

DANVILLE-BOYLE COUNTY AIRPORT BOARD  
DANVILLE, KENTUCKY

AUDITED FINANCIAL STATEMENTS

---

JUNE 30, 2013 and 2014

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**Independent Auditor's Report**

To the Board of Directors  
Danville-Boyle County Airport Board  
Danville, Kentucky 40422

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Danville-Boyle County Airport Board ("the Board") as of and for the years ended June 30, 2013, and 2014, and the related notes to the financial statements, which collectively comprise the Board'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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Danville-Boyle County Airport Board as of June 30, 2013, and 2014, and the respective changes in financial position, and the budgetary comparison of the General Fund for the years 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 on pages 3–11 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 August 5, 2015, on our consideration of the Danville-Boyle County Airport Board'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 the Danville-Boyle County Airport Board's internal control over financial reporting and compliance.

*Robinson, Hughes & Christopher, PSC*

August 5, 2015

Danville-Boyle County Airport Board  
Management Discussion and Analysis  
For the Years Ended June 30, 2013 and 2014

As management of the Danville-Boyle County Airport Board, we offer this narrative to help our readers review the accompanying annual financial statements for the years ended June 30, 2013 and 2014. We have prepared this overview and analysis of the Board's financial activities to add additional information to the financial schedules and the note disclosures.

**Financial Highlights**

Fiscal Year Ended June 30, 2013

- As of June 30, 2013, the Board's assets exceeded liabilities by \$4,583,197 (net position). This amount includes \$4,405,342 of resources that are net investment in capital assets. \$91,837 of these resources are unrestricted and are available to fund the Board's outstanding obligations and future programs. \$86,018 of these resources are restricted to use for debt service.
- Net position increased by \$14,826. The primary reason for this increase is due to improved gross margins realized on the sale of fuel. It should also be noted that this increase is net of depreciation expense (a non-cash expense) of \$227,322 during the year.
- As of the close of the fiscal year, the Board reported ending fund balances of \$196,355, an increase of \$28,826 in comparison to the prior year. The primary reason for this increase is the same as noted above.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$108,270, or 16.4% of general fund expenditures (excluding capital outlay which is funded primarily by state and federal grants and the majority of the debt service which is funded by state grants).

Fiscal Year Ended June 30, 2014

- As of June 30, 2014, the Board's assets exceeded liabilities by \$4,982,903 (net position). This amount includes \$4,773,126 of resources that represent net investment in capital assets. \$123,802 of these resources are unrestricted and are available to fund the Board's outstanding obligations and future programs. \$85,975 of these resources are restricted to use for debt service.
- Net assets increased by \$399,706. The primary reason for this increase is due the receipt of federal and state grants which were primarily used to fund expenditures that are capital in nature and therefore, are capitalized in the statement of net position. Gross margins on fuel sales were very consistent compared to the previous year. This increase is net of depreciation expense (a non-cash expense) of \$227,277 during the year.
- As of the close of the fiscal year, the Board reported ending fund balances of \$222,277, an increase of \$25,922 for the year. As was the case in the previous year, the primary reason for this increase is due to strong gross margins on fuel sales.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$134,077, or 23.4% of general fund expenditures (excluding capital outlay which is funded primarily by state and federal grants and the majority of the debt service which is funded by state grants).

The Board maintains one operating account, which is where all local, state, and federal grant income is deposited, in addition to all other revenues. From this fund, all expenses are budgeted and paid. The Board also maintains various trust accounts which are restricted for construction projects (as applicable) and debt service payments on the related debt.

The Board owns 2 certificates of deposit as of June 30, 2013 and 2014. These certificates are unrestricted and are kept as reserve funds. However, they are pledged as collateral for the Board's

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Management Discussion and Analysis  
For the Years Ended June 30, 2013 and 2014

operating line of credit which is used to purchase fuel for resale.

Strengths of the Board include:

- a. The majority of its debt is being repaid with assistance from the state in the form of “debt assistance” grants.
- b. The airport is used as a base of operation for several substantial fuel consuming customers.
- c. The board of directors is comprised of very knowledgeable individuals who collectively possess many years of experience overseeing airport operations.
- d. The Board has been very successful over the years securing state and federal grants to fund improvement projects at the Airport.

### **Overview of the Financial Statements**

This discussion and analysis are intended to introduce the Board’s basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

#### *Government-wide Financial Statements*

The government-wide financial statements are designed to provide our readers with an overview of the Board’s finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

The *statement of net position* presents information on all the Board’s assets and liabilities, including capital assets in the governmental funds. The difference between assets and liabilities is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as transactions occur, regardless of when the related cash flows are reported. Therefore, some revenues and expenses included in this statement may reflect cash flows that actually occur in future periods.

Government-wide statements contain only one category: *governmental activities* that are principally supported by fuel sales, intergovernmental revenues, hangar rental income, and other lease income. The Board is a single-purpose governmental entity that oversees the operation of the Danville-Boyle County Airport.

