

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.



**HAVRE CITY-COUNTY AIRPORT
HILL COUNTY, MONTANA**

FINANCIAL REPORT

June 30, 2014



C O N T E N T S

	<u>PAGE</u>
ORGANIZATION	1
INDEPENDENT AUDITOR'S REPORT	2 to 3
FINANCIAL STATEMENTS	
Statement of Net Position – Cash Basis.....	4
Statement of Activities – Cash Basis	5
Notes to Financial Statements.....	6 through 9
SUPPLEMENTARY INFORMATION	
Schedule of Budget to Actual	10
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 <i>Government</i> <i>Auditing Standards</i>	11 and 12

ORGANIZATION

Period Covered by Audit – July 1, 2013 to June 30, 2014

Board

Robert Breum	Chairman
Max Vogel	Vice-Chairman
Tim Solomon	Board Member
Jeff LaVoi	Board Member
Roger Lincoln	Board Member
Gerald Gragofsky	Board Member
Tony Dolphay	Board Member

Officials

Gina Dahl	Attorney
Doug Kaercher	Secretary/Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Havre City-County Airport
Havre, Montana

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the Airport as of June 30, 2014, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis for Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are 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 opinions are not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's basic financial statements. The supplemental schedule of budget to actual is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplemental schedule of budget to actual 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. Such 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, based on our audit, the procedures performed above as described above, the schedule of budget to actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2014 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.


Havre, Montana
October 1, 2014

FINANCIAL STATEMENTS

HAVRE CITY-COUNTY AIRPORT
HILL COUNTY, MONTANA
STATEMENT OF NET POSITION – CASH BASIS
June 30, 2014

	Governmental <u>Activities</u>
ASSETS	
Equity in pooled cash	\$ <u>111,178</u>
Total assets	\$ <u>111,178</u>
NET POSITION	
Unrestricted net assets	\$ <u>111,178</u>
Total net position	\$ <u>111,178</u>

The Notes to Financial Statements are an integral part of this statement.

HAVRE CITY-COUNTY AIRPORT
HILL COUNTY, MONTANA
STATEMENT OF ACTIVITIES – CASH BASIS
For the Year Ended June 30, 2014

OPERATING RECEIPTS

Charges for service	\$ 37,549
Other	<u>2,587</u>
Total operating receipts	<u>40,136</u>

OPERATING DISBURSEMENTS

Contracted services	89,933
Fuel	4,138
Insurance	7,974
Repairs and maintenance	12,158
Supplies	262
Taxes	625
Telephone	504
Utilities	<u>14,266</u>
Total operating disbursements	<u>129,860</u>

Net operating receipts under operating disbursements (89,724)

NON-OPERATING RECEIPTS (DISBURSEMENTS)

Federal capital grants	384,511
State capital grants	25,140
Taxes/assessments	19,999
Intergovernmental	96,935
Loan proceeds	25,140
Crop and royalty	19,877
Capital outlays	(425,803)
Principal payments on debt	(7,085)
Interest payments	<u>(459)</u>
Total non-operating receipts (disbursements)	<u>138,255</u>

Change in net position 48,531

Net position, beginning of year 62,647

Net position, end of year \$ 111,178

The Notes to Financial Statements are an integral part of this statement.

HAVRE CITY-COUNTY AIRPORT
HILL COUNTY, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Havre City-County Airport (the Airport) was established on March 3, 1941 by Hill County, creating a municipal airport authority conferred with all the powers authorized by Title 67, Chapter 11, Montana Code Annotated. The Airport is owned and operated jointly by Hill County and the City of Havre. The Airport is administered by a seven-member board comprised of three members appointed by the County Commissioners, three members appointed by the City Council and 1 member selected at large. The County levies and collects an annual tax and remits the proceeds to the Airport Board. The City of Havre collects and remits an equal amount.

The governments of Hill County and the City of Havre provide substantial services to the Airport. The County Commissioners and City Council Members have a legal right to review and approve the budget adopted by the Airport. However, management policies and day to day control of the Airport are the sole responsibility of the Airport's Board. The County and City do not significantly influence the operations of the Airport; thus, the Havre City-County Airport is being treated as a separate and independent local government unit.

