

Morehead-Rowan County Airport Board Meeting Agenda

Thursday, 23 February 2023– 6:00 PM

Morehead-Rowan County Clyde A. Thomas Regional Airport

1800 Rodney Hitch Blvd., Morehead, Kentucky

- A. Call to Order
- B. Confirmation of a Quorum
- C. Recognition of Guests
- D. Approval of Minutes from the 26 January 2023 Meeting
- E. Receive Financial Report for January 2023
- F. Public Comment

- G. Reports
 - a. FBO Activity Report: Mr. Holley
 - 1. Snowplow Truck
 - 2. 100LL Fuel Truck

 - b. Garver Report: Mr. Sisemore
 - 1. Runway Rehab Phase I - Drainage
 - 2. Electrical Project – Radio interference
 - 3. Apron Expansion Project – AWOS relocation

 - c. Building and Grounds: Mr. Oliver/Dr. Derrickson

 - d. Legal Report: Mr. Rogers

 - e. Communications and Security: Mr. Roberts

 - f. Chair Report: Dr. Mattingly

- H. Old Business: Accelecom – Fiber Optics Network: Mr. Perkins

- I. New Business: FY22 Audit

- J. Adjournment

Morehead-Rowan County Airport Board Meeting
Meeting Minutes
January 26, 2023

Chairman Bruce Mattingly called the meeting to order at 6:01pm in the Airport Conference Room with board members David Perkins, Charles Derrickson, Tom Fossett, and Aaron Roberts. Members present via Zoom were Tim James, Ron Oliver, Porter Dailey, and Shannon Murphy. Member absent was Wes Holland. Guests present via Zoom were Jack Holley, Jr. – FBO, Holley Aviation LLC and Ryan Sisemore – PE, Garver. Guests present were James Taylor, visitor; Mike Hagy and David Kirkhait– Commonwealth Cooperage; and Barbara Marsh – Assistant Secretary-Treasurer.

Dr. Mattingly presented the Minutes of the December 2022 meeting. The motion to approve the December 8, 2022, Special Meeting Minutes was made by Mr. Oliver, seconded by Dr. Derrickson, and approved unanimously.

Dr. Mattingly presented the December 2022 financial reports consisting of Statements of Activity and Financial Position. The motion to approve the December 2022 financial reports was made by Dr. Fossett, seconded by Mr. Oliver, and approved unanimously.

Public Comment

None

Reports

a. **FBO Report.** Mr. Holley reported on airport activities, maintenance, and fuel.

1. Fuel Report December. 408 gallons AvGas101LL; 3237 gallons JETA.

2. Community Hangar/Tie Downs. Matt Oldham-Eagle Upholstery; Wings of Grace; Zane McGlade; Brandon Hamilton. Tie Downs: Charlie Hamilton and Johnnie Broughton.

3. AvGas Pump Repair. Pump issues appeared on January 16. Repair was made on January 23.

4. Community Hangar Overhead Door Repair. Thank you to John Holbrook who brought over much needed scaffolding for the insulation repair.

5. Beacon Mast. After a discussion about contractors, Charlie Hamilton was OK'd to inspect and determine the issue with the beacon going in and out, then out. Per Mr. Sisemore, the bulb is likely going out. Mr. James will contact Mr. John Hamm for other recommendations as backup technician.

6. Plow Truck. Dean Davis with Affordable Trucks (VA) received a plow truck that has a stainless bed which may suit our needs. It is a 2003 single axle, 10' dump bed, Allison transmission, angle plow, caterpillar diesel, \$49,000. He will deliver for \$750. Mr. Roberts offered to check out the plow truck with Mr. Holley.

7. JETA Fueler. Mr. Taylor submitted a link for a 1999, Ford 800, 3000 gal. aluminum single point bottom loader JETA truck located in Akron OH, \$60,000. It is described as "fancy"; is a blender truck and meets all current specs. The unit has been in service pumping 200,000 gal per year. We need to know if the filters are up to date. A pre-buy review by Mr. Tommy James, Rebel Services, will be reviewed after submission of the pre-buy quote. Mr. Holley will offer a lower bid price and get back to us. The motion to proceed with purchase of the plow truck (\$49,750) and JETA fueler (\$60,000 less a lower pending offer and Rebel Services

pre-buy inspection cost), pending passing inspection by competent personnel was made by Mr. Perkins, seconded by Mr. Dailey, and approved unanimously.

b. Garver Report. Mr. Sisemore

1. Airfield Electrical – Radio Interference. Interference was reported to Mr. Will Adams again in the same spots as previously reported with the same intensity. Parts were installed in early December by Appalachian Foothills (original contractor). The replacement parts had been provided by the manufacturer (ADB) under the 4-year warranty included in the construction contract. Mr. Sisemore will have his Garver electrical engineers back to the airport to determine if the parts were installed correctly and the cause of the interference.