The government-wide statements are found on pages 12-15 of this report.

#### *Fund Financial Statements*

Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The Danville-Boyle County Airport Board, like other state and local governments uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the Board’s programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds. The Board

Danville-Boyle County Airport Board  
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has no proprietary or fiduciary funds.

*Governmental funds* are used to account for the Board's basic services, the same services that are included in the governmental activities on the government-wide statements. However, the information in the fund statements is measured differently. Governmental funds focus on current financial resources rather than economic resources. Therefore, the statements include the short-term resources, such as cash, investments, and receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the Board's current financial resources.

The fund statements are combined with the government-wide statements due to the simplified nature of the Board's operations. An adjustments column explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. This adjustments column will explain the adjustments necessary to add the long-term resources and obligations for the government-wide statements to the current picture presented in the fund statements.

The Danville-Boyle County Airport Board maintains one governmental fund, the general fund. Accordingly, the General Fund is also considered a major governmental fund.

This fund is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The Board adopts budgets for its general fund in accordance with Kentucky Revised Statutes. A budgetary comparison schedule for the General Fund has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-17 of this report.

*Notes to the Financial Statements*

Notes provide additional information that is essential to a full understanding of the information included in the financial schedules. Notes provide additional details about the balances and transactions in the Board's financial statements and are presented on pages 18-23.

Danville-Boyle County Airport Board  
Management Discussion and Analysis  
For the Years Ended June 30, 2013 and 2014

**Government-wide Financial Analysis**

The first statement in the government-wide statements is the Statement of Net Position. The following table summarizes the Statement of Net Position.

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Current and other assets	\$ 332,997	\$ 292,482
Capital assets, net of depreciation	5,208,126	4,920,342
Total assets	5,541,123	5,212,824
Current liabilities	203,220	194,627
Long term liabilities	355,000	435,000
Total liabilities	558,220	629,627
Net position:		
Net investment in capital assets	4,773,126	4,405,342
Restricted	85,975	86,018
Unrestricted	123,802	91,837
Total Net Position	\$ 4,982,903	\$ 4,583,197

The Board's net investment in capital assets (e.g., land & improvements, buildings and equipment, net of related debt) represents 95.8% and 96.1% of total net position, respectively as of June 30, 2014 and 2013. The Board uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

The second statement in the government-wide statements is the Statement of Activities. The table on the following page outlines the major components of this statement.

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Management Discussion and Analysis  
For the Years Ended June 30, 2013 and 2014

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Revenues:		
Hangar Rent	\$ 97,535	\$ 91,295
FBO and Other Lease Income	8,100	6,808
Fuel and Related Sales	478,321	573,008
Interest	136	171
Miscellaneous Income	1,276	3,409
Grants	635,931	254,887
Total Revenues	1,221,299	929,578
Expenses:		
Cost of Fuel Sold	407,362	489,198
Payroll and Related Expense	85,596	83,843
Office Expense	2,013	1,431
Improvements & Repairs	29,496	38,224
Legal & Accounting	6,695	8,565
Utilities & Telephone	26,933	24,309
Insurance	8,902	7,985
Miscellaneous	5,063	7,765
Depreciation and Amortization	227,277	227,322
Interest Expense	22,256	26,110
Total Expenses	821,593	914,752
Increase in net position	\$ 399,706	\$ 14,826

During the fiscal year ended June 30, 2013, there was only one major project being undertaken at the airport; the Runway Safety Area (RSA) project. Total expenditures related to this project amounted to \$64,692 during the year. This project was funded primarily by federal and state grants. During the fiscal year ended June 30, 2014, the Runway Safety Area project was completed at a total cost of \$505,338. Like the previous year, this project continued to be funded primarily by federal and state grants. During the year ended June 30, 2014, the Airport started and completed a runway striping project with a total cost of \$55,328. Also, during the year, work commenced on a fuel farm project which is being funded primarily by federal and state grants. Total expenditures on this project amounted to \$29,693 during the year. This project was in process as of the end of the fiscal year. For the fiscal years ended June 30, 2013 and 2014, expenses were somewhat consistent with one exception. Cost of fuel sold decreased during the fiscal year ended June 30, 2014, due to falling fuel prices in general. Gross margins on fuel sales were strong during both fiscal years.

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**Financial Analysis of the Government's Funds**

The measurement principles in the governmental fund statements are different than the government-wide statements. Fund statements focus on current resources, while the government-wide statements present the long-term view. The first statement in the fund financial statements is the governmental fund balance sheet. The table below summarizes this statement:

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Cash and investments	\$ 128,981	\$ 63,068
Other current assets	118,041	143,396
Restricted cash and equivalents	85,975	86,018
	<b>332,997</b>	<b>292,482</b>
Accounts payable and accrued liabilities	110,720	76,217
Revolving line of credit	-	19,910
Total liabilities	<b>110,720</b>	<b>96,127</b>
Fund balances:		
Unassigned	134,077	108,270
Non-spendable	2,225	2,067
Restricted for debt service	85,975	86,018
Total fund balances	<b>\$ 222,277</b>	<b>\$ 196,355</b>

Due to the Board's financial strength over the past two years, it has been able to payoff its line of credit in full as of June 30, 2014. The accounts payable as of June 30, 2014 and 2013, consists primarily of amounts due to contractors for capital improvement projects and fuel invoices.