Basis of Accounting

The accounts of the Airport are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Under this method, revenue is recognized when received rather than when earned and expenses are recognized when warrants are issued rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Inventories

Inventories are expensed at the time of purchase.

Taxes Receivable

These financial statements do not give effect to taxes receivable. Taxes receivable are maintained by Hill County as part of the Trust and Agency Fund Group.

Net Position

As of June 30, 2014, the net position was classified as unassigned, which is considered spendable. The Airport has no policy to commit funds and therefore, no funds are considered assigned or committed to a specific purpose.

HAVRE CITY-COUNTY AIRPORT
HILL COUNTY, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 2. PROPERTY TAXES

The Airport's real estate property taxes are assessed on January 1 of each year for all real property located in Hill County. Assessed values are established by the State of Montana Department of Revenue based on market value. A re-evaluation of all property is required to be completed on a periodic basis. Taxable value is defined by State statute as a fixed percentage of assessed value.

Taxes are normally billed in October and are payable in two equal installments on November 30 and May 30. Property taxes are maintained and collected by the Hill County Treasurer.

NOTE 3. INTER-GOVERNMENTAL

In the event the Board feels additional funding is required, Hill County and the City of Havre have agreed to jointly share in the funding. For the year ended June 30, 2014, the City of Havre and Hill County provided the Airport with \$96,935 in total to help the Airport meet its budgeted obligations.

NOTE 4. EQUITY IN POOLED CASH

All cash and investments are held by the Hill County Treasurer. The County Treasurer has the fiduciary responsibility to ensure that adequate collateral is pledged for all Airport investments which are not fully covered by Federal Deposit Insurance.

NOTE 5. LONG-TERM DEBT

The following is a reconciliation of beginning and ending long-term debt:

	Balance, July 1, 2013	Debt Issued	Principal Paid	Balance, June 30, 2014	Due Within One Year
Governmental Activities					
Notes payable	<u>\$ 24,395</u>	<u>\$ 25,140</u>	<u>\$ (7,085)</u>	<u>\$ 42,450</u>	<u>\$ 5,399</u>

HAVRE CITY-COUNTY AIRPORT
HILL COUNTY, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 5. LONG-TERM DEBT (CONTINUED)

Long-term debt and related current maturities consist of the following:

Note payable to the Aeronautics Division of the State of Montana
Department of Transportation, payable in annual installments
of \$2,885 through February 28, 2020, including interest at 1.625%. \$ 17,310

Note payable to the Aeronautics Division of the State of Montana
Department of Transportation, payable in annual installments
of \$2,514 through February 28, 2024, including interest at 1.625%. 25,140
Total notes payable \$ 42,450

The June 30, 2014 outstanding balance of \$42,450 is not included in the cash basis statement of net assets.

Annual debt service requirements for each of the remaining years are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 5,399	\$ 281	\$ 5,680
2016	5,399	602	6,001
2017	5,399	514	5,913
2018	5,399	427	5,826
2019	5,399	339	5,738
2020-2024	<u>15,455</u>	<u>660</u>	<u>16,115</u>
	<u>\$ 42,450</u>	<u>\$ 2,823</u>	<u>\$ 45,273</u>

NOTE 6. COMMITMENTS AND CONTINGENCIES

Legal Issues

There is no pending or threatened litigation or assessments against the Airport at June 30, 2014.

Contracted Management

The Airport contracted with Opportunity Link in August of 2010 to oversee the day to day operational management of the Airport. The contract is on an annual term, with automatic renewal each year on August 15th, unless 60 days of notice is provided by either party. The monthly fee for this service is \$7,341.

HAVRE CITY-COUNTY AIRPORT
HILL COUNTY, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leased Facilities

The Airport has entered into various lease arrangements with miscellaneous entities stationed at the Airport for hangers and ground space. In addition, the Airport has leases with members of the board of directors. The total amount of lease revenue received from members of the board of directors during the year ended June 30, 2014 was \$2,574.