2. Runway Rehab Phase I – Construction Drainage. The project will be completed in spring 2023 when the weather is better for promoting vegetation growth.

3. Apron Expansion Project. The environmental report has been signed and agency letters have been completed. The deadline for the submittal is February 1, 2023. We are expecting to receive a Finding of No Significant Impact (FONSI). To complete the design and bidding process by the FAA's schedule, we deployed a survey team recently. We received the survey back and it appears the airport's existing base map is inaccurate. The report indicates we will not have to move the road or fence, resulting in a lower project cost.

The design of the project is going full speed and we are setting the bidding window. Garver will send designs for approval for the connector taxiway and apron. A good site has been found for the relocation of the AWOS. It is not a requirement to move the AWOS until the hangars are built. The AWOS relocation may be moved to year 1 or 2. The state has made a soft commitment about funding of the relocation. There are tree issues in the topography, possibly at the top of a slope. The analysis is not complete, but it will not hold up the apron project. There will be an environmental review of the trees which may be on private property. An estimate date for bidding of the Apron project is late April 2023; the grant securing process estimate is one month; and most likely break ground in May. The length of the project is 60-90 days. Project completion estimate is September 2023. Regarding corporate hangars, if our portion is done, Garver can coordinate sister projects.

Garver received a NOFO (Notice of Funding Opportunity) which the FAA made 268M airport discretionary money available with \$134M for GA airports. The due date to apply is 1.31.23. Garver prepared an application for the entire amount of apron project. The motion to approve the application for FAA discretionary funds was made by Mr. Roberts, seconded by Dr. Derrickson. (Dr. Mattingly has executed the document.)

c. Buildings & Grounds Report. Mr. Oliver, Dr. Derrickson, Mr. James
None

d. Legal Report. Mr. Rogers
None

e. Communication & Security. Mr. Roberts

1. Tier II. The Tier II Hazardous Chemical Inventory has been completed.

2. Radio Licenses. Coordination of FRN numbers is still in progress. All licenses are up to date.

f. **Chair Report.** Dr. Mattingly
None

H. **Old Business**
None

I. New Business

1. Accelecom – Fiber Optic to Airport. Mr. Perkins reported that the current system (Windstream voice & internet) is on copper. A previous quote by Windstream for fiber is \$650 per month for 7 years or \$55,000. Accelecom (Open Fiber Kentucky) is \$350 per month for 5 years or \$21,000; 5 static IP addresses, 100 megabites per second. They don't have IP service so we would need to maintain phone lines. Windstream has outages with our system from 1-5/6 days. Our fuel system is cellular and would not be affected. We have not been able to find where the lines enter the building. We would be at least doubling monthly fee to go with a fiber system.

Mr. Holley reported that Starlink is a satellite system which would be month to month. The initial cost would be \$599 equipment cost and approximately \$110 monthly. Mr. Oldham uses the system for his business and home. Mr. Nagy and Mr. Holley spoke in favor of the system. Mr. Roberts said he would not trust it for his business since he needs dedicated internet. Since the system would be month to month, it could be dropped if it is not a good fit for us. In question is if our IP voice over system is compatible with Starlink. The system would be used in tandem with the Windstream 2 internet bundles which cost \$200 per month. The motion to try out Starlink, given Mr. Perkins acceptance of an appropriate way to install, was made by Dr. Murphy, seconded by Mr. Oliver, and approved unanimously.

J. Adjournment

The meeting was adjourned at 7:38pm.

MOREHEAD – ROWAN COUNTY AIRPORT BOARD
Morehead, Kentucky

Audited Financial Statements
For the year ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board Members

Morehead-Rowan County Airport Board of Directors

Morehead, Kentucky

We have audited the accompanying financial statements of the Morehead - Rowan County Airport Board as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Morehead - Rowan County Airport Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Morehead - Rowan County Airport Board, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Morehead - Rowan County Airport Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Morehead - Rowan County Airport Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Morehead - Rowan County Airport Board's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Morehead - Rowan County Airport Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budget and actual 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.