The second statement in the fund financial statements is the statement of governmental revenues, expenditures, and changes in fund balances. The table on the following page summarizes this statement.

Danville-Boyle County Airport Board  
Management Discussion and Analysis  
For the Years Ended June 30, 2013 and 2014

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Revenues:		
Hangar Rent	\$ 91,535	\$ 85,295
FBO and Other Lease Income	8,100	6,808
Fuel and Related Sales	478,321	573,008
Interest	136	171
Miscellaneous Income	1,276	3,409
Grants	635,931	254,887
Total Revenues	1,215,299	923,578
Expenses:		
Cost of Fuel Sold	407,362	489,198
Payroll and Related Expense	85,596	83,843
Office Expense	2,013	1,431
Improvements & Repairs	29,496	38,224
Legal & Accounting	6,695	8,565
Utilities & Telephone	26,933	24,309
Insurance	8,902	7,985
Miscellaneous	5,063	7,765
Capital Outlay/Special Projects	515,061	132,322
Debt Service	102,256	101,110
Total Expenses	1,189,377	894,752
Excess of revenues over expenditures	\$ 25,922	\$ 28,826

The “Financial Highlights” section of this report has already addressed the major differences in the fund financial statements from year to year.

**General Fund Budgetary Highlights**

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

Significant revenue variances include grant revenues from federal agencies, and fuel sales for the year ended June 30, 2013. The negative variance of \$552,670 for federal grants is related almost entirely to timing. In other words, certain projects which were budgeted (and which were to be funded by federal grants) were not completed during the fiscal year, and thus, the revenue related to those projects was received subsequent to the end of the fiscal year. This also translates into substantial positive variances (\$561,448) in the related budgeted capital outlay expenditures which are primarily funded by grant revenues. The positive variance of \$131,507 for fuel sales is due primarily to the increase in fuel prices which is difficult to predict from year to year. This also translates into substantial negative variances (\$120,405) in the related cost of fuel sold since the Airport was paying higher costs for the fuel than had been originally budgeted.

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Significant revenue variances include grant revenues from state and federal agencies, and fuel sales for the year ended June 30, 2014. The combined positive variance of \$131,250 for state and federal grants is related almost entirely to timing (just as it was in the prior year). In other words, certain projects which were budgeted in the prior year (and which were funded by state and federal grants) were completed during the current fiscal year, and thus, the revenue related to those projects was received during the current fiscal year. This also translates into substantial negative variances (\$99,061) in the related budgeted capital outlay expenditures which are primarily funded by grant revenues. The positive variance of \$57,776 for fuel sales is due primarily to the increase in fuel prices which is difficult to predict from year to year. This also translates into substantial negative variances (\$37,876) in the related cost of fuel sold since the Airport was paying higher costs for the fuel than had been originally budgeted.

**Capital Assets**

The Board invests substantial resources in capital assets that support the services provided to the public.

*Capital Assets*

The Board's capital assets, net of accumulated depreciation, are summarized below:

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Land and Improvements	\$ 3,167,348	\$ 2,762,530
Buildings	1,884,721	1,931,207
Equipment	126,364	144,165
Construction in Process	29,693	82,440
Total	\$ 5,208,126	\$ 4,920,342

Additional information on the Board's capital assets can be found in the notes to the financial statements.

*Long Term Debt*

The principal outstanding on the Board's long-term debt is summarized in the following table.

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
KPAD Capital Lease	\$ 435,000	\$ 515,000
Total	\$ 435,000	\$ 515,000

The Board's outstanding debt decreased \$80,000 and \$75,000, during the fiscal years ended June 30, 2014 and 2013, respectively, in accordance with the scheduled amortization of the debt.

Danville-Boyle County Airport Board  
Management Discussion and Analysis  
For the Years Ended June 30, 2013 and 2014

**The Outlook for Next Year**

Operating revenues and expenditures through August 5, 2015 have remained very consistent with the past two fiscal years and are expected to remain consistent through the end of the current fiscal year. The Board will continue to monitor fuel expenditures on an on-going basis and will move to adjust pricing to its customers as necessary. The Kentucky Department of Aviation has committed to provide grant funding to the Board for the purpose of paying the debt service on the KPAD lease obligation over the life of the lease.

**Requests for Information**

This financial report is designed to provide our customers, creditors and other interested parties with a general overview of the Danville-Boyle County Airport Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Caldwell, treasurer, at 547 Dogwood Drive, Danville, KY 40422, telephone number (859) 583-9840, or Craig A. Butler, CPA, at 131 N. 4<sup>th</sup> Street, Danville, KY 40422, telephone number (859) 936-0201.

