

BLAINE COUNTY AIRPORT COMMISSION

**BLAINE COUNTY
CHINOOK, MONTANA**

FINANCIAL AND COMPLIANCE REPORT

Fiscal year Ended June 30, 2014

Strom & Associates, P. C.

**PO BOX 1980
Billings, Montana 59103**

Blaine County Airport Commission
Blaine County
Chinook, Montana 59523

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Blaine County Airport Commission
Blaine County
Chinook, Montana 59523

ORGANIZATION

BOARD OF TRUSTEES

Martin Williamson	Chair
Edgar L. Obie	Commissioner
Doug Hamilton	Commissioner
Clarence Olson	Commissioner
Audrey Parnell	Commissioner

OFFICIALS

William M. Solem	Commission Secretary
William M. Solem	Commission Attorney

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Blaine County Airport Commission
Blaine County
Chinook, Montana 59523

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities/major fund information of Blaine County Airport Commission as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission'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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities/major fund information of Blaine County Airport Commission, as of June 30, 2013, and the respective changes in financial position – cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blaine County Airport Commission's basic financial statements. The accompanying schedule of expenditures of federal awards (Cash Basis) on page 13 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blaine County Airport Commission's basic financial statements. The budgetary comparison information on page 11 and schedule of capital assets on page 12, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2014 on our consideration of Blaine County Airport Commission 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 Commission's internal control over financial reporting and compliance.



STROM & ASSOCIATES, PC
Billings, Montana
November 24, 2014

Blaine County Airport Commission
Blaine County
Chinook, Montana 59523

STATEMENT OF NET POSITION/
BALANCE SHEET (CASH BASIS)
as of June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 134,831</u>
Total Assets	<u>\$ 134,831</u>
NET POSITION/FUND BALANCE:	
Unrestricted/Unassigned	
Total Net Position	<u>\$ 134,831</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

Blaine County Airport Commission
 Blaine County
 Chinook, Montana 59523

STATEMENT OF ACTIVITIES/
 STATEMENT OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN FUND BALANCE
 as of June 30, 2014

CASH DISBURSEMENTS BY AIRPORT	
Chinook Airport	\$ 386,500
Harlem Airport	8,950
Hogeland Airport	661
Turner Airport	219,488
GENERAL CASH DISBURSEMENTS	
Mileage	1,109
Commission Secretary	11,100
Liability Insurance	3,250
Commissioner's Bonding	480
Advertising	20
Office Supplies	980
Property Taxes	2,704
Accounting	4,800
Audit	6,200
Filing Fee	435
Debt Service Interest	1,215
Debt Service Principal	<u>37,442</u>
Total Program Cash Disbursements	<u>685,334</u>
PROGRAM CASH RECEIPTS	
Federal Capital Grants	523,764
State Capital Loans	69,746
State Operating Grants	5,000
Lease Receipts	<u>2,110</u>
Net Program Cash Disbursements	<u>(84,714)</u>
GENERAL CASH RECEIPTS	
County Sources	53,084
State Sources	23,743
Other	18
Interest	<u>609</u>
Total Cash Receipts	<u>77,454</u>
Change in Net Position/Fund Balance	<u>(7,260)</u>
Net Position/Fund Balance	
Beginning of the Year	\$ 142,091
End of the Year	<u>\$ 134,831</u>

The accompanying NOTES TO THE FINANCIAL STATEMENTS are an integral part of these statements.

BLAINE COUNTY AIRPORT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year-Ended June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. a. REPORTING ENTITY

The Blaine County Airport Commission was established by a Joint Resolution of the County Commissioners of Blaine County, Montana, the City Council of the City of Chinook, Montana, and the City Council of the City of Harlem, Montana, on June 29, 1946 to manage and operate county airports. The Commission is governed by five commissioners, one of whom is appointed by the Blaine County Commissioners, two of whom are appointed by the Mayor of the City of Chinook subject to the approval of the Chinook City Council, and two of whom are appointed by the Mayor of the City of Harlem subject to the approval of the Harlem City Council. These commissioners hold office for a term of three (3) years.

The criteria for including organizations as component units within the Commission's reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) "Codification of Government Accounting and Financial Reporting Standards." The basic criteria include appointing a voting majority of an organization's governing body, as well as the Commission's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the Commission. Based on those criteria this commission has no component units.

1. b. BASIS OF PRESENTATION AND ACCOUNTING

The basic financial statements of the Blaine County Airport Commission are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The cash basis of accounting recognizes transactions and events when cash (including cash equivalents) is received or paid. It measures the overall financial result for the period as the difference between cash received and cash paid. The measurement focus is balances of cash and cash equivalents and changes therein.

