



Dave Yost • Auditor of State

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY
DECEMBER 31, 2017**

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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 governmental activities, each major fund of Sandusky County Regional Airport Authority, Sandusky County, Ohio (the Authority), a component unit of Sandusky County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sandusky County

Regional Airport Authority, Sandusky County, Ohio, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, during the year ended December 31, 2017, the Authority restated the beginning balance of net position in the governmental activities and restated the beginning balance of the General fund. These restatements were the result of the Authority changing its basis of accounting from regulatory cash-basis to accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018, 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

September 13, 2018

SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY
(A Component Unit of Sandusky County)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED

The management's discussion and analysis of Sandusky County Regional Airport Authority's (the Authority) financial performance provides an overall review of the Authority's financial activities for the fiscal year ended December 31, 2017. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the financial statement and notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- For governmental activities, assets of the Authority exceed its liabilities at December 31, 2017 by \$2,299,183. Of this amount, \$198,083 may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The net position of governmental activities increased by \$60,703 which represents a 2.7% increase from 2016.
- For governmental activities, all revenues of the Authority totaled \$586,303. General revenues accounted for \$145,102 in revenue or 24.7 percent of all revenues. Program revenues in the form of charges for services, grants, and contributions accounted for \$441,201 or 75.3 percent of all revenues.
- The Authority had \$525,600 in expenses related to governmental activities: 83.9 percent of those expenses were offset by program specific charges for services, grant and contributions. General revenues were \$145,102, which consisted of rent, reimbursement and miscellaneous revenue.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority as a financial whole or as an entire operating entity. The statements then proceed to provide a detailed look at specific financial conditions.

The Authority's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements, and notes to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private-sector businesses. The Statement of Net Position and the Statement of Activities provided information about activities of the Authority as a whole, presenting both an aggregate view of the Authority's finances and a longer-term view of those assets.

The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The causes of this change may be the result of many factors, some financial, some not.

The Statement of Activities presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Governmental Activities – All of the Authority's services are reported here. These services are funded primarily by intergovernmental revenues and charges for services.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
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(Continued)

Fund Financial Statements

Fund financial reports provide detailed information about the Authority's major funds. The Authority uses two funds to account for its financial transactions. The Authority's major governmental funds are the General fund and Airport Improvement Program Grant fund.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Notes to the Basis Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

Government-Wide Financial Analysis

You may recall that the statement of net position provides the perspective of the Authority as a whole. The table below provides a summary of the Authority's net position at December 31, 2017 and December 31, 2016:

Net Position

	Governmental Activities	
	2017	2016
Assets:		
Current and other assets	\$ 314,265	\$ 248,348
Capital assets, net	2,101,067	2,039,831
Total assets	\$ 2,415,332	\$ 2,288,179
 Liabilities		
Current liabilities	\$ 116,149	\$ 49,699
 Net position		
Net investment in capital assets	\$ 2,101,067	\$ 2,039,831
Restricted for:		
Capital projects	33	33
Unrestricted	198,083	198,616
Total net position	\$ 2,299,183	\$ 2,238,480

Current assets increased primarily due to increases in cash and cash equivalents and intergovernmental receivables.

Capital Assets increased as a result of construction in progress related to the runway repaving project.

Current liabilities increased due to contracts payable related to the runway repaving project.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceed liabilities by \$2,299,183 at the end of 2017.

The Authority's largest portion of net position is net investment in capital assets. These assets are not available for future spending. Although the Authority's investments in its capital assets are reported net of related debt, it should be noted that the cash needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities. At December 31, 2017, the Authority had no outstanding debt.

The smallest portion of the net assets is restricted assets. The restricted net assets are subject to external restriction on how they may be used.

The remaining balance of \$198,083 is unrestricted. This net position represents resources that may be used to meet the Authority's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in both categories of net

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

position. The same was true for the prior year. The table below shows the changes in net position for 2017 and 2016.

Change in Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues		
Charges for services	\$ 347,294	\$ 396,471
Operating grants & contributions	1,568	19,486
Capital grants & contributions	<u>92,339</u>	<u>46,305</u>
Total program revenues	441,201	462,262
General revenues		
Land Rent	92,198	92,198
Reimbursements	50,754	33,100
Miscellaneous	<u>2,150</u>	<u>1,970</u>
Total revenue	586,303	589,530
Program expenses		
Transportation	<u>525,600</u>	<u>619,392</u>
Changes in net position	60,703	(29,862)
Net position at beginning of year (restated)	<u>2,238,480</u>	<u>2,268,342</u>
Net position at end of year	<u>\$ 2,299,183</u>	<u>\$ 2,238,480</u>

Governmental Activities

The significant change in revenue is related to the decrease in sale of fuel and increase in capital grants for capital projects related to the runway repaving project.