# BASIC FINANCIAL STATEMENTS

**DANVILLE-BOYLE COUNTY AIRPORT BOARD**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 23,243	\$ -	\$ 23,243
Certificates of deposit	39,825	-	39,825
Due from governmental agencies	55,000	-	55,000
Receivables, no allowance necessary:			
Accounts	20,254	-	20,254
Fuel tax	4,136	-	4,136
Prepaid insurance	2,067	-	2,067
Inventory	61,939	-	61,939
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	86,018	-	86,018
Capital assets, net (Note 1)	-	4,920,342	4,920,342
<b>Total assets</b>	<u><u>\$ 292,482</u></u>	<u><u>4,920,342</u></u>	<u><u>5,212,824</u></u>
<b>LIABILITIES</b>			
Accounts payable	71,209	-	71,209
Accrued liabilities	5,008	-	5,008
Revolving line of credit	19,910	-	19,910
Unearned rental income	-	18,500	18,500
Long-term liabilities:			
Due within one year	-	80,000	80,000
Due after one year	-	435,000	435,000
<b>Total liabilities</b>	<u><u>96,127</u></u>	<u><u>533,500</u></u>	<u><u>629,627</u></u>
<b>FUND BALANCES/NET POSITION</b>			
Fund Balances:			
Unassigned	108,270	(108,270)	-
Non-spendable	2,067	(2,067)	-
Restricted for debt service	86,018	(86,018)	-
Total fund balances	<u><u>196,355</u></u>	<u><u>(196,355)</u></u>	<u><u>-</u></u>
Total liabilities and fund balances	<u><u>\$ 292,482</u></u>		
Net Position:			
Net investment in capital assets		4,405,342	4,405,342
Restricted for debt service		86,018	86,018
Unrestricted		91,837	91,837
<b>Total net position</b>		<u><u>\$ 4,583,197</u></u>	<u><u>\$ 4,583,197</u></u>

See accompanying notes to financial statements.

**DANVILLE-BOYLE COUNTY AIRPORT BOARD**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 89,075	\$ -	\$ 89,075
Certificates of deposit	39,906	-	39,906
Due from governmental agencies	41,845	-	41,845
Receivables, no allowance necessary:			
Accounts	13,001	-	13,001
Fuel tax	5,711	-	5,711
Prepaid insurance	2,225	-	2,225
Inventory	55,259	-	55,259
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	85,975	-	85,975
Capital assets, net (Note 1)	-	5,208,126	5,208,126
<b>Total assets</b>	<b>\$ 332,997</b>	<b>5,208,126</b>	<b>5,541,123</b>
<b>LIABILITIES</b>			
Accounts payable	106,156	-	106,156
Accrued liabilities	4,564	-	4,564
Unearned rental income	-	12,500	12,500
Long-term liabilities:			
Due within one year	-	80,000	80,000
Due after one year	-	355,000	355,000
<b>Total liabilities</b>	<b>110,720</b>	<b>447,500</b>	<b>558,220</b>
<b>FUND BALANCES/NET POSITION</b>			
Fund Balances:			
Unassigned	134,077	(134,077)	-
Non-spendable	2,225	(2,225)	-
Restricted for debt service	85,975	(85,975)	-
<b>Total fund balances</b>	<b>222,277</b>	<b>(222,277)</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 332,997</b>		
<b>Net Position:</b>			
Net investment in capital assets		4,773,126	4,773,126
Restricted for debt service		85,975	85,975
Unrestricted		123,802	123,802
<b>Total net position</b>		<b>\$ 4,982,903</b>	<b>\$ 4,982,903</b>

See accompanying notes to financial statements.

**DANVILLE-BOYLE COUNTY AIRPORT BOARD**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES:</b>			
Hangar rent	\$ 85,295	\$ 6,000	\$ 91,295
FBO and other lease income	6,808	-	6,808
Fuel and related sales	573,008	-	573,008
Interest income	171	-	171
Miscellaneous income	3,409	-	3,409
Intergovernmental:			
Local grants	58,000	-	58,000
State grants	138,664	-	138,664
Federal FAA grants	58,223	-	58,223
 Total revenues	<u>923,578</u>	<u>6,000</u>	<u>929,578</u>
<b>EXPENDITURES/EXPENSES:</b>			
Current:			
Cost of fuel sold	489,198	-	489,198
Payroll and related expense	83,843	-	83,843
Office expense	1,431	-	1,431
Improvements and repairs	38,224	-	38,224
Legal and accounting	8,565	-	8,565
Utilities and telephone	24,309	-	24,309
Insurance	7,985	-	7,985
Miscellaneous	7,765	-	7,765
Depreciation	-	227,322	227,322
Special project expenditures	132,322	(132,322)	-
Debt service:			
Principal	75,000	(75,000)	-
Interest	26,110	-	26,110
 Total expenditures/expenses	<u>894,752</u>	<u>20,000</u>	<u>914,752</u>
Excess (deficiency) of revenues over expenditures	28,826	(28,826)	-
 Change in net position		14,826	14,826
 Fund balances/net position:			
Beginning of the year	167,529		4,568,371
 End of the year	<u>\$ 196,355</u>	<u>\$ -</u>	<u>\$ 4,583,197</u>

See accompanying notes to financial statements.

