

**MUHLENBERG COUNTY AIRPORT  
399 AIRPORT ROAD  
GREENVILLE, KENTUCKY**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES  
FOR YEAR-ENDED JUNE 30, 2014  
AND  
INDEPENDENT AUDITOR'S REPORT**

**Muhlenberg County Airport**

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## GOLDSTON, PATE & COMPANY, CPAS, INC.

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### INDEPENDENT AUDITOR'S REPORT

To the Airport Board  
Muhlenberg County Airport  
Greenville, Kentucky

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of Muhlenberg County Airport as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Muhlenberg County Airport, as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-4 and 12-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards* Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of the Muhlenberg County Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Muhlenberg County Airport's internal control over financial reporting and compliance.

Goldston Pate & Co. CPAs Inc.

Goldston, Pate & Co. CPAs, Inc.  
Central City, Kentucky  
November 24, 2014

**MUHLENBERG COUNTY AIRPORT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

This section of the Muhlenberg County Airport (the Airport) audit report presents analysis of the Airport's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the Airport's financial statements, which follow this section.

**Financial highlights** - The net assets of the Airport's governmental activities increased as a result of this year's operations by \$139,714.

The Airport received the following grant funding during the year:

**Runway Improvements** – For year ending June 30, 2013, the Airport received a grant from US Department of Transportation, Federal Aviation Administration for the purpose of runway improvements. The total amount of the grant award was \$840,578 for Airport development. The total amount received for year ending June 30, 2014 was \$167,869. In association with the above grant, the Airport received a grant from the Kentucky Transportation Cabinet, Department of Aviation. The total amount of the grant was \$22,120. The total amount received for year ending June 30, 2014 was \$13,995. The Airport was required to match the funds provided by the Kentucky Transportation Cabinet. For year ending June 30, 2014, the Airport had expended \$26,625.

**AWOS** – For year ending June 30, 2013, the Airport entered into a grant agreement with the Kentucky Transportation Cabinet for the installation of an automated weather operating system (AWOS). For year ended June 30, 2014, the Airport received \$8,182.

**Land Purchase** – The Airport Received a grant from the US Department of Transportation, Federal Aviation Administration for the purpose of acquiring land for the airport. The total amount to be received and recorded in grants receivable is \$25,386. In association with the above grant, the Airport received a grant from the Kentucky Transportation Cabinet, Department of Aviation. Included in grants receivable is \$2,115.

**Bond Repayment** – On a continuing basis, the Airport received a grant from the Kentucky Transportation Cabinet, Kentucky Department of Aviation for the repayment of principal and interest of bonds payable. The Airport is responsible for the semi-annual interest payments when they become due. The amount received from the Kentucky Department of Transportation, Department of Aviation for year ending June 30, 2014 was \$97,700.

**Using this annual report** - Most governmental entities would report one set of financial statements for the fund level and one set of financial statements for the government wide level. However, GASB 34 permits the reporting of the fund financial statements and government wide financial statements on a single statement with adjustments for special purpose governmental entities such as the Airport.

The adjustment column on page six and seven shows the adjustments necessary to convert fund financial statements to government wide financial statements. See page eight of the audit report for a reconciliation of the financial statements and an explanation of the adjustments.

**Reporting the Airport as a fund** - The column labeled Governmental Fund Balance Sheet on page six and *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance* on page seven, report the information about the Airport on a fund level, as required by GASB 34.

The Governmental Fund Balance Sheet includes assets and liabilities of the Airport on a modified accrual basis of accounting. The Statement of Revenues, Expenditures and Changes in Fund Balance include revenues and expenses of the Airport on the modified accrual basis. The modified accrual basis of accounting measures cash and all other financial assets that can be converted into cash.

**MUHLENBERG COUNTY AIRPORT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

**Reporting the Airport as a whole** - The column labeled Statement of Net Position on page six and the column labeled Statement of Activities on page seven, report information about the Airport as a whole as required by GASB 34.