The Commission retains ownership of airport real property, buildings and improvements, and remains liable for all related obligations. Such assets and liabilities are not reflected on the statement of net position as the Commission uses the cash basis of accounting.

1. c. ASSETS, LIABILITIES AND NET POSITION (FUND BALANCE)

1. c. 1 CASH AND INVESTMENTS

Cash includes amounts in demand deposits, as well as short-term investments as authorized by State statutes. Montana Code Annotated (MCA) allows Montana local governments to invest public money not necessary for immediate use in United States government treasury bills, notes, bonds; certain United States treasury obligations; United States government security money market fund if investments consist of those listed above; time or savings deposits with a bank, savings and loan association, or credit union which is FDIC, FSLIC, or NCUA insured and are located in the state; or in repurchase agreements as authorized by MCA, or Montana Board of Investments Short Term Investment Pool (STIP). Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis. Investments are recorded at fair market value.

Information regarding the collateral and security for cash is not available to the Commission. However, State statute requires that United State government securities or agencies be held as collateral to secure deposits of public funds in excess of Federal Deposit Insurance Corporation (FDIC) insurance. The external investment pool is audited as part of Blaine County's financial statements. This investment pool is not registered with or monitored by the Securities and Exchange Commission (SEC).

1. c. 2 TAXES

Property taxes are collected by the County Treasurer who credits to the Commission fund their respective share of the collections. The tax levies are collectible in two installments, which become delinquent after November 30 and May 31. Property taxes are liens upon the property being taxed. After a period of three years, the County may begin foreclosure proceedings and sell the property at auction. The Commission receives its share of the sale proceeds of any such auction.

1. c. 3 INVENTORIES

Inventory at year end are not maintained under the cash basis of accounting. Cash disbursements for inventory are disbursed at the time of purchase.

BLAINE COUNTY AIRPORT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

1. c. 4 CAPITAL ASSETS

The Commission's property, plant, equipment, and infrastructure (e.g. runways and similar items) are not reported under the cash basis of accounting.

1.c. 5 NET POSITION AND FUND BALANCE

Statement of Net Position include the following:

- Unrestricted – Amounts that are available for any purpose.

Governmental fund financial statements include the following fund balances:

- Unassigned - Amounts that are available for any purpose.

1.d. County Provided Services

The Commission is provided various financial services by Blaine County. The Blaine County also serves as cashier and treasurer for the Commission for tax and assessment collections and other revenues received by the Blaine County which are subject to distribution to the various taxing jurisdictions located in the Blaine County. The collections made by the Blaine County on behalf of the Commission are accounted for in an agency fund in the Commission's name. No service charges have been recorded by the Commission or the Blaine County.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash resources of the Commission are held and managed by the Blaine County Treasurer pursuant to State Law. They are combined with cash resources of other governmental entities within Blaine County to form a pool of cash and cash equivalents. Investments of pooled cash consist primarily of repurchase agreements, demand accounts and time deposits and are carried at fair value. The Commission's exposure to credit risk is not available to the Commission. Risk in the event of loss is unclear in state law, but appears to be the liability of the Blaine County government. Because of the custodial involvement of the Blaine County government, and the commingling of cash in County deposits in the name of the Blaine County Treasurer, full risk classifications according to GASB 40 are available in the Blaine County's annual report. There is no known maturity and credit rating of the Blaine County Investment Pool.

At June 30, 2014 the carrying amount of cash and cash equivalents was \$134,831.

NOTE 3. TAXES RECEIVABLE

The assessed value of the roll as of January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$13,810,065. The tax rates assessed for the year ended June 30, 2014 to finance Commission operations were 3.862 mills. Under the cash basis of accounting taxes receivable are not reported, had the amount been reported taxes receivable were \$4,291.