**DANVILLE-BOYLE COUNTY AIRPORT BOARD**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES:</b>			
Hangar rent	\$ 91,535	\$ 6,000	\$ 97,535
FBO and other lease income	8,100	-	8,100
Fuel and related sales	478,321	-	478,321
Interest income	136	-	136
Miscellaneous income	1,276	-	1,276
Intergovernmental:			
Local grants	36,000	-	36,000
State grants	178,321	-	178,321
Federal FAA grants	421,610	-	421,610
 Total revenues	 <u>1,215,299</u>	 <u>6,000</u>	 <u>1,221,299</u>
<b>EXPENDITURES/EXPENSES:</b>			
Current:			
Cost of fuel sold	407,362	-	407,362
Payroll and related expense	85,596	-	85,596
Office expense	2,013	-	2,013
Improvements and repairs	29,496	-	29,496
Legal and accounting	6,695	-	6,695
Utilities and telephone	26,933	-	26,933
Insurance	8,902	-	8,902
Miscellaneous	5,063	-	5,063
Depreciation	-	227,277	227,277
Special project expenditures	515,061	(515,061)	-
Debt service:			
Principal	80,000	(80,000)	-
Interest	22,256	-	22,256
 Total expenditures/expenses	 <u>1,189,377</u>	 <u>(367,784)</u>	 <u>821,593</u>
Excess (deficiency) of revenues over expenditures	25,922	(25,922)	-
 Change in net position		 399,706	 399,706
Fund balances/net position:			
Beginning of the year	196,355		4,583,197
 End of the year	 <u>\$ 222,277</u>	 <u>\$ -</u>	 <u>\$ 4,982,903</u>

See accompanying notes to financial statements.

**DANVILLE-BOYLE COUNTY AIRPORT BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES:</b>				
Hangar rent	\$ 76,892	\$ 76,892	\$ 85,295	\$ 8,403
FBO and other lease income	6,000	6,000	6,808	808
Fuel and related sales	441,501	441,501	573,008	131,507
Interest income	556	556	171	(385)
Miscellaneous income	-	-	3,409	3,409
Intergovernmental:				
Local grants	40,000	40,000	58,000	18,000
State grants	131,866	131,866	138,664	6,798
Federal FAA grants	610,893	610,893	58,223	(552,670)
<b>Total revenues</b>	<u>1,307,708</u>	<u>1,307,708</u>	<u>923,578</u>	<u>(384,130)</u>
<b>EXPENDITURES:</b>				
Current operating:				
Cost of fuel sold	368,793	368,793	489,198	(120,405)
Payroll and related expense	87,348	87,348	83,843	3,505
Office expense	3,783	3,783	1,431	2,352
Improvements and repairs	45,985	45,985	38,224	7,761
Legal and accounting	8,739	8,739	8,565	174
Utilities and telephone	23,519	23,519	24,309	(790)
Insurance	8,320	8,320	7,985	335
Miscellaneous	3,575	3,575	7,765	(4,190)
Special project expenditures	693,770	693,770	132,322	561,448
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	26,170	26,170	26,110	60
<b>Total expenditures</b>	<u>1,345,002</u>	<u>1,345,002</u>	<u>894,752</u>	<u>450,250</u>
Excess (deficiency) of revenues over expenditures	(37,294)	(37,294)	28,826	66,120
Fund balance-beginning of year	167,529	167,529	167,529	-
<b>Fund balance-end of year</b>	<u>\$ 130,235</u>	<u>\$ 130,235</u>	<u>\$ 196,355</u>	<u>\$ 66,120</u>

See accompanying notes to financial statements.