The Statement of Net Position includes all assets and liabilities of the Airport on a full accrual basis of accounting. The Statement of Activities includes all revenues and expenses of the Airport on a full accrual basis of accounting. The full accrual basis of accounting is similar to the accounting used by most private-sector companies. On the full accrual basis of accounting, all current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**The Airport as a whole**

<b>Assets</b>		
Cash	\$	573,508
Accounts receivable		13,178
Grant receivable - FAA		32,542
Grant receivable-Ky. Trans. Cab.		66,354
Fixed assets		6,511,611
Land		502,308
Accumulated Depreciation		<u>(1,880,820)</u>
<b>Total assets</b>		<u><u>5,818,681</u></u>
<b>Liabilities</b>		
Accounts payable		79,634
Sales tax payable		1,044
Payroll tax payable		1,339
Bonds payable-current		<u>80,000</u>
<b>Total Current Liabilities</b>		<u>162,017</u>
Bonds payable-long term		<u>355,000</u>
<b>Total Liabilities</b>		<u>517,017</u>
Deferred inflow of resources-prepaid hangar rent		<u>830</u>
<b>Net Position</b>		
Net investment in capital assets		4,698,099
Unassigned		602,735
<b>Total Net Position</b>	\$	<u><u>5,300,834</u></u>
<b>Expenditures/Expenses</b>		
Total federal grant expenditures/expenses	\$	-
Total state grant expenditures/expenses		18,200
Total local funds expenditures/expenses		<u>569,155</u>
<b>Total Expenditures/Expenses</b>		<u>587,355</u>
<b>Program Revenues</b>		
Total federal grants		193,255
Total state grants		<u>203,544</u>
<b>Total program revenues</b>		<u>396,799</u>
Excess (deficiency) of revenues over net program expense		<u>(190,556)</u>
<b>Total local source revenue</b>		<u>330,270</u>
Change in Net Position		139,714
Net Position - Beginning of Year		5,161,120
Net Position - End of Year	\$	<u><u>5,300,834</u></u>

**MUHLENBERG COUNTY AIRPORT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2014**

**Capital Assets** - At June 30, 2014, the Airport had \$5,133,099, invested in capital assets, net of accumulated depreciation.

**Contacting the Airport's Financial Management** - This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Airport at 399 Airport Road, Greenville, KY 42345.

**MUHLENBERG COUNTY AIRPORT**  
**GOVERNMENTAL FUND BALANCE SHEET and STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<u>Governmental Fund Balance Sheet</u>	<u>Adjustments (See page 8)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 573,508	\$ -	\$ 573,508
Accounts receivable	13,178		13,178
Grants receivable-FAA	32,542		32,542
Grans receivable-Ky Transportation Cabinet	66,354		66,354
<b>Total current assets</b>	<b>685,582</b>		<b>685,582</b>
<b>Noncurrent assets</b>			
Capital assets		6,511,611	6,511,611
Land		502,308	502,308
Accumulated depreciation		(1,880,820)	(1,880,820)
<b>Total noncurrent assets</b>	-	5,133,099	5,133,099
<b>Total assets</b>	<b>\$ 685,582</b>	<b>5,133,099</b>	<b>5,818,681</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 79,634	-	79,634
Payroll and withholding tax payable	1,339		1,339
Sales tax payable	1,044		1,044
Bonds payable-current	-	80,000	80,000
<b>Total current liabilities</b>	<b>82,017</b>	<b>80,000</b>	<b>162,017</b>
<b>Long-term liabilities</b>			
Bonds payable	-	355,000	355,000
<b>Total long-term liabilities</b>	-	355,000	355,000
<b>Total liabilities</b>	<b>82,017</b>	<b>435,000</b>	<b>517,017</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid hangar rent	830		830
<b>Total deferred inflows of resources</b>	<b>830</b>	-	<b>830</b>
<b>FUND BALANCE/NET POSITION</b>			
<b>Fund Balance</b>			
Unassigned fund balance	602,735	(602,735)	-
<b>Total fund balance</b>	<b>602,735</b>	<b>(602,735)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 685,582</b>		
<b>NET POSITION</b>			
Net investment in capital assets		4,698,099	4,698,099
Unrestricted		602,735	602,735
<b>Total net position</b>		<b>\$ 5,300,834</b>	<b>\$ 5,300,834</b>

