

REPORT OF THE AUDIT OF THE
SOMERSET -PULASKI COUNTY AIRPORT BOARD
A COMPONENT UNIT OF THE
PULASKI COUNTY FISCAL COURT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011



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**REPORT OF THE AUDIT OF THE
SOMERSET-PULASKI COUNTY AIRPORT BOARD
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**For The Fiscal Year Ended
June 30, 2011**



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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SOMERSET-PULASKI COUNTY AIRPORT BOARD

June 30, 2011

The Auditor of Public Accounts has completed the audit of the Somerset-Pulaski County Airport Board (Airport Board), a component unit of the Pulaski County Fiscal Court for fiscal year ended June 30, 2011.

We have issued an unqualified opinion on the financial statements of the Airport Board.

Financial Condition:

The Airport Board had total net cash and cash equivalents of \$333,566 with total net assets of \$15,370,141. The Airport Board had total debt principal of \$51,699 with \$17,912 due within the next year.

Report Comments:

- 2011-01 The Somerset-Pulaski County Airport Board Lacks Adequate Segregation Of Duties
- 2011-02 The Somerset-Pulaski County Airport Board Should Properly Account For Daily Deposits
- 2011-03 The Somerset-Pulaski County Airport Board Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Deposits:

The Airport Board's deposits as of June 2, 2011 were exposed to custodial risk as follows:

- Uncollateralized and Uninsured - \$85,312

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

Honorable Don Bandy, Somerset-Pulaski County Airport Board Chairman
Members of the Somerset-Pulaski County Airport Board
Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the accompanying basic financial statements of the Somerset-Pulaski County Airport Board (Airport Board), a component unit of the Pulaski County Fiscal Court as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Airport Board. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport Board as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 3, 2012 on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Honorable Don Bandy, Somerset-Pulaski County Airport Board Chairman
Members of the Somerset-Pulaski County Airport Board
Members of the Pulaski County Fiscal Court

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Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2011-01 The Somerset-Pulaski County Airport Board Lacks Adequate Segregation Of Duties
- 2011-02 The Somerset-Pulaski County Airport Board Should Properly Account For Daily Deposits
- 2011-03 The Somerset-Pulaski County Airport Board Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

August 3, 2012

**SOMERSET-PULASKI COUNTY AIRPORT BOARD
STATEMENT OF NET ASSETS**

June 30, 2011

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SOMERSET-PULASKI COUNTY AIRPORT BOARD
STATEMENT OF NET ASSETS

June 30, 2011

Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 333,566
Account Receivable	33,221
Inventory	1,543
Inventory - Fuel	25,075
Total Current Assets	<u>393,405</u>
Noncurrent Assets:	
Capital Assets:	
Land	3,367,808
Construction In Progress	21,478
Buildings	3,727,637
Other Equipment	327,884
Vehicles	126,191
Infrastructure	7,497,670
Total Noncurrent Assets	<u>15,068,668</u>
Total Assets	<u>15,462,073</u>
Liabilities	
Current Liabilities:	
Financing Obligations	17,912
Sales Tax Payable	2,048
Payroll Liabilities	1,865
Accrued Payroll	3,400
Deferred Revenue	21,195
Accrued Expenses	11,725
Total Current Liabilities	<u>58,145</u>
Noncurrent Liabilities:	
Financing Obligations	<u>33,787</u>
Total Noncurrent Liabilities	<u>33,787</u>
Total Liabilities	<u>91,932</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	15,016,969
Restricted	45,562
Unrestricted	307,610
Total Net Assets	<u>\$ 15,370,141</u>

The accompanying notes are an integral part of the financial statements.