Supplementary Information

The Statement of Revenues, Expenses and Changes in Net Position - Budget to Actual is the responsibility of management and was derived from and relate 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, the Statement of Revenues, Expenses and Changes in Net Position – Budget to Actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the Morehead - Rowan 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 Morehead - Rowan County Airport Board's internal control over financial reporting and compliance.

Lane & Company LLC

Mount Sterling, Kentucky

January 26, 2023

This report contains 16 pages.

MOREHEAD - ROWAN COUNTY AIRPORT BOARD
STATEMENT OF NET POSITION
June 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 461,026
Total Current Assets	<u>461,026</u>

NONCURRENT ASSETS

Non-depreciable capital assets	4,180,827
Depreciable capital assets	20,092,370
Bond issuance costs	15,107
Accumulated depreciation/amortization	<u>(6,821,072)</u>
Total Noncurrent Assets	<u>17,467,232</u>
TOTAL ASSETS	<u>\$ 17,928,258</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

TOTAL LIABILITIES	\$ <u>-</u>
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NET POSITION

Net investment in capital assets	17,467,232
Unrestricted	<u>461,026</u>
TOTAL NET POSITION	<u>\$ 17,928,258</u>

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

MOREHEAD - ROWAN COUNTY AIRPORT BOARD
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
for the year ended June 30, 2022

REVENUES

Rentals - residence	\$ 5,900
Rentals - T-hangars	51,680
Rentals - late fees	<u>231</u>
 Total Revenues	 <u>57,811</u>

EXPENSES

General government:	
Contract services	83,456
Grounds & facility support	9,393
Insurance	12,905
Utilities	16,026
General administration	2,977
Fuel purchases	1,425
Depreciation/amortization	<u>587,856</u>
 Total Expenses	 <u>714,038</u>

NET INCOME (LOSS) FROM OPERATIONS (656,227)

NONOPERATING REVENUES (EXPENSES)

City contributions	35,000
County contributions	38,000
Federal grants	1,139,483
State grants	182,105
Interest income	<u>519</u>
 Total Nonoperating Revenue (Expense)	 <u>1,395,107</u>

Change in net position 738,880

Net position, beginning of year 15,974,606

Prior period adjustment 1,214,772

Net position, end of year \$ 17,928,258

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

MOREHEAD - ROWAN COUNTY AIRPORT BOARD
STATEMENT OF CASH FLOWS
for the year ended June 30, 2022

OPERATING ACTIVITIES

Cash received from:	
Rent income	\$ 57,811
Payments to suppliers & providers of goods & services	(94,274)
Other payments	<u>(31,908)</u>
Net cash provided / (used) by operating activities	<u>(68,371)</u>

Cash Flows From Investing Activities

Interest earned	<u>519</u>
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Cash Flows from Capital And Financing Activities

Local support	73,000
Federal and state support	1,321,588
Purchase of capital assets	<u>(1,109,719)</u>
Net cash provided/(used) by capital and financing activities	<u>284,869</u>

Net Increase / (Decrease) in Cash and Cash Equivalents	217,017
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Cash and Cash Equivalents, Beginning of Year	<u>244,009</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 461,026</u></u>
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Reconciliation Of Cash Provided By Operating Activities

Net operating income (loss)	\$ (656,227)
Adjustments to reconcile net income	
to net cash provided by operating activities:	
depreciation	<u>587,856</u>
Net cash provided / (used) by operating activities	<u><u>\$ (68,371)</u></u>

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

MOREHEAD-ROWAN COUNTY AIRPORT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Organization

The Morehead-Rowan County Airport Board was created in April of 1999 by the City of Morehead and County of Rowan through a joint ordinance and the provisions now established by KRS 183.132. The Board's membership is comprised of ten members. The Mayor of Morehead appoints five members and the Rowan County Judge-Executive appoints five members. The purpose of the Board is to manage the general business affairs and activities of the new Morehead-Rowan County, Clyde A. Thomas, Regional Airport in addition to overseeing the construction projects.