The accompanying notes are an integral part of these financial statements



**MUHLENBERG COUNTY AIRPORT**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE and STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Governmental Fund</u>		
	<u>Statement of Revenues,</u>		
	<u>Expenditures and</u>		
	<u>Changes in</u>	<u>Adjustments</u>	<u>Statement of</u>
	<u>Fund Balance</u>	<u>(See page 8)</u>	<u>Activities</u>
<b>Expenditures/Expenses</b>			
<b>Federal Grants</b>			
Taxiway	\$ 167,869	\$ (167,869)	\$ -
<b>Total federal grant expenditures/expenses</b>	<u>167,869</u>	<u>(167,869)</u>	<u>-</u>
<b>State Grants</b>			
Taxiway	13,995	(13,995)	
AWOS installation	8,182	(8,182)	
Apron drainage	72,405	(72,405)	
Terminal loan repay-principal	80,000	(80,000)	
Terminal loan repay-interest	17,700		17,700
Terminal loan repay-fees	500		500
<b>Total state grant expenditures/expenses</b>	<u>192,782</u>	<u>(174,582)</u>	<u>18,200</u>
<b>Local Sources</b>			
Taxiway	26,625	(26,625)	
AWOS installation	4,676	(4,676)	
Terminal loan interest	3,675		3,675
Capital outlay	24,760	(24,760)	
Salaries	35,407		35,407
Payroll tax	3,037		3,037
Advertising & marketing	1,427		1,427
Utility expense	14,344		14,344
Employee medical insurance	10,526		10,526
Insurance	21,446		21,446
Depreciation expense		292,078	292,078
Maintenance and repairs	15,392		15,392
Dues and memberships	175		175
Sales tax	8,724		8,724
Supplies	139,277		139,277
Travel and training	2,503		2,503
Professional fees	8,875		8,875
Donations	10,100		10,100
Miscellaneous expense	2,169		2,169
<b>Total local funds expenditures/expenses</b>	<u>333,138</u>	<u>236,017</u>	<u>569,155</u>
<b>Total Expenditures/Expenses</b>	<u>693,789</u>	<u>(106,434)</u>	<u>587,355</u>
<b>Program Revenues</b>			
<b>Federal Grants</b>			
FAA grant-taxiway	193,255		193,255
<b>Total federal grants</b>	<u>193,255</u>		<u>193,255</u>
<b>State Grants</b>			
State grant-taxiway	16,110		16,110
State grant-apron drainage	81,552		81,552
State grant-AWOS	8,182		8,182
State grant-terminal loan	97,700		97,700
<b>Total state grants</b>	<u>203,544</u>		<u>203,544</u>
<b>Total program revenues</b>	<u>396,799</u>		<u>396,799</u>
Excess (deficiency) of revenues over expenditures/net program expense	(296,990)	106,434	(190,556)
<b>General Revenues</b>			
<b>Local Source</b>			
Tax revenues	113,315		113,315
Interest income	1,655		1,655
Lease income	7,503		7,503
Hangar rent	38,814		38,814
Fuel sales	162,162		162,162
Refunds	6,730		6,730
Miscellaneous	91		91
<b>Total local source revenue</b>	<u>330,270</u>		<u>330,270</u>
Change in Fund Balance/Net Position	33,280	106,434	139,714
Fund Balance/Net Position - Beginning of Year	569,455	4,591,665	5,161,120
Fund Balance/Net Position - End of Year	<u>\$ 602,735</u>	<u>\$ 4,698,099</u>	<u>\$ 5,300,834</u>

The accompanying notes are an integral part of these financial statement

**MUHLENBERG COUNTY AIRPORT**  
**RECONCILIATION OF FUND FINANCIAL STATEMENTS TO**  
**GOVERNMENT WIDE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Reconciliation of Change in Fund Balance to Change in Net Position**

Net Change in Fund Balance - Governmental Fund Financial Statements \$ 33,280

Governmental Funds report the purchase of capital assets as expenditures. Governmental Funds also report loan proceeds as other financing sources. In the Statement of Net Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The resulting liability from the loan proceeds are reported as liabilities on the balance sheet. This is the difference in reporting these items on the governmental fund financial statements and the government wide financial statements.