The significant change in expenses is related to the decrease of fuel expense from the decrease in sale of fuel.

The following table for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, grants and contributions offsetting those services. The net cost of services identifies the cost of those services support by miscellaneous revenue.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Transportation	\$ 525,600	\$ 619,392	\$ 84,399	\$ 157,130

Of the \$525,600 total governmental activities expenses, 83.9 percent was covered by direct charges to uses of the services and intergovernmental grants. The majority of program revenues are charges for services, with the remaining portion of grants. These charges are for fuel sales and hanger rental for use of facilities.

Financial Analysis of the Authority's Funds

The focus of the Authority's governmental funds is to provide information on near-term receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the Authority's financial requirements. In particular, unreserved fund balance may serve as a useful measure of an authority's net resources available for spending at the end of the calendar year.

As of the end of the current year, the Authority's governmental funds reported combined ending fund balances of \$198,116. Of this total, \$198,083 represents unassigned fund balance, which is available for appropriation at the government's discretion within certain legal constraints and purposes restrictions.

The General fund is the chief operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the General fund was \$198,083. Unassigned fund balance represents 40.1 percent of the expenditures. This is one measurement of the General fund's liquidity. The fund balance of the General fund decreased by \$533, as a result of decreasing revenues over 2016.

Economic Factors

The Authority's activities are projected to operate at a similar level as in 2017. The rates charged remain unchanged and expenses for operations are anticipated to increase due to the expected increase in fuel costs.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to David Wadsworth, Manager of the Sandusky County Regional Airport Authority, 1500 CR 220, Clyde, Ohio 43410.

SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
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STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities
Assets	
Equity in pooled cash and cash equivalents	\$ 242,614
Prepays	285
Accounts Receivable	23,637
Intergovernmental receivable	47,729
Capital assets	
Nondepreciable capital assets	955,630
Depreciable capital assets, net	1,145,437
Total capital assets, net	2,101,067
 Total assets	 2,415,332
 Liabilities	
Accounts payable	3,981
Contracts payable	92,339
Payroll liabilities	1,024
Accrued wages	1,480
Accrued property taxes	15,818
T-Hanger payable	1,287
Sales tax payable	220
Total liabilities	116,149
 Net Position	
Net investment in capital assets	2,101,067
Restricted for:	
Capital projects	33
Unrestricted	198,083
Total net position	2,299,183
Total net position and liabilities	\$ 2,415,332

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY
(A Component Unit of Sandusky County)**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31,2017

		Program Revenues			Net Revenue (Expense) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Transportation	\$ 525,600	\$ 347,294	\$ 1,568	\$ 92,339	\$ (84,399)
General revenues:					
Land rent					92,198
Reimbursements					50,754
Miscellaneous					2,150
Total general revenue					145,102
Changes in net position					60,703
Net position at beginning of year (restated)					2,238,480
Net position at end of year					\$ 2,299,183

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY
(A Component Unit of Sandusky County)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General</u>	<u>Airport Improvement Program Grant</u>	<u>Total Governmental Funds</u>
Assets			
Equity in pooled cash and cash equivalents	\$ 205,124	\$ 37,490	\$ 242,614
Prepays	285	-	285
Accounts receivable	23,637	-	23,637
Intergovernmental receivable	-	47,729	47,729
Due from other funds	-	7,153	7,153
	<u>229,046</u>	<u>92,372</u>	<u>321,418</u>
Total assets	<u>229,046</u>	<u>92,372</u>	<u>321,418</u>
Liabilities			
Accounts payable	3,981	-	3,981
Contracts payable	-	92,339	92,339
Due to other funds	7,153	-	7,153
Payroll liabilities	1,024	-	1,024
Accrued wages	1,480	-	1,480
Accrued property taxes	15,818	-	15,818
T-Hanger payable	1,287	-	1,287
Sales tax payable	220	-	220
	<u>30,963</u>	<u>92,339</u>	<u>123,302</u>
Total liabilities	<u>30,963</u>	<u>92,339</u>	<u>123,302</u>
Fund balances			
Restricted	-	33	33
Unassigned	198,083	-	198,083
	<u>198,083</u>	<u>33</u>	<u>198,116</u>
Total fund balances	<u>198,083</u>	<u>33</u>	<u>198,116</u>
Total liabilities and fund balances	<u>\$ 229,046</u>	<u>\$ 92,372</u>	<u>\$ 321,418</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY
(A Component Unit of Sandusky County)