**DANVILLE-BOYLE COUNTY AIRPORT BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES:</b>				
Hangar rent	\$ 70,427	\$ 70,427	\$ 91,535	\$ 21,108
FBO and other lease income	6,000	6,000	8,100	2,100
Fuel and related sales	420,545	420,545	478,321	57,776
Interest income	500	500	136	(364)
Miscellaneous income	-	-	1,276	1,276
Intergovernmental:				
Local grants	56,000	56,000	36,000	(20,000)
State grants	118,681	118,681	178,321	59,640
Federal FAA grants	350,000	350,000	421,610	71,610
 Total revenues	<u>1,022,153</u>	<u>1,022,153</u>	<u>1,215,299</u>	<u>193,146</u>
<b>EXPENDITURES:</b>				
Current operating:				
Cost of fuel sold	369,486	369,486	407,362	(37,876)
Payroll and related expense	89,000	89,000	85,596	3,404
Office expense	4,000	4,000	2,013	1,987
Improvements and repairs	45,000	45,000	29,496	15,504
Legal and accounting	16,681	16,681	6,695	9,986
Utilities and telephone	25,000	25,000	26,933	(1,933)
Insurance	7,500	7,500	8,902	(1,402)
Miscellaneous	4,025	4,025	5,063	(1,038)
Special project expenditures	416,000	416,000	515,061	(99,061)
Debt service:				
Principal	75,000	75,000	80,000	(5,000)
Interest	25,963	25,963	22,256	3,707
 Total expenditures	<u>1,077,655</u>	<u>1,077,655</u>	<u>1,189,377</u>	<u>(111,722)</u>
 Excess (deficiency) of revenues over expenditures	(55,502)	(55,502)	25,922	81,424
 Fund balance-beginning of year	196,355	196,355	196,355	-
 Fund balance-end of year	<u>\$ 140,853</u>	<u>\$ 140,853</u>	<u>\$ 222,277</u>	<u>\$ 81,424</u>

See accompanying notes to financial statements.

Danville-Boyle County Airport Board  
Notes to Financial Statements  
June 30, 2013 and 2014

Note I - Summary of Significant Accounting Policies

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

A. Government-wide and fund financial statements

The Danville-Boyle County Airport Board is a special-purpose governmental entity engaged in a single governmental program. Therefore, as allowed by Governmental Accounting Standards Board Statement 34, the fund financial statements and the government-wide financial statements have been combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. Government-wide financial statements report information on all of the activities of the government. The effect of inter-fund activity has been removed from these statements in the "adjustments" column on the face of the financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

C. Assets, liabilities, and net position or equity

1. Deposits and investments

The government's cash consists of demand deposits only. Kentucky Revised Statute 66.480 generally limits the Board to investing in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, and interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. Cash equivalents include money market mutual funds only and are valued at market which is equal to cost.

2. Receivables and payables

Receivables consist of amounts due from customers, other governmental entities, and refundable fuel taxes. No allowance is necessary for these items.

3. Inventory

Inventory consists of fuel held for sale to customers and is valued using the first in-first out (FIFO) cost method.

Danville-Boyle County Airport Board  
Notes to Financial Statements  
June 30, 2013 and 2014

4. Capital assets

Capital assets, which include buildings, land, land improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of all exhaustible capital assets used by the government is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	15-30 Years
Land Improvements	20-50 Years
Buildings	20-60 Years

5. Restricted assets

Certain resources set aside for the repayment of the Kentucky Public Agency Development (KPAD) lease obligation are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited. This “debt service reserve” account is used to segregate resources set aside to make up potential future deficiencies in the sinking fund account.

6. Debt issuance costs

Prior to the issuance of GASB Statement No. 65 (discussed later in this report), issuance costs on the KPAD lease obligation were being amortized using the straight-line method over the life of the lease in the government-wide statement of net position. These costs were recognized in the year paid in the governmental fund financial statements. Effective July 1, 2012, issuance costs, other than costs related to bond insurance, are recognized in the year paid in the governmental fund financial statements and the government-wide financial statements.

7. Unearned rental income

Lease income paid in advance is being recognized as income over the life of the lease in the government-wide financial statements. This payment has been recognized in the year received in the governmental fund financial statements.

8. Long-term obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable statement of net position. In the fund financial statements, governmental fund types report receipts from the issuance of debt as “other financing sources”.

Danville-Boyle County Airport Board  
Notes to Financial Statements  
June 30, 2013 and 2014

9. Equity

Fund Financial Statements – Fund financial statements report governmental fund equity as fund balance. Fund balance is further classified:

- a. **Non-spendable fund balance** includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. **Restricted fund balance** includes amounts that are restricted to specific purposes either (a) by externally imposed creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c. **Committed fund balance** includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The Board's highest level of decision making authority is the board of directors.
- d. **Assigned fund balance** includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board's directors are authorized to assign the fund balance. The Board has not adopted formal procedures to show that the board has assigned the fund balance.
- e. **Unassigned fund balance** represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Government-Wide Financial Statements – In the government-wide financial statements, equity is displayed in three components as follows:

- a. **Net investment in capital assets** consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted** net position consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.
- c. **Unrestricted** net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The Board has determined that when both restricted and unrestricted funds are available, that they will use the restricted resources first. In addition, when expenditures could be deemed to have been expended by using committed, assigned or unassigned funds, the Board has determined that the funds will be first categorized as assigned, second as committed and third as unassigned.

D. Management's Review of Subsequent Events

The Airport Board has evaluated and considered the need to recognize or disclose subsequent events through August 5, 2015, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal years ended June 30, 2013 and June 30, 2014, have not been evaluated by the Airport Board.

Danville-Boyle County Airport Board  
Notes to Financial Statements  
June 30, 2013 and 2014

Note II – Cash and Investments

The Board's deposits and certificates of deposit are fully insured by the FDIC as of June 30, 2013, and 2014.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Board has not created an investment policy to specifically address this risk.