106,434

Change in Net Position - Government Wide Financial Statements \$ 139,714

**Reconciliation of Fund Balance to Net Position**

Fund Balance - Governmental Fund Financial Statements \$ 602,735

Governmental Funds report the purchase of capital assets as expenditures. Governmental Funds also report loan proceeds as other financing sources. In the Statement of Net Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The resulting liability from the loan proceeds are reported as liabilities on the balance sheet. This is the difference in reporting these items on the governmental fund financial statements and the government wide financial statements.

4,698,099

Statement of Net Position - Government Wide Financial Statements \$ 5,300,834

The accompanying notes are an integral part of these financial statement

**MUHLENBERG COUNTY AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2014**

**1. Organization and Summary of Significant Accounting Policies**

Organization

The Muhlenberg County Airport, (the Airport) was established during the 1920s in order to provide travel, mail services, and any other services that would be suitable for an Airport. While those expectations were not achieved, the Airport has grown into an operation that serves the surrounding tri-state area, individual and corporate clients from all over the United States, as well as promoting the advancement of Muhlenberg County. The Airport manager is responsible for the daily operations of the Airport and the board of directors oversees the Airport manager. Muhlenberg County Fiscal Court approves all projects of the Airport and approves board members from a list of names submitted by the Airport board.

Financial Statements

The financial statements of the Airport have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

In June 1999, the Governmental Accounting Standards Board approved Statement No. 34, *Basic Financial Statements -- and Management's discussion and Analysis--for State and Local Governments*. Certain significant changes in the Statement include the following: (1) a Management Discussion and Analysis section providing an analysis of the Airport's overall financial position and results of operations; (2) financial statements prepared using full accrual accounting for all of the Airport's activities, including infrastructure, if any; and (3) a change in the fund financial statements to focus on the major funds. These are reflected in the accompanying financial statements (including notes to financial statements).

These financial statements include the financial activity of the Airport only.

The Airport's basic financial statements include both government wide and fund financial statements, on a single statement, as permitted by GASB 34 for a special purpose government. The Airport is engaged in only governmental type activities.

Government wide financial statements - The activities in the government wide financial statements (Statement of Net Position and Statement of Activities) measure and report using the economic resources measurement focus and are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Fund financial statements - The governmental fund financial statements (Balance Sheet and Statement of Revenues, Expenditure and Changes in Fund Balance) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**MUHLENBERG COUNTY AIRPORT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2014**

**1. Organization and Summary of Significant Accounting Policies (continued)**

Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure that the Airport will not be able to recover the value of its deposits that are in the possession of the financial institution. At year-end, the carrying amount and the balance per bank of the Airport's deposits was as follows:

	<u>Carrying Amount</u>	<u>Balance Per Bank</u>
Old National Bank Checking	\$ 36,853	\$ 23,936
Old National Bank Savings	\$ 191,002	\$ 191,002
Commonwealth Community Savings	\$ 345,653	\$ 345,653

The balances per Old National Bank and per Commonwealth Community Bank were fully collateralized by the Federal Depository Insurance Corporation and collateral pledged.

**3. Capital Assets**

The majority of capital assets consist of land, runways, and buildings, which are recorded at cost. This includes costs relating to the acquisition and development of assets such as appraisal fees, consulting fees, engineering fees, and other costs. There is no depreciation recorded on these assets as of June 30, 2014 on the fund financial statements. Depreciation recorded on the government wide financial statements was \$292,078.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets	\$6,234,398	\$277,213	\$ -	\$6,511,611
Land	461,009	41,299	-	502,308
Accumulated Depreciation	<u>(1,588,742)</u>	<u>(292,078)</u>	-	<u>(1,880,820)</u>
Totals	<u>\$5,106,665</u>	<u>\$ 26,434</u>	<u>\$ -</u>	<u>\$5,133,099</u>

**MUHLENBERG COUNTY AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2014**

**4. Fund Balance**

In accordance with GASB Statement No. 54, fund balances are classified as follows, if applicable:

**Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted**—Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed**—Amounts that can be used only for specific purposes determined by a formal action by Board of Directors resolution.