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Total governmental fund balances	\$ 198,116
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*Amounts reported for governmental activities on the
statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>2,101,067</u>
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Net position of governmental activities	<u><u>\$ 2,299,183</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY
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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Airport Improvement Program Grant</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental	\$ 1,568	\$ 85,186	\$ 86,754
Authority local grant match	-	7,153	\$ 7,153
Fuel sales	288,735	-	288,735
Farm land rent	92,198	-	92,198
Hanger rental	58,559	-	58,559
Reimbursements	50,754	-	50,754
Other	2,150	-	2,150
	<hr/>	<hr/>	<hr/>
Total revenues	493,964	92,339	586,303
Expenditures			
Cost of fuel sold	215,821	-	215,821
Personnel costs	111,793	-	111,793
Utilities	34,738	-	34,738
Maintenance and repairs	32,851	-	32,851
Property tax	30,247	-	30,247
Insurance	11,627	-	11,627
Professional fees	9,030	-	9,030
Office expenses	8,196	-	8,196
Authority local grant match	7,153	-	7,153
Travel costs	3,041	-	3,041
Capital outlay	30,000	92,339	122,339
	<hr/>	<hr/>	<hr/>
Total expenditures	494,497	92,339	586,836
Net change in fund balances	(533)	-	(533)
Fund balances at beginning of year (restated)	198,616	33	198,649
Fund balances at end of year	<u>\$ 198,083</u>	<u>\$ 33</u>	<u>\$ 198,116</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY
(A Component Unit of Sandusky County)**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds	\$	(533)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period:

Capital asset additions		122,339
Depreciation		(61,103)
		(61,103)

Change in net position of governmental activities	\$	60,703
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY
(A Component Unit of Sandusky County)

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. DESCRIPTION OF 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. The County Commissioners are responsible for debt issued on behalf of the Authority. Due to the imposition of will exerted by the County as well as the financial burden for the Authority, the Authority is reflected as a component unit of Sandusky County. The Authority operates on a year ending December 31.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 statement include component units, which are defined as legally separate organization 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.

B. Accounting Basis

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Authority's accounting policies are described below.

The Authority's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detail level of financial information.

C. Measurement Focus

Government-Wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. The statement of net position and the statement of activities display information about the Authority as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. These statements usually distinguish between those activities of the Authority that are governmental and those that are business-type. The Authority, however, does not have any business-type activities.

SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

The statement of net position presents the financial condition of the governmental activities of the Authority at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Authority, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Authority.

Fund Financial Statements – All government funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and used (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. 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.

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 fund – This fund receives federal money for design services for the runway rehabilitation project.

E. Cash and Cash Equivalents

The Authority maintains depository accounts. All funds of the Authority are maintained in these accounts. These deposit accounts are presented in the balance sheet as "Cash and Cash Equivalents." The Authority has no investments.

F. Capital Assets

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Capital assets are stated at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are valued at acquisition cost. All fixed assets in excess of \$5,000 and all expenditures for repairs, maintenance, renewal and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight line basis utilizing the half-year convention. Expenditures for maintenance and repairs are expenses as incurred.

G. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

H. Net Position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority applies restricted resources first when an expense is incurred for purposes for with both restricted and unrestricted components of net position are available.

I. 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 balances are *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 amends 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.

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FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

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.

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in 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.

J. Income Tax Status

The Authority is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Authority is not a private foundation within the meaning of Section 509 (a). Contributions to the Authority are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Authority's tax status.

K. Revenues – Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Authority, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, intergovernmental revenue sources are considered to be both measurable and available at year-end.

L. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources

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(expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in the government funds.

M. Estimates

The preparation of the basic financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

3. EQUITY IN POOLED DEPOSITS

At December, 31, 2017, the carrying amount of all Authority deposits was \$242,614. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures," as of December 31, 2017, all of the Authority's bank balance of \$240,051 was covered by Federal Deposit Insurance Corporation (FDIC).

4. CAPITAL ASSETS

Depreciation expense for December 31 2017 is \$61,103. Capital asset activity for the year ended December 31, 2017 was as follows:

	(Restated) Balance 12/31/16	Additions	Deletions	Balance 12/31/17
<i>Capital assets not being depreciated</i>				
Land	\$ 863,291			\$ 863,291
Construction in progress		\$ 92,339		92,339
Total capital assets not being depreciated	863,291	92,339		955,630
<i>Capital assets, being depreciated</i>				
Buildings	1,743,215			1,743,215
Improvements	2,768,949			2,768,949
Equipment	143,342	30,000		173,342
Total capital assets, being depreciated	4,655,506	30,000		4,685,506
<i>Less: accumulated depreciation</i>				
Buildings	(624,949)	(53,640)		(678,589)
Improvements	(2,741,336)	(3,681)		(2,745,017)
Equipment	(112,681)	(3,782)		(116,463)
Total accumulated depreciation	(3,478,966)	(61,103)		(3,540,069)
Total capital assets, being depreciated	1,176,540	(31,103)		1,145,437
Capital assets, net	\$ 2,039,831	\$ 61,236		\$ 2,101,067

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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5. RISK MANAGEMENT

Commercial Insurance

The Authority has obtained commercial insurance for the following risks:

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

The Authority has had no significant reductions in any of its insurance coverage from the prior year. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.