NOTE 4. DISBURSEMENTS BY AIRPORT

Description	Chinook Airport	Harlem Airport	Hogeland Airport	Turner Airport
Capital Outlay	\$ 371,205	\$ 2,740	\$ 0	\$ 215,761
Telephone	1,150	665	0	645
Electricity	5,560	2,827	361	2,932
Permit Fees	750	0	0	0
Repair & Maintenance	7,005	2,717	300	0
Water, Sewer, Garbage	830	0	0	150
Total	<u>\$ 386,500</u>	<u>\$ 8,950</u>	<u>\$ 661</u>	<u>\$ 219,488</u>

NOTE 5. CHANGES IN LONG-TERM DEBT

5. a Under the cash basis of accounting outstanding debt is not reported. At June 30, 2014, the schedule of changes in general long-term debt follows:

BLAINE COUNTY AIRPORT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>New Debt and Other Additions</u>	<u>Principal Payments and Other Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due within One Year</u>
Notes Payable	\$ 30,467	\$ 69,746	\$ 37,442	\$ 62,771	\$ 6,316

5. b. NOTES PAYABLE

Notes payable to the Aeronautics Division of the Department of Transportation of the State of Montana are noted below:

<u>Description</u>	<u>Origination Date</u>	<u>Interest rate</u>	<u>Length of Loan</u>	<u>Maturity Date</u>	<u>Amount issued</u>	<u>Outstanding June 30, 2014</u>	<u>Current Portion</u>
Chinook Airport – Fuel Facility	August 26, 2013	1.625%	10 Years	February 28, 2014	\$ 10,000	\$ 9,000	\$ 1,000
Chinook Airport – Snow Removal Equipment	August 26, 2013	1.625%	10 Years	February 28, 2014	10,600	9,540	1,060
Chinook Airport – Runway Improvements	April 30, 2006	2.500%	10 Years	February 28, 2015	19,225	0	0
Chinook Airport – Snow Removal Equipment	August 26, 2013	1.625%	10 Years	February 28, 2023	13,000	11,700	1,300
Hogeland Airport – Runway Improvements	August 27, 2007	3.625%	10 Years	February 18, 2018	49,400	0	0
Turner Airport – Fuel System	August 26, 2013	1.625%	10 Years	February 28, 2014	10,000	9,000	1,000
Turner Airport – Land Development	August 26, 2013	1.625%	10 Years	February 28, 2014	6,586	5,927	0
Turner Airport – Wildlife Perimeter Fence	August 26, 2013	1.625%	10 Years	February 28, 2014	19,560	17,604	1,956
					<u>\$ 138,371</u>	<u>\$ 62,771</u>	<u>\$ 6,316</u>

Debt service requirements to maturity for principal and interest for all Intercomp long term obligations are as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,975	\$ 1,019	\$ 7,994
2016	6,975	907	7,882
2017	6,975	795	7,770
2018	6,975	681	7,656
2019	6,975	567	7,542
2020	6,974	454	7,428
2021	6,974	340	7,314
2022	6,974	227	7,201
2023	6,974	113	7,087
Total	<u>\$ 62,771</u>	<u>\$ 5,103</u>	<u>\$ 67,874</u>

NOTE 6. RISK MANAGEMENT

The Commission faces a considerable number of risks of loss, including damage to and loss of property and contents, employee torts, professional liability, (i.e. errors and omission), and environmental damage. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risk of loss except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. Given the lack of coverage available, the Commission has no coverage for potential losses from environmental damages.

Levels of insurance have not changed materially from the prior year and settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

BLAINE COUNTY AIRPORT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS (continued)
Fiscal Year-Ended June 30, 2014

NOTE 7. RELATED PARTIES

The Commission Secretary, William Solem, is also the Blaine County Airport Commission's legal consultant or representative. William Solem is also a partner in Burns, Solem and MacKenzie, Attorneys at Law. In fiscal year June 30, 2014 the Blaine County Airport Commission paid \$980 to Burns, Solem and MacKenzie for reimbursement of copies and postage.

The accounting firm of Solem & McIntosh, CPA's, prepares monthly compiled financial statements of the Airport Commission. Ellen Solem is married to William Solem, Commission Secretary and is a partner in Solem & McIntosh, CPA's. In fiscal year June 30, 2014, the Blaine County Airport Commission paid \$4,800 to Solem & McIntosh, CPA's, for accounting services.

In fiscal year June 30, 2014, the Blaine County Airport Commission paid \$666 to Obie Flying Service, Inc. for reimbursement of repairs and maintenance. The Commission Board Member, Edgar Lee Obie, is an owner of Obie Flying Services, Inc.

NOTE 8. SUBSEQUENT REPORTABLE EVENTS

The Commission has been awarded a \$448,835 grant from the U.S. Federal Aviation Administration for the purpose of acquiring snow removal equipment (snowplow truck) and to construct a snow removal building for the Harlem Airport. Through October 2014, the Commission has incurred costs and has been reimbursed for \$162,472.