**Assigned**—Amounts that are designated by the Chairman for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Directors.

**Unassigned**—All amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Airport considers restricted funds to have been spent first. If applicable, when an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Airport considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**5. Income Tax Status**

The Airport is exempt from federal and state income taxes and, accordingly, the financial statements include no provision for such taxes.

**6. Budgetary Comparison Financial Statements**

GASB 34 requires the reporting of budgetary comparison schedules if a budget is legally adopted for the general fund or special revenue funds. This schedule is found at page 13-14.

**7. Legal Action Pending**

There is no pending or threatened litigation as of June 30, 2014.

**8. Risk Management**

Muhlenberg County Airport, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport carries commercial insurance for these risks. Settlement claims, if any, resulting from these risks would not be expected to exceed commercial insurance coverage.

**MUHLENBERG COUNTY AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2014**

**9. Bonds Payable**

On September 18, 2007, in conjunction with the Kentucky Public Agency Development Trust and Kentucky Department of Aviation, the Airport received bond proceeds in the amount of \$860,000, less administrative costs, for the purpose of Airport improvements.

The Kentucky Department of Aviation provides funds to the Airport for the repayment of this debt; however, the Airport is responsible for the semi-annual interest payments and the annual principal payments.

Assuming no bonds are called prior to maturity, the minimum obligations of the Airport for each of the next five years for debt services (principal and interest) are as follows:

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2015	80,000	17,775	97,775
2016	85,000	14,063	99,063
2017	90,000	10,125	100,125
2018	180,000	4,050	184,050
Totals	<u>\$435,000</u>	<u>\$46,013</u>	<u>\$481,013</u>

**MUHLENBERG COUNTY AIRPORT**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	ORIGINAL BUDGET	FINAL BUDGET	BUDGETARY BASIS	BUDGET TO GAAP DIFFERENCE	GAAP
<b>Expenditures/Expenses</b>					
<b>Federal Grants</b>					
Taxiway	\$ -	\$ -	\$ -	\$ 167,869	\$ 167,869
<b>Total federal grant expenditures/expenses</b>	-	-	-	167,869	167,869
<b>State Grants</b>					
Taxiway				13,995	13,995
AWOS installation	175,000	175,000		8,182	8,182
Apron drainage				72,405	72,405
Terminal loan repay-principal	70,000	70,000	80,000		80,000
Terminal loan repay-interest	30,000	30,000	21,375	(3,675)	17,700
Terminal loan repay-fees				500	500
<b>Total state grant expenditures/expenses</b>	<b>275,000</b>	<b>275,000</b>	<b>101,375</b>	<b>90,907</b>	<b>192,782</b>
<b>Local Sources</b>					
Taxiway				26,625	26,625
Land					-
AWOS installation				4,676	4,676
Terminal loan repay-interest				3,675	3,675
Salaries	30,000	30,000	35,407		35,407
Payroll tax	2,300	2,300	2,709	328	3,037
Kentucky unemployment	250	250	263	(263)	-
Advertising & marketing	500	500	1,427		1,427
Utility expense	12,000	12,000	13,919	425	14,344
Employee medical insurance	18,000	18,000	9,606	920	10,526
Insurance	15,000	15,000	19,362	2,084	21,446
Maintenance and repairs	20,000	20,000	15,392		15,392
Materials	500	500			-
Casual labor	1,500	1,500			-
Dues and memberships	700	700	175		175
Sales tax	8,800	8,800	8,687	37	8,724
Supplies	180,000	180,000	135,942	3,335	139,277
Professional fees			8,875		8,875
Gifts	400	400			-
Training and travel	3,000	3,000	2,503		2,503
Donations			10,100		10,100
Capital assets	5,000	5,000	234,784	(210,024)	24,760
Reserve for transfer	437,832	437,832	-		-
Miscellaneous expense	2,000	2,000	7,824	(5,655)	2,169
<b>Total local funds expenditures/expenses</b>	<b>737,782</b>	<b>737,782</b>	<b>506,975</b>	<b>(173,837)</b>	<b>333,138</b>
<b>Total Expenditures/Expenses</b>	<b>1,012,782</b>	<b>1,012,782</b>	<b>608,350</b>	<b>84,939</b>	<b>693,789</b>