The Board's basic financial statements include the accounts of all Board operations. The criteria for including organizations as component units within the Board's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Standards, include whether:

- the Board is legally separate (can sue and be sued in their own name)
- the Board holds the corporate powers of the organization
- the Board appoints a voting majority of the organization's board
- the Board is able to impose its will on the organization
- the organization has the potential to impose financial benefit/burden on the Board
- there is fiscal dependency by the organization on the Board

Based on the aforementioned criteria, Morehead-Rowan County Airport Board has no component units. The Board's basic financial statements do not include the operations of the organizing city and county, because none of the criteria for inclusion set forth in GASB Statement No. 14 have been met.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The account classification structures used by the Board conform to accounting principles generally accepted in the United States of America consistent with business-type enterprise fund accounting. The accounting records of the Board are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized when incurred, regardless of when paid.

B. Revenue Recognition

The Board's major sources of revenue are grants. Grant revenue is recognized when eligible program expenditures are incurred in accordance with program guidelines.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as needed.

C. Net Position and Fund Balance

Net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the Board (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net position is considered unrestricted.

Any reservations of fund balance are established to satisfy legal covenants that require that a portion of the fund balance be segregated.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

E. Capital Assets

Assets are capitalized at cost and updated for additions and retirements during the year. The Board maintains a capitalization threshold of \$1,000. Public domain (infrastructure) fixed assets consist of certain improvements, other than buildings, including drainage, roads, and other land improvements, and are capitalized along with other capital assets.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	25-40 years
Equipment	5-10 years
Land improvements	5-20 years

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Board. For the Board, those revenues are primarily operating grants and administrative fees to cover operational expenses and rent income. All other revenues are non-operating. Operating expenses can be tied specifically to the Board's ongoing operations. Other expenses are non-operating.

Note 3 - Cash in Bank

The funds of the Board must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the Board's agent bank in an amount sufficient to protect Board funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

On June 30, 2022, the carrying amount of the Board's cash and cash equivalents was \$461,026 and the bank balances totaled \$465,243. All balances as of June 30, 2022 were covered by FDIC insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Note 4 - Taxes

The Board is exempt from federal income taxes because it is considered a unit of local government. The Board is exempt from Kentucky income and property taxes pursuant to KRS 154.50-343.

Note 5 - Capital Assets

A summary of changes in capital assets follows:

<u>Description</u>	<u>Balance, July 1, 2021</u>	<u>Adjustments/ Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2022</u>
Land, non-depreciable	\$ 1,984,874	\$ -	\$ -	\$ 1,984,874
Construction in progress, non-depreciable	1,131,470	1,064,483		2,195,953
Building & equipment	2,373,637	7,999	-	2,381,636
Land improvements	17,673,497	-	-	17,673,497
Bond issuance costs	15,107	37,237	-	52,344
Total	<u>\$ 23,178,585</u>	<u>\$ 1,109,719</u>	<u>\$ -</u>	<u>\$ 24,288,304</u>
Accumulated depreciation	<u>\$ 6,233,216</u>	<u>\$ 587,856</u>	<u>\$ -</u>	<u>\$ 6,821,072</u>
Capital assets, net of accumulated depreciation	<u>\$ 16,945,369</u>			<u>\$ 17,467,232</u>

6. 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; and natural disasters. The Board provides for risk financing by purchasing coverage from commercial insurance companies.

7. Prior Period Adjustment

Capital assets purchased during fiscal year 2020	\$ 261,669
Capital assets purchased during fiscal year 2021	2,073,621
Depreciation on capital assets during fiscal year 2020	(540,102)
Depreciation on capital assets during fiscal year 2021	<u>(580,416)</u>
Total	<u>\$ 1,214,772</u>

8. Subsequent Events

The Board has evaluated subsequent events through January 26, 2023, and that is the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



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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*

To the Board Members
Morehead-Rowan County Airport Board
Morehead, 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 Morehead-Rowan County Airport Board, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Morehead-Rowan County Airport Board's basic financial statements, and have issued our report thereon dated January 26, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morehead-Rowan County Airport Board'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 Morehead-Rowan County Airport Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Morehead-Rowan County Airport Board'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 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 Morehead-Rowan County Airport Board's financial statements are free from 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.