BLAINE COUNTY AIRPORT COMMISSION
 SCHEDULE OF BUDGET TO ACTUAL CASH DISBURSEMENTS
 Fiscal Year-Ended June 30, 2014

<u>Description</u>	<u>Original/Final Budget</u>	<u>Disbursements</u>	<u>Variance</u>
Salaries, etc.	\$ 22,000	\$ 22,100	\$ (100)
Maintenance	55,000	76,268	(21,268)
Develop	<u>727,900</u>	<u>586,966</u>	<u>140,934</u>
Total.	<u>\$ 727,900</u>	<u>\$ 685,333</u>	<u>\$ 119,566</u>

BLAINE COUNTY AIRPORT COMMISSION

SCHEDULE OF CAPITAL ASSETS
Fiscal Year-Ended June 30, 2014

<u>Governmental Activities</u>	<u>6/30/2013</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>6/30/2014</u>
Chinook Airport	\$ 5,225,857	\$ 371,205	\$ 0	\$ 5,597,062
Harlem Airport	3,790,159	0	0	3,790,159
Turner Airport	2,787,640	215,761	0	3,003,401
Hogeland Airport	<u>130,050</u>	<u>0</u>	<u>0</u>	<u>130,050</u>
Total capital assets	<u>\$ 11,933,706</u>	<u>\$ 586,966</u>	<u>\$ 0</u>	<u>\$ 12,520,672</u>

Blaine County Airport Commission
 Blaine County
 Chinook, Montana 59523

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cash Basis)
 Fiscal Year Ended June 30, 2014

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Airport Improvement Program	AIP 3-30-0014-013-2013	20.106	\$ 382,326	\$ 329,379
Airport Improvement Program	AIP 3-30-0079-006-2013	20.106	\$ 216,346	178,428
Airport Improvement Program	AIP 3-30-0079-005-2012	20.106	\$ 474,462	15,959
Total U.S. Department of Transportation				<u>\$ 523,766</u>
Total Federal Financial Assistance				<u>\$ 523,766</u>

Notes:

The Schedule of Expenditures of Federal Awards is prepared using the cash basis of accounting which is described in the notes to the financial statements.

STROM & ASSOCIATES, PC
Certified Public Accountants
P.O. Box 1980
Billings, Montana 59103

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Blaine County Airport Commission
Blaine County
Chinook, Montana 59523

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities/major fund information of Blaine County Airport Commission as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Blaine County Airport Commission's basic financial statements and have issued our report thereon dated November 24, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blaine County Airport Commission'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Strom & Associates, P.C.

STROM & ASSOCIATES, PC
Billings, Montana
November 24, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Blaine County Airport Commission
Blaine County
Chinook, Montana 59523

Report on Compliance for Each Major Federal Program

We have audited Blaine County Airport Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Blaine County Airport Commission's major federal programs for the year ended June 30, 2014. Blaine County Airport Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Blaine County Airport Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Blaine County Airport Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Blaine County Airport Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Blaine County Airport Commission's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014

Report on Internal Control Over Compliance

Management of Blaine County Airport Commission, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Blaine County Airport Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Blaine County Airport Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



STROM & ASSOCIATES, PC
Billings, Montana
November 24, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor, Strom & Associates, PC, has issued an unqualified opinion on Commission's financial statements as of and for the year ended June 30, 2014.
2. Our audit disclosed no significant deficiencies in internal controls and none that are considered to be material weaknesses relating to internal controls over financial reporting and its operation.
3. Our audit disclosed no noncompliance which was material to the financial statements of Commission.
4. Our audit disclosed no significant deficiencies that are considered to be material weaknesses relating to internal controls over major federal awards programs.
5. The auditor, Strom & Associates, PC, has issued an unqualified opinion on Commission's compliance with major federal awards programs as of and for the year ended June 30, 2014.
6. The audit disclosed no audit findings which are required to be reported under section .510 of OMB Circular A-133.
7. The major program for Blaine County Airport Commission for the year ended June 30, 2014 was:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

8. The threshold used to distinguish between Type A and type B programs was \$300,000.
9. This Commission does not qualify as a low risk audit client.

B. Findings relating to the financial statements which are required to be reported in accordance with "Governmental Auditing Standards."

There were no findings or recommendations in the prior audit report and none for the fiscal year ended June 30, 2014.

C. Findings and questioned costs for Federal awards, as defined in section .510 (a) of OMB Circular A-133.

The audit disclosed no findings or questioned costs relating to federal awards as defined in section .510 (a) of OMB Circular A-133 in the prior audit report or for the fiscal year ended June 30, 2014.