**MUHLENBERG COUNTY AIRPORT**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	ORIGINAL BUDGET	FINAL BUDGET	BUDGETARY BASIS	BUDGET TO GAAP DIFFERENCE	GAAP
<b>Program Revenues</b>					
<b>Federal Grants</b>					
Federal grant-taxiway	150,000	150,000	160,713	32,542	193,255
<b>Total federal grants</b>	150,000	150,000	160,713	32,542	193,255
<b>State Grants</b>					
State Grant			39,490	(39,490)	-
State grant-taxiway	250,000	250,000		16,110	16,110
State grant-apron drainage				81,552	81,552
State grant-AWOS				8,182	8,182
State grant-terminal loan			97,700		97,700
<b>Total state grants</b>	250,000	250,000	137,190		203,544
<b>Total program revenues</b>	400,000	400,000	297,903	32,542	396,799
Excess (deficiency) of revenues over expenditures/net program expense	(612,782)	(612,782)	(310,447)	(52,397)	(296,990)
<b>General Revenues</b>					
<b>Local Source</b>					
Muhlenberg County Fiscal Court					
Tax revenues	95,150	95,150	112,546	769	113,315
Interest income	2,000	2,000	-	1,655	1,655
Lease income	10,000	10,000	7,503		7,503
Hangar rent	37,000	37,000	37,942	872	38,814
Fuel sales	150,000	150,000	158,821	3,341	162,162
Refunds			990	5,740	6,730
Carry over from prior year	468,532	468,532			-
Miscellaneous	100	100	91		91
<b>Total local source revenue</b>	762,782	762,782	317,893	12,377	330,270
<b>Change in Fund Balance</b>	150,000	150,000	7,446	(40,020)	33,280
Fund Balance - Beginning of Year			482,031		569,455
Fund Balance - End of Year	\$ 150,000	\$ 150,000	\$ 489,477	\$ (40,020)	\$ 602,735





## GOLDSTON, PATE & COMPANY, CPAS, INC.

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### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Airport Board  
Muhlenberg County Airport  
Greenville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Muhlenberg County Airport, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Muhlenberg County Airport's basic financial statements and have issued our report thereon dated November 24, 2014

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muhlenberg County Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Muhlenberg County Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of Muhlenberg County Airport's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (See Finding 2014-1).

#### Compliance and Other Matters

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

## Muhlenberg County Airport's Response to Findings

Muhlenberg County Airport's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Muhlenberg County Airport's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Goldston Pate & Co. CPAs Inc.

Goldston, Pate & Co. CPAs, Inc.  
Central City, Kentucky  
November 24, 2014

**MUHLENBERG COUNTY AIRPORT BOARD**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2014**

**FINDINGS—INTERNAL CONTROLS OVER FINANCIAL REPORTING**

**SIGNIFICANT DEFICIENCY**

2014-1      Lack of Segregation of Duties over Financial Reporting

*Condition:* Internal control over financial reporting could be strengthened with improved segregation of duties.

*Criteria:* Internal controls should be in place that provides reasonable assurance that recaptured funds are timely requested and only spent for approved purposes.

*Cause:* Small staff size and limited resources prevent a proper segregation of duties over financial reporting.

*Effect:* Without proper segregation of duties, the organization is at a greater risk of theft of assets and fraudulent financial reporting.

*Recommendation:* Due to the limited size and resources of the Airport, hiring additional staff is not an option; however, procedures should be implemented to strengthen internal control over financial reporting.

*Response:* The Airport agrees with the finding and will consider adding additional controls to strengthen its internal control structure.