Lane & Company LLC

Mount Sterling, Kentucky

January 26, 2023

MOREHEAD - ROWAN COUNTY AIRPORT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2022

<u>Program Title</u>	<u>Federal CFDA#</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation Federal Aviation Administration Direct Program Airport Improvement Program	20.106	<u>\$ 1,139,483</u>

Notes to Schedule of Expenditures of Federal Awards

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Morehead - Rowan County Airport Board ("Board"), under programs of the federal government for the year ended June 30, 2022, in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance").

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Board's federal award program and does present transactions that would be included in financial statements of the Board presented on the accrual basis of accounting as contemplated by generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited to reimbursement.

NOTE C – INDIRECT COST RATE

The Board elected not to use the 10% de minimis cost rate allowed under Uniform Guidance.



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American Institute of CPAs
Kentucky Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board Members
Morehead - Rowan County Airport Board
Morehead, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Morehead - Rowan County Airport Board's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Morehead - Rowan County Airport Board's major federal programs for the year ended June 30, 2022. Morehead - Rowan County Airport Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Morehead - Rowan County Airport Board 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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Morehead - Rowan County Airport Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Morehead - Rowan County Airport Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Morehead - Rowan County Airport Board's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Morehead - Rowan County Airport Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Morehead - Rowan County Airport Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Morehead - Rowan County Airport Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Morehead - Rowan County Airport Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Morehead - Rowan County Airport Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on Morehead - Rowan County Airport Board's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Morehead - Rowan County Airport Board's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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, noncompliance 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lane & Company LLC

Mount Sterling, Kentucky

January 26, 2023

MOREHEAD - ROWAN COUNTY AIRPORT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unmodified*

Internal control over financial reporting:
Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x no

Internal control over compliance:
Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x no

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x no

Type of auditor's report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are related to major programs that
are required to be reported in accordance with *Uniform Guidance*? _____ yes x no

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program(s)</u>
20.106	Airport Improvement Program

Miscellaneous

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes x no

B. Financial Statement Findings

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

None

C. Federal Award Findings & Questioned Costs

None

MOREHEAD - ROWAN COUNTY AIRPORT BOARD
Statement of Revenues, Expenses
and Changes in Net Position - Cash Basis
Budget and Actual
for the year ended June 30, 2022

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Rentals - residence	\$ 6,000	\$ 5,900	\$ (100)
Rentals - T-hangars	49,500	51,680	2,180
Total revenue	55,500	57,811	2,311
EXPENSES			
General government:			
Contract services	90,828	83,456	7,372
Grounds & facility support	43,221	9,393	33,828
Insurance	14,200	12,905	1,295
Utilities	13,800	16,026	(2,226)
General administration	6,550	2,977	3,573
Fuel purchases	3,600	1,425	2,175
Capital purchases	1,524,130	1,109,719	414,411
Total expenses	1,696,329	1,235,901	460,428
Net income/(loss) from operations	(1,640,829)	(1,178,090)	462,739
NONOPERATING REVENUES (EXPENSES)			
City contributions	35,000	35,000	-
County contributions	38,000	38,000	-
Federal grants	1,337,492	1,139,483	(198,009)
State grants	229,637	182,105	(47,532)
Interest income	700	519	(181)
Total nonoperating revenues (expenses)	1,640,829	1,395,107	(245,722)
Change in net position	\$ -	\$ 217,017	\$ 217,017

MOREHEAD-ROWAN COUNTY AIRPORT BOARD

Board Members

June 30, 2022

<u>Name</u>	<u>Agency</u>	<u>Term Expires</u>
Bruce A. Mattingly, Chair	City	2026-05-05
Timothy C. James, Vice Chair	County	2023-05-02
W. Porter Dailey, Member	County	2026-05-17
Shannon Murphy, Member	County	2026-05-17
Ronald V. Oliver, Vice Chair	County	2023-05-02
Charles Derrickson, Member	City	2026-05-05
Wes Holland, Member	City	2023-05-03
R. Thomas Fossett, Member	County	2025-05-18
Aaron Roberts, Member	City	2023-05-03
David Perkins, Secretary-Treasurer	City	2025-05-03

