,806	\$1,875	\$42,681

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

**SANDUSKY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 the Sandusky Regional Airport Authority, Sandusky County, (the Authority) as a body corporate and politic. The Sandusky County Commissioners appoints nine Board members to direct the Authority. The Authority is responsible for the safe and efficient operation and maintenance of the Sandusky Regional Airport Authority.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis 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 prescribed or permitted by the Auditor of State.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Authority had the following significant Special Revenue Funds:

Airport Improvement Program Grant 2002 – This fund receives federal money for construction of the East Parallel Taxiway.

Airport Improvement Program Grant 2003 – This fund receives federal money for perimeter security fencing, snow removal equipment, crack repair, and airfield marking.

Airport Improvement Program Grant 2004 - This fund received federal money for construction of the West Parallel Taxiway with lighting (Phase I).

**SANDUSKY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Property, Plant, and Equipment

The accounting basis recognizes acquisitions of property, plant, and equipment as disbursements when paid. The financial statements do not report these as assets.

2. EQUITY IN CASH AND INVESTMENTS

The carrying amount of cash and investments at December 31 follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	<u>\$30,404</u>	<u>\$42,681</u>

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

3. RISK MANAGEMENT

Commercial Insurance

The management company, Advanced Air Service, Inc, has obtained commercial insurance for the following risks:

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

4. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit adjustments by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

5. NONCOMPLIANCE

The Authority did not expend federal funds within 49CFR 18.23(b) grant requirements.



**Auditor of State
Betty Montgomery**

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

Sandusky Regional Airport Authority
Sandusky County
101 South Front Street
Fremont, Ohio 43420-3021

To the Board of Trustees:

We have audited the financial statements of the Sandusky Regional Airport Authority, Sandusky County, (the Authority) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 14, 2006, wherein we noted the Authority follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Authority's management dated June 14, 2006, we reported a matter involving internal controls over financial reporting we did not deem a reportable condition.

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Authority's management dated June 14, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Sandusky Regional Airport Authority
Sandusky County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 14, 2006

**SANDUSKY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation

49CFR 18.23(b), states grantees must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period to coincide with the submission of the Final Project Cost Summary. The federal agency may extend this deadline at the request of the grantee. The Authority requested an extension of \$14,587 from the Federal Aviation grant's federal funding previously received by the Authority in fiscal year 2001. An extension was granted through December 31, 2005. Funds in the amount of \$1,323.81 remained on hand at December 31, 2005, and were not encumbered for any specific purpose.

We recommend the Authority review federal reporting guidelines and expend federal monies within the time period allowed.

Officials' Response

The Sandusky County Regional Airport Authority did not expend all the funds from the AIP 1-3-39-0121-0999 grant and agree that \$1,323.81 remains in balance with this grant.

The contractor hired for this project did not meet the board's satisfaction in completing the work in a timely manner as stated in his contract and also left some of the clean-up to be addressed by the Authority. Since the equipment was no longer available to remove these logs, the Authority was restricted in the clean-up efforts.

One landowner was asked to submit a cost proposal for the removal of logs on his property. It was questionable at that time whether these remaining logs were from this tree cutting project but the Authority agreed to consider removal of the logs if the proposal was reasonable. It was anticipated that this cost would deplete the remaining funds in this grant and the project would be closed. However, the landowner failed to submit a proposal so the logs were not removed and the remaining funds were held in a non-interest bearing account while waiting to see if this matter would ever resurface.

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**SANDUSKY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Weaknesses in the fuel revenue process	Yes	
2003-002	49 CFR 18.23(b) questioned costs for \$14,587.	No	Not corrected – Repeated as finding #2005-001.
2003-003	Airport Improvement Program grant agreement stated construction management program be implemented.	Yes	



**Auditor of State
Betty Montgomery**

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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
JULY 6, 2006**