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**SOMERSET-PULASKI COUNTY AIRPORT BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**

For The Year Ended June 30, 2011

SOMERSET-PULASKI COUNTY AIRPORT BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For The Year Ended June 30, 2011

Operating Revenues:	
Hangar Rent	\$ 111,731
Gasoline	338,007
Charts, Oil, & Other Income	18,582
Other Rent	17,928
Miscellaneous	381
Total Operating Revenues	<u>486,629</u>
Operating Expenses:	
Cost of Goods Sold	239,623
Utilities	47,129
Office Supplies	3,373
Legal and Accounting Expenses	9,038
Equipment Expense	6,250
Automobile Gas and Expenses	7,649
Advertising	1,991
Facilities Maintenance	18,712
Insurance	38,355
Janitorial Supplies	212
Payroll	93,475
Payroll Taxes	8,980
Postage & Shipping	868
Telephone	7,829
Security Expense	548
Travel and Training Expenses	1,861
Weather Service	8,292
Bank Charges	296
Miscellaneous	600
Bad Debt Expense	9,210
Depreciation Expense	433,648
Total Operating Expenses	<u>937,939</u>
Operating Income (Loss)	<u>(451,310)</u>
Nonoperating Revenues (Expenses):	
Interest Income	258
Contributions	163,762
Grants	73,810
Interest Expense	(1,221)
Total Nonoperating Revenues (Expenses)	<u>236,609</u>
Change in Net Assets	(214,701)
Total Net Assets - Beginning	15,584,842
Total Net Assets - Ending	<u>\$ 15,370,141</u>

The accompanying notes are an integral part of the financial statements.

**SOMERSET-PULASKI COUNTY AIRPORT BOARD
STATEMENT OF CASH FLOWS**

For The Year Ended June 30, 2011

SOMERSET-PULASKI COUNTY AIRPORT BOARD
STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2011

Cash Flows From Operating Activities:	
Cash received from customers	\$ 507,511
Cash payments for goods and services	(230,287)
Cash payments for operating expenses	(153,003)
Cash payments for personnel expenses	(98,927)
Net Cash Provided (Used) By Operating Activities	<u>25,294</u>
Cash Flows From Noncapital Financing Activities	
Interest Income	258
Proceeds from contributions	163,762
Cash payments for other	(63,738)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>100,282</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from financing obligation	35,000
Cash received from capital grants	73,810
Acquisition of capital assets	(75,880)
Debt service principal payments	(21,575)
Debt service interest	(1,221)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>10,134</u>
Net Increase (Decrease) in Cash and Cash Equivalents	135,710
Cash and Cash Equivalents - July 1, 2010	<u>197,856</u>
Cash and Cash Equivalents - June 30, 2011	<u>\$ 333,566</u>

The accompanying notes are an integral part of the financial statements.

SOMERSET-PULASKI COUNTY AIRPORT BOARD
 STATEMENT OF CASH FLOWS
 For The Year Ended June 30, 2011
 (Continued)

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (451,310)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:	
Depreciation Expense	433,648
Change in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Accounts Receivable	28,362
Inventories	1,022
Increase (Decrease) in Liabilities:	
Accounts Payable	8,442
Accrued Payroll	3,400
Deferred Revenue	1,730
	<hr/>
Net Cash Provided (Used) By Operating Activities	<u>\$ 25,294</u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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SOMERSET-PULASKI COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The Airport Board presents its financial statements in conformity with accounting principles generally accepted in the United States of America for governments as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are reported using the economic resources measurements focus and the full accrual basis of accounting. All assets and liabilities are recognized on the Statement of net Assets. Revenues are recorded when earned and liabilities are recorded when incurred, regardless of timing of cash. Therefore, deferred revenues are only reported for receipts of prepayments or revenues collected in advance.

B. Reporting Entity

The Somerset Pulaski County Airport Board is a component unit of the Pulaski County Fiscal Court. The financial statements of the Airport Board include the funds, agencies, boards, and entities for which the Airport Board is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the Airport Board is financially accountable or the organization's exclusion would cause the Airport Board's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The Airport Board has no component units.

C. Financial Statements

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities with the difference between the two shown as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consist of capital assets, net of accumulated depreciation and further reduced by debt net of cash balances, for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - result from constraints place on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those net assets that do not meet the definition of restricted net assets or invested in capital assets.

The accompanying Statement of Revenues, Expenses, and Changes in Net Assets reports revenues and expenses as either operating or non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the ongoing operations. The principal operating revenues of the Airport Board are charges to customers for hangar and other rent and sales of aviation fuel. Operating expenses include the cost of sales and services, selling and administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