Temporarily restricted cash equivalents consist of money market funds at a custodial bank. The money market funds are invested in U.S. government securities and repurchase agreements collateralized by such obligations.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Board's investment in a single issuer. The Board has not created an investment policy to specifically address this risk.

The Board's investments at June 30, 2013, and 2014 are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<b>Governmental Activities:</b>				
Year ended June 30, 2013:				
Community Trust Bank				
Certificate of Deposit	\$ 19,979	\$ 19,979	0.16%	08/10/13
Certificate of Deposit	<u>19,846</u>	<u>19,846</u>	0.51%	08/18/13
Total Certificates of Deposit	<u>39,825</u>	<u>39,825</u>		
Money Market Funds	<u>86,018</u>	<u>86,018</u>	0.02%	N/A
Total Investments	<u>\$ 125,843</u>	<u>\$ 125,843</u>		
Year ended June 30, 2014:				
Community Trust Bank				
Certificate of Deposit	\$ 20,010	\$ 20,010	0.12%	02/10/15
Certificate of Deposit	<u>19,896</u>	<u>19,896</u>	0.20%	08/18/14
Total Certificates of Deposit	<u>39,906</u>	<u>39,906</u>		
Money Market Funds	<u>85,975</u>	<u>85,975</u>	0.01%	N/A
Total Investments	<u>\$ 125,881</u>	<u>\$ 125,881</u>		

Note III - Operating Leases - Lessor

Air Evac EMS Lease

In June of 2011, the Board (lessor) entered into an agreement with Air Evac EMS, Inc. (lessee) whereby the lessee agreed to pay the lessor \$35,000 to fund improvements to a hangar which the lessee desired to lease. The term of the lease is 60 months and calls for monthly payments in the amount of \$1,200. However, the lessee receives a credit of \$500 per month in order to offset the upfront payment of \$35,000. Therefore, the actual monthly payment amounts to \$700. Over the five year term of the lease, the lessee will receive total lease credits of \$30,000. In the government-wide financial statements, this advance payment has been treated as unearned rental income, and is being amortized over 60 months (the term of the lease) beginning in August of 2011, which is the effective date of the commencement of the agreement.

Danville-Boyle County Airport Board  
Notes to Financial Statements  
June 30, 2013 and 2014

Note IV – Capital Assets

The following represents the changes in capital assets for the fiscal years ended June 30, 2013, and 2014:

Year ended June 30, 2013:

	Beginning Balance	Increases	Decreases/ WIP Completed	Ending Balance
Buildings	\$ 2,366,578	\$ 57,630	\$ -	\$ 2,424,208
Land and Improvements	4,433,451	-	-	4,433,451
Equipment and Furniture	571,669	10,000	-	581,669
Construction in Progress	17,748	64,692	-	82,440
	7,389,446	132,322	-	7,521,768
Accumulated Depreciation	(2,374,104)	(227,322)	-	(2,601,426)
Capital Assets, Net	<u>\$ 5,015,342</u>	<u>\$ (95,000)</u>	<u>\$ -</u>	<u>\$ 4,920,342</u>

Year ended June 30, 2014:

	Beginning Balance	Increases	Decreases/ WIP Completed	Ending Balance
Buildings	\$ 2,424,208	\$ -	\$ -	\$ 2,424,208
Land and Improvements	4,433,451	567,807	-	5,001,258
Equipment and Furniture	581,669	-	-	581,669
Construction in Progress	82,440	515,061	(567,807)	29,694
	7,521,768	1,082,868	(567,807)	8,036,829
Accumulated Depreciation	(2,601,426)	(227,277)	-	(2,828,703)
Capital Assets, Net	<u>\$ 4,920,342</u>	<u>\$ 855,591</u>	<u>\$ (567,807)</u>	<u>\$ 5,208,126</u>

Note V – Short Term Borrowings

The Board has a revolving line of credit which it utilizes to fund the purchase of fuel. The line of credit carries a variable rate of interest (currently 4%). The Board's certificates of deposit provide collateral for this line of credit. The following table summarizes the activity related to this line of credit for the years ended June 30, 2013, and 2014:

<u>Year Ended June 30,</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Interest Paid</u>
2013	\$ 22,910	\$ 95,000	\$ 98,000	\$ 19,910	\$ 747
2014	19,910	67,083	86,993	-	331

Danville-Boyle County Airport Board  
Notes to Financial Statements  
June 30, 2013 and 2014

Note VI - Long Term Debt

During the fiscal year ended June 30, 2008, the Airport Board entered into a lease agreement with the Kentucky Transportation Cabinet, Department of Aviation, to obtain financing for the construction of a state of the art airport terminal facility. The lease is referred to as the Kentucky Public Agency Development Lease Certificate of Participation (KPAD). Lease proceeds in the amount of \$860,000, less issuance costs of \$20,780, were received by the Board and deposited into various trust accounts as required by the lease agreement. This lease bears a fixed interest rate of 4.5%. The Kentucky Transportation Cabinet, Department of Aviation, has committed to providing grant funding over the term of the lease which will in effect provide for the repayment of the entire lease obligation.

