



Dave Yost • Auditor of State

HARDIN COUNTY AIRPORT AUTHORITY
HARDIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hardin County Airport Authority
Hardin County
13975 CR 135
Kenton, Ohio 43326

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Hardin County Airport Authority, Hardin County, (the Airport) as of and for the year ended December 31, 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 Airport's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Airport'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 opinion.

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

As described in Note 1 of the financial statements, the Airport 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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Airport 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 permitted 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 Airport as of December 31, 2014, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the Hardin County Airport Authority, Hardin County as of December 31, 2014, and its cash receipts and disbursements for the year 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 April 20, 2015, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 20, 2015

**HARDIN COUNTY AIRPORT AUTHORITY
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS) - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | |
|-------------------------------------|-------------------------|
| Operating Receipts: | |
| Sale of Fuel | \$68,339 |
| Hangar Rent | 28,220 |
| Total Operating Receipts | <u>96,559</u> |
| Operating Disbursements: | |
| Fuel | 78,921 |
| Fuel Taxes | 4,733 |
| Utilities | 6,713 |
| Supplies | 3,695 |
| Total Operating Disbursements | <u>94,062</u> |
| Operating Income | 2,497 |
| Non-Operating Receipts: | |
| Land Rent | 10,890 |
| Grants | 35,832 |
| County Contributions | 32,762 |
| Interest | 114 |
| Total Non-Operating Receipts | <u>79,598</u> |
| Non-Operating Disbursements: | |
| Grants | 36,300 |
| Contractual Services | 25,008 |
| Other | 2,973 |
| Audit | 1,620 |
| Total Non-Operating Disbursements | <u>65,901</u> |
| Non-Operating Income | 13,697 |
| Change in Fund Balance | 16,194 |
| Fund Cash Balance, January 1 | <u>131,037</u> |
| Fund Cash Balance, December 31 | <u><u>\$147,231</u></u> |

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

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**HARDIN COUNTY AIRPORT AUTHORITY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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 the Hardin County Airport Authority, Hardin County, (the Airport) as a body corporate and politic. The Hardin County Commissioners appoints seven Board members to direct the Airport. The Airport is responsible for the safe and efficient operation and maintenance of the Hardin County Airport Authority.

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

The Airport is considered a component unit of Hardin County.

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. Deposits and Investments

The Airport maintains all money in a checking account which is valued at cost.

D. Property, Plant, and Equipment

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

E. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from primary activities. For the Airport, these receipts are for sale of fuel and hangar rent. Operating expenses are the necessary costs incurred to provide the services that are the primary activity. All receipts and disbursements not meeting these definitions are reported as non-operating.

F. Fund Accounting

The Airport uses fund accounting to segregate cash and investments that are restricted as to use. The Airport classifies its fund into the following type:

Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges.

HARDIN COUNTY AIRPORT AUTHORITY
HARDIN COUNTY

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

2. EQUITY IN DEPOSITS

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

| | |
|------------------|-----------|
| Checking Account | \$147,231 |
|------------------|-----------|

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

3. RISK MANAGEMENT

The Airport has premises insurance under the policy of Hardin County. Aviation insurance is provided by Phoenix Aviation Managers.

4. Contingent Liabilities

Amounts grantor agencies pay to the Airport are subject to audit and adjustment by the grantor. 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.



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

Hardin County Airport Authority
Hardin County
13975 CR 135
Kenton, Ohio 43326

To the Members of the Board:

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 Hardin County Airport Authority, Hardin County, (the Airport) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2015 wherein we noted the Airport followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Airport'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 Airport's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Airport'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Airport'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 Airport's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Airport's internal control and compliance. Accordingly, this communication 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

April 20, 2015

**HARDIN COUNTY AIRPORT AUTHORITY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

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

FINDING NUMBER 2014-001

Significant Deficiency – Hangar Rental Rates and Fuel Prices

To help improve accountability over receipts, the Airport Board should approve fuel selling prices and hangar rental rates along with maintaining current rental contracts.

The Airport had hangar rental agreements for five of the nineteen tenants. The five hangar rental agreements had a rate of \$95 per month however those tenants were charged \$115 per month. There were two tenants charged \$15 per month since they owned their own hangars, one tenant was charged \$315 per month, and one tenant was charged \$450 per month. There was no evidence that the Board had approved the rates. The only documentation to support the rates charged were the account statements maintained by the Secretary/Treasurer. The failure to maintain agreements with the current Board approved rate for all tenants, increases the risk that the wrong rate will be charged, that a hangar(s) may be used by an unauthorized tenant and, that errors and/or irregularities may not be timely detected since the expected amount of receipts is not known.

There was no evidence that the Board had approved the selling price of fuel. The only documentation to support the fuel prices charged were the account statements maintained by the Secretary/Treasurer. The lack of Board approve fuel rates increases the risk that fuel prices may not be adequate to cover costs, that the selling price could be changed without Board knowledge, that inconsistencies in billing could occur between purchasers and, increases the risk that errors and/or irregularities will not be detected since estimated fuel receipts cannot be easily determined.

The Airport should obtain hangar rental agreements for all tenants which include the current Board approved rate. If the hangar rental agreements are intended to cover more than one year and the rates do not change, the Board should state this in the minutes at the beginning of each year. New hangar rental agreements should be prepared when there is a change in rates. Also the Airport should maintain a current list of all available hangars, the rental price for each, and which ones are rented. This will allow the Board to easily monitor expected versus actual receipts.

Fuel prices should be approved in the minutes at the beginning of each year and/or when there is a change in selling price. The Board's knowledge of the selling price along with fuel inventory records that show beginning gallons, gallons purchased, gallons sold, and ending gallons, will allow the Board to effectively monitor fuel sales and to timely detect errors and/or irregularities.

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

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HARDIN COUNTY AIRPORT AUTHORITY

HARDIN 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
MAY 26, 2015**