Morehead-Rowan County Airport Board

Statement of Activity

January 2023

	TOTAL
Revenue	
43400 Direct Public Support	
43420 County Operating Support	4,416.67
43440 City Operating Support	3,333.33
Total 43400 Direct Public Support	7,750.00
45000 Investments	
45031 Interest, checking account	3.92
45040 Interest Income, savings account	0.94
Total 45000 Investments	4.86
47500 Rentals	
47520 T-Hangars	4,930.00
Total 47500 Rentals	4,930.00
Total Revenue	\$12,684.86
GROSS PROFIT	\$12,684.86
Expenditures	
62100 Contract Services	
62112 AWOS Maintenance	807.00
62150 FBO	3,000.00
62170 Administrative	750.00
Total 62100 Contract Services	4,557.00
62800 Grounds and Facility Support	
62830 Facility Repair and Maintenance	13.90
62870 Vehicle Registration/Repair/Mainte	42.00
Total 62800 Grounds and Facility Support	55.90
64400 Utilities	
64410 Electric	1,365.83
64420 Telecommunications	201.00
64430 Waste Disposal	63.43
64440 Water and Sewer	148.99
64450 TV	55.15
Total 64400 Utilities	1,834.40
65000 General Administration	
65010 Bookkeeping Software and Subscriptions	90.10
65020 Postage, Mailing Service	1.44
Total 65000 General Administration	91.54
Total Expenditures	\$6,538.84
NET OPERATING REVENUE	\$6,146.02
NET REVENUE	\$6,146.02

Morehead-Rowan County Airport Board

Statement of Activity July 2022 - January 2023

	TOTAL
Revenue	
43400 Direct Public Support	
43420 County Operating Support	30,916.69
43440 City Operating Support	23,333.31
43460 State Appropriations	200,000.00
Total 43400 Direct Public Support	254,250.00
44500 Government Grants	
44520 Federal Grants	153,639.00
Total 44500 Government Grants	153,639.00
45000 Investments	
45030 Interest-Savings, Short-term CD	213.41
45031 Interest, checking account	91.81
45040 Interest Income, savings account	349.64
Total 45000 Investments	654.86
47500 Rentals	
47520 T-Hangars	32,969.00
47550 Late Fee	278.00
47570 Residence	3,141.82
Total 47500 Rentals	36,388.82
Total Revenue	\$444,932.68
GROSS PROFIT	\$444,932.68
Expenditures	
62100 Contract Services	
62112 AWOS Maintenance	2,421.00
62120 Web Fees	500.00
62140 Legal Fees	950.00
62150 FBO	21,000.00
62170 Administrative	5,250.00
62190 Consulting Services	3,000.00
Total 62100 Contract Services	33,121.00
62800 Grounds and Facility Support	
62830 Facility Repair and Maintenance	9,226.41
62831 Facility Repair & Maintenance Reserve	16.48
62840 Equipment, Repair, and Maintenance	768.25
62870 Vehicle Registration/Repair/Mainte	875.24
Total 62800 Grounds and Facility Support	10,886.38
63000 Insurance	
63010 Insurance - Property, Er/Omis	11,478.13
63040 Surety Bond	153.72

	TOTAL
63050 Liability Insurance	4,745.91
Total 63000 Insurance	16,377.76
64400 Utilities	
64410 Electric	6,057.36
64420 Telecommunications	1,391.06
64430 Waste Disposal	113.68
64440 Water and Sewer	722.13
64450 TV	360.15
Total 64400 Utilities	8,644.38
65000 General Administration	
65010 Bookkeeping Software and Subscriptions	1,120.10
65020 Postage, Mailing Service	137.44
65030 Printing and Copying	45.00
65040 Material & Supplies	45.58
65110 Promotions and Advertising Expenses	12.00
65130 Business Registration Fee	385.00
65140 Bank Fees	66.59
65150 Memberships and Dues	400.00
65890 Events, Ceremonies, & Meetings	450.00
65895 Travel	60.00
Total 65000 General Administration	2,721.71
65200 Fuel Expenses	1,425.00
80100 Capital Purchases	
80191 Capital Purchase Apron Recon/Drainage (Trench Drain)	4,000.00
80194 Capital Purchase 2021 Runway Rehab - Phase II - Mill & Overlay	2,515.00
80158 Construction Runway Rehab - Phase II - Mill & Overlay	138,872.43
80159 Engineering - Runway Rehab Phase II Mill & Overlay	12,251.25
Total 80194 Capital Purchase 2021 Runway Rehab - Phase II - Mill & Overlay	153,638.68
80197 2019 Runway Rehab Phase I CONSTRUCTION ONLY	
80157 Runway Rehab Phase I CONSTRUCTION	114,867.64
Total 80197 2019 Runway Rehab Phase I CONSTRUCTION ONLY	114,867.64
Total 80100 Capital Purchases	272,506.32
Total Expenditures	\$345,682.55
NET OPERATING REVENUE	\$99,250.13
NET REVENUE	\$99,250.13