Worker's Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Authority pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

6. INTERFUND TRANSACTIONS

Amounts due to/from other funds between governmental funds consisted of the following at December 31, 2017, as reported on the fund financial statements:

Due from other funds:	Due to other funds:	Amount
Airport Improvement Program Grant fund	General fund	\$ 7,153

Amounts due to/from other funds between governmental funds are eliminated for reporting purposes on the statement of net position.

7. RECEIVABLES

Receivables at December 31, 2017 consisted of amounts from accounts receivable and due from other governments. All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	Amount
Accounts Receivable	\$ 23,637
Due from other governments	47,729

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

8. RESTATEMENT OF NET POSITION AND FUND BALANCE

In 2017, the Authority decided to align its financial reporting to be consistent with the County's financial reporting thereby requiring the Authority to change its basis of accounting from regulatory cash-basis to GAAP-basis. This change in accounting basis is explained as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Net position, December 31, 2016		\$	228,791
Addition of assets			
Accounts receivable balance as of December 31, 2016			19,557
Purchase of nondepreciable capital assets			863,291
Addition of depreciable capital assets			
Construction of buildings	1,743,215		
Improvements to land	2,768,949		
Purchase of equipment	143,342		
Depreciation of building through December 31, 2016	(624,949)		
Depreciation of improvements through December 31, 2016	(2,741,336)		
Depreciation of equipment through December 31, 2016	(112,681)		
Value of depreciable capital assets			1,176,540
Addition of liabilities			
Liabilities balance as of December 31, 2016			
Accounts payable	(22,965)		
Credit card payable	(1,220)		
Payroll liabilities	(2,663)		
Accrued wages	(1,241)		
Accrued property taxes	(15,595)		
T-Hanger payable	(2,244)		
Sales Tax payable	(121)		
Pervis fuelmaster loan	(3,650)		
Value of liabilities			(49,699)
Net position, January 1, 2017, restated		\$	2,238,480

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

	<u>General Fund</u>	<u>Aiport Improvement Grant</u>	<u>Total Governmental Funds</u>
Fund balance, December 31, 2016	\$ 228,758	\$ 33	\$ 228,791
Addition of assets			
Accounts receivable balance as of December 31, 2016	<u>19,557</u>		<u>19,557</u>
Addition of liabilities			
Liabilities balance as of December 31, 2016			
Accounts payable	(22,965)		(22,965)
Credit card payable	(1,220)		(1,220)
Payroll liabilities	(2,663)		(2,663)
Accrued wages	(1,241)		(1,241)
Accrued property taxes	(15,595)		(15,595)
T-Hanger payable	(2,244)		(2,244)
Sales tax payable	(121)		(121)
Pervis fuelmaster loan	<u>(3,650)</u>		<u>(3,650)</u>
Value of liabilities	<u>(49,699)</u>		<u>(49,699)</u>
Fund balance, January 1, 2017, restated	<u>\$ 198,616</u>	<u>\$ 33</u>	<u>\$ 198,649</u>

9. 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.

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Dave Yost • Auditor of State

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 governmental activities and each major fund of Sandusky County Regional Airport Authority, Sandusky County, Ohio (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 13, 2018, wherein we noted the Authority restated beginning balances as a result of changing its basis of accounting from regulatory cash-basis to accounting principles generally accepted in the United States of America.

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 opinions 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 2017-001 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*.

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 report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 13, 2018

**SANDUSKY COUNTY REGIONAL AIRPORT AUTHORITY
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The Sandusky County Regional Airport Authority's (the Authority) management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements, resulting in the following adjustments:

- Beginning fund balances and capital outlay expenditures in the General fund were improperly understated by \$30,000.
- Intergovernmental receivable and intergovernmental revenue related to the runway repaving project of \$47,729 were not recorded in the Airport Improvement Program Grant fund and governmental activities.
- Due to/from other funds in the amount of \$7,153 from the General fund and to the Airport Improvement Program Grant fund were not recorded for the Authority's portion of local grant match for the runway repaving project.
- Contracts payable in the amount of \$92,339 in the Airport Improvement Program Grant fund and governmental activities were not recorded for to the runway repaving project.
- Construction in progress in the amount of \$92,339 in governmental activities was not recorded for the runway repaving project.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board of Trustees (the Board) making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors.

To help ensure the Authority's financial statements and notes to the statements are complete and accurate, the Authority should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board, to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to this finding.

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Dave Yost • Auditor of State

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
SEPTEMBER, 27 2018**