The following is a summary of approximate long-term lease payments to be received during the succeeding five years:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
2015	\$ 14,800
2016	14,800
2017	14,800
2018	14,800
2019	<u>9,867</u>
	<u>\$ 69,067</u>

NOTE 7. RISK MANAGEMENT

The Airport faces a number of risks of losses, including (a) general liability; (b) damage to and loss of property and contents, (c) fiduciary risk; and (d) environmental damage. The Airport maintains commercial insurance for general liability and casualty damage to buildings owned by the Airport. Given the lack of coverage available, the Airport has no coverage for potential losses from environmental damage.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. Property and content coverage is adequate to cover replacement cost of assets. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year ended June 30, 2014.

SUPPLEMENTARY INFORMATION

HAVRE CITY-COUNTY AIRPORT
HILL COUNTY, MONTANA
SCHEDULE OF BUDGET TO ACTUAL
Year Ended June 30, 2014

	Budget		Actual	Difference
	Original	Final		
Cash Receipts				
Hanger rentals	\$ 10,920	\$ 10,920	\$ 12,061	\$ 1,141
Leases	28,604	28,604	22,888	(5,716)
Royalties	660	660	951	291
Crops	10,000	10,000	18,926	8,926
Fuel flowage	1,500	1,500	2,600	1,100
City and County taxes	12,600	12,600	19,999	7,399
Miscellaneous income	-	-	2,587	2,587
FAA grant	469,086	469,086	384,511	(84,575)
City of Havre	49,350	49,350	48,485	(865)
Hill County	49,350	49,350	48,450	(900)
Aeronautics Division - grant	25,500	25,500	25,140	(360)
Aeronautics Division - loan	-	-	25,140	25,140
Total receipts	<u>657,570</u>	<u>657,570</u>	<u>611,738</u>	<u>(45,832)</u>
Cash Disbursements				
Auditing services	6,000	6,000	-	(6,000)
Contracted services	89,900	89,900	89,933	33
Debt repayment	8,920	8,920	7,544	(1,376)
Field maintenance	5,000	5,000	5,167	167
Fuel	9,500	9,500	4,138	(5,362)
Insurance	9,500	9,500	7,974	(1,526)
Office supplies	600	600	262	(338)
Repairs, parts	5,000	5,000	5,792	792
Runways	508,000	508,000	425,803	(82,197)
Supplies	3,700	3,700	1,199	(2,501)
Taxes	650	650	625	(25)
Telephone	600	600	504	(96)
Travel	500	500	-	(500)
Utilities - electricity	12,000	12,000	10,777	(1,223)
Utilities - gas	5,100	5,100	3,489	(1,611)
Total disbursements	<u>664,970</u>	<u>664,970</u>	<u>563,207</u>	<u>(101,763)</u>
Excess (deficiency) of cash receipts over cash disbursements	<u>\$ (7,400)</u>	<u>\$ (7,400)</u>	<u>\$ 48,531</u>	<u>\$ 55,931</u>

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

To the Board of Directors
Havre City-County Airport
Havre, Montana

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 Havre City-County Airport (the Airport) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements, and have issued our report thereon dated October 1, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of the 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. 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 the Airport'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 are described below as item #2014-1.

Finding #2014-1:

Condition: The Airport uses the cash basis of accounting which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP).

Criteria: GAAP requires that the modified accrual basis of accounting be used for governmental fund types and full accrual for proprietary and similar trust fund types.

Cause of Condition: The Airport has historically operated on the cash basis of accounting.

Effect of the Condition: The Airport's basis of accounting is other than GAAP.

Recommendation: The Airport converts its basis of accounting as required by GAAP.

Management Response: The Airport's records are only audited when it is required by either a Single Audit or by the State of Montana. The Airport does not believe the cost of changing its basis of accounting required by GAAP is worth the benefit due to this.

Havre City-County Airport's Response to Findings

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

Purpose of this Report

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

Anderson Zurmuehlen & Co. P.C.

Havre, Montana
October 1, 2014



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