Morehead-Rowan County Airport Board

Statement of Financial Position Comparison

As of January 31, 2023

	TOTAL	
	AS OF JAN 31, 2023	AS OF JAN 31, 2022 (PY)
ASSETS		
Current Assets		
Bank Accounts		
Citizens Bank Bldg/Grnds Dep Reserve NOW Acct. .05%	21,333.30	26,066.86
Citizens Bank CD - Fuel Reserves .20% Matures 12.21.22	0.00	54,138.10
Citizens Bank CD Fuel Reserves .20% Matures 11.14.21	0.00	0.00
Citizens Bank Construction Account NOW .05%	31,134.43	149,925.77
Citizens Bank Operating Account NOW .05%	57,356.33	126,628.84
LM&C Fund Offset	-77,230.00	
Local Match & Construction Fund	0.00	
LM&C June 2020	27,230.00	
LM&C June 2022	50,000.00	
Total Local Match & Construction Fund	77,230.00	
Whitaker Bank CD 12.21.20 Fuel Res 12 mo .30%	0.00	0.00
Whitaker Bank CD Bldgs/Grds Res .25% - Matures 12.21.22	0.00	63,816.91
Total Bank Accounts	\$109,824.06	\$420,576.48
Other Current Assets		
Edward Jones CD 3 mo 4% matures 2.28.23	199,978.00	
Edward Jones CD 6 mo 4.4% matures 5.30.23	200,138.00	
Edward Jones Money Market	50,336.41	
Total Other Current Assets	\$450,452.41	\$0.00
Total Current Assets	\$560,276.47	\$420,576.48
Fixed Assets		
15000 Furniture and Equipment	643.94	643.94
Total Fixed Assets	\$643.94	\$643.94
TOTAL ASSETS	\$560,920.41	\$421,220.42
LIABILITIES AND EQUITY		
Liabilities		
Total Liabilities		
Equity		
30000 Opening Balance Equity	321,613.58	321,613.58
32000 Unrestricted Net Assets	140,056.70	-76,960.18
Net Revenue	99,250.13	176,567.02
Total Equity	\$560,920.41	\$421,220.42
TOTAL LIABILITIES AND EQUITY	\$560,920.41	\$421,220.42

Morehead-Rowan County Airport Board

Statement of Financial Position

As of January 31, 2023

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Citizens Bank Bldg/Grnds Dep Reserve NOW Acct. .05%	21,333.30
Citizens Bank CD - Fuel Reserves .20% Matures 12.21.22	0.00
Citizens Bank CD Fuel Reserves .20% Matures 11.14.21	0.00
Citizens Bank Construction Account NOW .05%	31,134.43
Citizens Bank Operating Account NOW .05%	57,356.33
LM&C Fund Offset	-77,230.00
Local Match & Construction Fund	0.00
LM&C June 2020	27,230.00
LM&C June 2022	50,000.00
Total Local Match & Construction Fund	77,230.00
Whitaker Bank CD 12.21.20 Fuel Res 12 mo .30%	0.00
Whitaker Bank CD Bldgs/Grds Res .25% - Matures 12.21.22	0.00
Total Bank Accounts	\$109,824.06
Other Current Assets	
Edward Jones CD 3 mo 4% matures 2.28.23	199,978.00
Edward Jones CD 6 mo 4.4% matures 5.30.23	200,138.00
Edward Jones Money Market	50,336.41
Total Other Current Assets	\$450,452.41
Total Current Assets	\$560,276.47
Fixed Assets	
15000 Furniture and Equipment	643.94
Total Fixed Assets	\$643.94
TOTAL ASSETS	\$560,920.41
LIABILITIES AND EQUITY	
Liabilities	
Total Liabilities	
Equity	
30000 Opening Balance Equity	321,613.58
32000 Unrestricted Net Assets	140,056.70
Net Revenue	99,250.13
Total Equity	\$560,920.41
TOTAL LIABILITIES AND EQUITY	\$560,920.41