Debt service requirements to maturity for this capital lease obligation are as follows:

<u>Fiscal year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 80,000	\$ 21,375	\$ 101,375
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>\$ 515,000</u>	<u>\$ 67,388</u>	<u>\$ 582,388</u>

Long-term liability activity for the years ended June 30, 2013, and 2014, was as follows:

Year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
KPAD Capital Lease	\$ 590,000	\$ -	\$ 75,000	\$ 515,000	\$ 80,000
Total Long-Term Debt	<u>\$ 590,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 515,000</u>	<u>\$ 80,000</u>

Year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
KPAD Capital Lease	\$ 515,000	\$ -	\$ 80,000	\$ 435,000	\$ 80,000
Total Long-Term Debt	<u>\$ 515,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 435,000</u>	<u>\$ 80,000</u>

Note VII – Related Party Transactions

The Board currently receives hangar rental income from one board member on a monthly basis. The monthly rental fee charged to the board member is the same as would be charged to unrelated parties for a similar size hangar. During the fiscal years ended June 30, 2013, and 2014, the Board received \$1,710 and \$1,800, respectively from related parties.

Note VII – Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the FAA and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Danville-Boyle County Airport Board  
Notes to Financial Statements  
June 30, 2013 and 2014

Note VIII – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to members or other persons; and natural disasters. The Board purchases commercial insurance coverage to manage these risks.

Note IX – Restatement of Net Position

Effective July 1, 2012, the Board implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement changes the method of reporting debt issuance costs. Prior to implementation of GASB Statement No. 65, the Board reported debt issuance costs, including costs related to bond insurance, as deferred debt expense which was capitalized and amortized over the life of the debt. Deferred debt expense was reported as a reduction to long-term debt on the statement of net position. Under GASB Statement No. 65, bond issuance costs, excluding bond insurance costs which should be treated as a prepaid asset, are to be recognized in the period of the debt issue. This resulted in a restatement of previously reported net position as follows:

<u>Government-wide financial statements</u>	
Net position, July 1, 2012	\$4,580,839
Bond issuance costs	<u>(12,468)</u>
Net position, July 1, 2012, as restated	<u>\$4,568,371</u>

**Robinson, Hughes & Christopher, P.S.C.**  
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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***

Members of the Board  
Danville-Boyle County Airport Board  
Danville, 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 the Danville-Boyle County Airport Board as of and for the years ended June 30, 2013 and 2014, and the related notes to the financial statements, which collectively comprise the Danville-Boyle County Airport Board's (the Airport Board) basic financial statements and have issued our report thereon dated August 5, 2015.

**Internal Control over Financial Reporting**

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

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 Airport Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2013-1 that we consider to be a significant deficiency.

## **Compliance and other matters**

As part of obtaining reasonable assurance about whether the Danville-Boyle County Airport Board's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2013-1.

## **Danville-Boyle County Airport Board, Kentucky's Response to Findings**

Danville-Boyle County Airport Board, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Danville-Boyle County Airport Board, Kentucky'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 Airport Board'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 Airport Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Hughes & Christopher, PSC*

Danville, KY  
August 5, 2015

**DANVILLE-BOYLE COUNTY AIRPORT BOARD**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2013 and 2014**

2013-1

In both of the years audited, certain expenditures exceeded the budgeted amounts. Though the Airport Board monitors and approves all expenditures, payment of any amount not budgeted constitutes a technical violation of KRS 65.065. The budget passed and published for each of the three years audited did not sufficiently consider all expenditures. The budget for the year ended June 30, 2013, did not provide sufficient amounts for the daily operations of the airport. Cost of goods sold was also under budgeted by approximately \$120,000. The budget for the year ended June 30, 2014, did not provide sufficient amounts for the daily operations of the airport. Cost of goods sold was also under budgeted by approximately \$38,000.

Management Response to Significant Deficiency in Internal Control

Management agrees with this finding. Going forward the Board, with assistance from its outside accounting firm, will monitor expenses and compare them with the budget on an ongoing basis and amend the budget as necessary.

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OMB Circular A-133, Subpart C, Sec .320(a) states: "The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit." During the year ended June 30, 2010, the Airport Board was subject to the requirements of OMB A-133. The audit was not completed and data collection form and reporting package were not submitted by March 31, 2011, as required. Subsequently, the OMB A-133 audit was completed, but the data collection form and reporting package have not been submitted.

Management Response to Federal Award Findings

Management agrees with this finding. Going forward, the Board will contract to have audits performed in a timely manner which will allow the Airport to adhere to the requirements of OMB A-133. Also, management will submit the required data collection form and reporting package for the OMB A-133 audit for the year ended June 30, 2010.