



Dave Yost • Auditor of State

**HARDIN COUNTY AIRPORT AUTHORITY
HARDIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Hardin County Airport Authority
Hardin County
20533 CR 120
Kenton, Ohio 43326

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statement of the cash balance, receipts, and disbursements and related notes of the Hardin County Airport Authority, Hardin County, (the Airport) as of and for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement 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 this financial statement 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 statement is 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 opinions.

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

As described in Note 1B of the financial statements, the Airport prepared this financial statement 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 principals generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

Though the Airport does not intend this statement 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 statement referred to above does 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, 2015, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Hardin County Airport Authority, Hardin County as of December 31, 2015, 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016, 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

September 15, 2016

**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, 2015**

Operating Receipts:	
Sale of Fuel	\$57,306
Hangar Rent	21,685
Total Operating Receipts	<u>78,991</u>
Operating Disbursements:	
Fuel	49,779
Fuel Taxes	4,804
Utilities	10,616
Supplies	5,504
Total Operating Disbursements	<u>70,703</u>
Operating Income	8,288
Non-Operating Receipts:	
Land Rent	11,520
Grants	469,033
County Contributions	50,000
Interest	149
Other	251
Total Non-Operating Receipts	<u>530,953</u>
Non-Operating Disbursements:	
Grants	503,424
Contractual Services	50,720
Other	283
Audit	1,722
Total Non-Operating Disbursements	<u>556,149</u>
Non-Operating Income	(25,196)
Change in Fund Balance	(16,908)
Fund Cash Balance, January 1	<u>147,231</u>
Fund Cash Balance, December 31	<u><u>\$130,323</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, 2015**

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's 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

This financial statement follows 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.

This statement includes 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 statement does 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, 2015
(Continued)**

2. EQUITY IN DEPOSITS

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

Checking Account	\$130,323
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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
20533 CR 120
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 statement of the cash balance, receipts, and disbursements of the Hardin County Airport Authority, Hardin County, (the Airport) as of and for the year ended December 31, 2015, and the related notes to the financial statement, and have issued our report thereon dated September 15, 2016 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 statement, 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 statement. 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. We consider finding 2015-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Airport's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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.



Dave Yost
Auditor of State
Columbus, Ohio

September 15, 2016

**HARDIN COUNTY AIRPORT AUTHORITY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

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

FINDING NUMBER 2015-001

Significant Deficiency – Hangar Rental Receipts, Fuel Receipts, and Land Rental Receipts

Procedures and controls should be utilized by the Airport to help ensure accountability over receipts.

The Airport had hangar rental agreements with many of its tenants at a rate of \$115 per month. The following issues were identified with the hanger rental agreements and/or receipts:

- One tenant had multiple hangers but only one rental agreement.
- Two instances were noted where hangers were shared by multiple tenants, both of whom made monthly payments to the Airport, but only one of the tenants had a rental agreement.
- One rental agreement specified that the agreement was for eight months at \$115 per month but the tenant rented the hangar for the entire year.
- One tenant had two contracts but rented only one hangar.
- One tenant paid more to the Airport than the amount outlined in the rental agreement. This particular tenant rented three hangars; two for which the rate paid was \$115 per month and one with a rate of \$200 per month.
- Two tenants began making rental payments to the Airport during the latter part of 2015 but there were no rental agreements on file for these tenants during 2015.
- There were two tenants charged \$15 a month since they owned their own hangars but there was no evidence on file that the Board had approved this rate.

The failure to maintain hangar rental agreements for all tenants which include the Board approved hangar rental rate and terms of the agreement increases the risk that the wrong rate will be charged, that hangars may be used by an unauthorized tenant, and that errors and/or irregularities may occur and not be timely detected since the expected amount of receipts is not known.

The Board approved mark-up rates for the selling prices of fuel for customers who have an established account with the Airport and for those considered to be "non-base" customers. However, there was no indication in the minutes as to what the base price of fuel was to be or if and when the fuel price changed. 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.

In 2011 the Hardin County Commissioners approved renting 50 acres of farm land which was subsequently increased in 2013 by the Board to a total of 57 acres. The Board entered into an agreement in 2015 for the rental of 50 acres of farm land at \$180 per acre. During 2015, the Airport received \$11,520 from the rental of farm land which was equal to the rental of 64 acres at \$180 per acre. There was no indication in the 2015 minutes as to why the additional amount was received and the Board subsequently reimbursed the tenant in 2016 for the difference between 64 and 57 acres. Inconsistencies between the amount of land approved for rental by the Board and the actual amount rented increases the risk that the difference in receipts could be diverted for personal use and not be detected by the Board.

Hangar rental agreements, which state the current Board approved rental rate(s) and period, should be obtained from all tenants. When there is a change in the rental rate(s), the Board should approve the change in the minutes and then obtain new rental agreements. A current list of all available hangars, the rental price for each, which ones are rented, and the year to date receipts from each tenant should be maintained by the Airport and be periodically provided to the Board.

FINDING NUMBER 2015-001
(Continued)

The selling price of fuel should be approved in the minutes at the beginning of each year and anytime there is a change in selling price during the year. Fuel inventory records that show beginning gallons, gallons purchased, gallons sold, and ending gallons along with the selling price(s) should be provided to the Board each month.

The farm land rental agreement should be reviewed by the Board for accuracy prior to being given to the renter. Once the land rental money is received it should be compared to the agreement for accuracy by the Board.

These procedures along with monthly financial reports that show month to date and year to date receipts by source will help the Board detect errors and/or irregularities in a timely manner.

OFFICIALS' RESPONSE: Updating Hanger agreements and will be Board approved. All renters will sign a new Hanger agreement with updated monthly charges. We change fuel prices as it's purchased.

Recorded price will be Board approved as we purchase moving forward. Creating an inventory and roster of all Renters and Hanger numbers. Will maintain this electronically and update as needed or annually.

**HARDIN COUNTY AIRPORT AUTHORITY
HARDIN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Significant Deficiency – Hangar rental agreements were not available for all tenants and the rental rates were not approved by the Board. Fuel selling prices were not approved by the Board.	Not fully corrected	Repeated and modified as Finding 2015-001.

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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
OCTOBER 18, 2016**