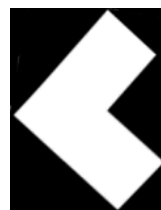


*Mecklenburg -Brunswick Airport Commission*  
*Comprehensive Annual Financial Report*  
*Years Ended June 30, 2017 and 2016*



*Creedle, Jones  
& Alga, P.C.*  
*Certified Public Accountants*

## Mecklenburg -Brunswick Airport Commission

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Years Ended June 30, 2017 and 2016

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**Creedle  
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## INDEPENDENT AUDITOR'S REPORT

To the Commissioners  
Mecklenburg-Brunswick Airport Commission

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Mecklenburg-Brunswick Airport Commission, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Mecklenburg-Brunswick Airport 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 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 of the business-type activities of the Mecklenburg-Brunswick Airport Commission, as of June 30, 2017 and 2016, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1–2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mecklenburg-Brunswick Airport Commission's basic financial statements. The accompanying 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 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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the Mecklenburg-Brunswick Airport Commission'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 Mecklenburg-Brunswick Airport Commission's internal control over financial reporting and compliance.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
October 10, 2017

## Mecklenburg-Brunswick Airport Commission

### Management's Discussion and Analysis

As of June 30, 2017 and 2016

Our discussion and analysis of the Mecklenburg-Brunswick Airport Commission's financial performance provides an overview of the Commission's financial activities for the fiscal years ended June 30, 2017 and 2016. Please read this information in conjunction with the Mecklenburg-Brunswick Airport Commission's basic financial statements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Mecklenburg-Brunswick Airport Commission (the "Commission") presents three basic financial statements. These are: (1) Statements of Net Position; (2) Statements of Revenues, Expenses, and Changes in Net Position; and (3) Statements of Cash Flows.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe on a given date. This information is reported on the Statements of Net Position, which reflects the Commission's assets in relation to its debt to creditors. The excess of our assets over liabilities is our equity or net position.

Information regarding the results of our operation during the year is reported in the Statements of Revenues, Expenses, and Changes in Net Position. This statement shows how much our overall net position increased or decreased during the year as a result of our operations and for other reasons.

Our Statements of Cash Flows disclose the flow of cash resources into and out of the Commission during the year and how we applied those funds.

### FINANCIAL SUMMARY

**Financial Position.** A summary of the Commission's Statements of Net Position for 2017 and 2016 is presented below:

	<u>2017</u>	<u>2016</u>
Total Assets	<u>\$ 10,387,551</u>	<u>\$ 6,280,303</u>
Total Liabilities	\$ 2,685,768	\$ 521,494
<b>Net Position</b>		
Net investment in capital assets	7,640,992	5,718,767
Unrestricted	<u>60,791</u>	<u>40,042</u>
Total Liabilities and Net Position	<u>\$ 10,387,551</u>	<u>\$ 6,280,303</u>

The financial position of the Commission increased in 2017. Assets increased by 65.40 percent while liabilities increased by 415.02 percent.

**Change in Net Position.** A summary of the Commission's Statements of Revenues, Expenses, and Changes in Net Position for 2017 and 2016 is presented below:

### Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 139,625	\$ 149,742
Operating Expenses	<u>475,228</u>	<u>389,117</u>
Net Operating Loss	(335,603)	(239,375)
Non-Operating Income	<u>2,278,577</u>	<u>561,657</u>
Changes in Net Position	<u>\$ 1,942,974</u>	<u>\$ 322,282</u>

During the year, the Commission had a net operating loss of \$335,603. The Commission had non-operating income in the form of interest income, federal and state income, as well as contributions from localities, which amounted to \$2,278,577. Operating expenses of \$475,228 included gas purchases, insurance, payroll, and repairs and maintenance.

Net position increased \$1,942,974 in 2017.

**Long-Term Debt.** As of June 30, 2017, the Commission's long-term obligations total \$479,661.

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Long-term debt	\$ 411,428	\$ 68,233	<u>\$ 479,661</u>

**Cash Flows.** A summary of the Commission's Statements of Cash Flows for 2017 and 2016 is presented below:

### Condensed Statements of Cash Flows

	<u>2017</u>	<u>2016</u>
<b>Cash Flows Provided by (Used in)</b>		
Operating activities	\$ (86,049)	\$ 35,743
Non-capital financing activities	2,299,234	575,258
Capital and related financing activities	(2,152,062)	(517,191)
Investing activities	<u>(20,657)</u>	<u>(13,601)</u>
Net Increase in Cash	<u>\$ 40,466</u>	<u>\$ 80,209</u>

Cash flows from operating activities consist of receipts from customers less payments to suppliers, creating a positive cash flow.

Cash flows from non-capital financing activities net to a positive \$2,299,234, consisting of receipts from localities and federal and state grants. Capital and related financing activities net to a negative \$2,152,062. This was attributable, in part, to the \$93,389 spent on repayment on loans and \$2,220,295 spent on new assets.

### REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the Chairman, Mecklenburg-Brunswick Airport Commission, 1495 Regional Airport Road, Brodnax, Virginia 23920, telephone 434-729-2591, or visit the Commission's website at [www.avcairport.com](http://www.avcairport.com).

# **BASIC FINANCIAL STATEMENTS**

## Mecklenburg-Brunswick Airport Commission

## Statements of Net Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 146,923	\$ 106,457
Accounts receivable	203	184
Grant receivable	2,090,052	23,153
Inventory	<u>29,719</u>	<u>20,314</u>
Total Current Assets	2,266,897	150,108
<b>Noncurrent Assets</b>		
<b>Capital Assets</b>		
Property and equipment, net	<u>8,120,654</u>	<u>6,130,195</u>
Total Noncurrent Assets	<u>8,120,654</u>	<u>6,130,195</u>
Total Assets	<u>\$ 10,387,551</u>	<u>\$ 6,280,303</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,205,800	\$ 109,741
Accrued payroll taxes payable	307	325
Current portion of long-term debt	<u>27,074</u>	<u>21,635</u>
Total Current Liabilities	2,233,181	131,701
<b>Long-Term Liabilities</b>		
	<u>452,587</u>	<u>389,793</u>
Total Liabilities	2,685,768	521,494
<b>Net Position</b>		
Net investment in capital assets	7,640,992	5,718,767
Unrestricted	<u>60,791</u>	<u>40,042</u>
Total Net Position	<u>7,701,783</u>	<u>5,758,809</u>
Total Liabilities and Net Position	<u>\$ 10,387,551</u>	<u>\$ 6,280,303</u>

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



## Mecklenburg-Brunswick Airport Commission

## Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Hangar rent	\$ 59,275	\$ 50,955
Gas sales	68,950	90,166
Other income	<u>11,400</u>	<u>8,621</u>
Total Operating Revenues	<b>139,625</b>	149,742
<b>Operating Expenses</b>		
Gas purchases	47,408	57,357
Insurance	16,448	15,137
Advertising	56	3,183
Legal and accounting	4,760	4,506
Equipment repair	3,270	2,283
Miscellaneous	5,968	2,138
Supplies	2,670	133
Payroll	57,524	55,953
Repairs and maintenance	57,846	692
Telephone	7,181	5,214
Travel	46	-
Utilities	12,873	11,198
Depreciation	229,837	201,719
Office	<u>29,341</u>	<u>29,604</u>
Total Operating Expenses	<u>475,228</u>	<u>389,117</u>
Operating Loss	<b>(335,603)</b>	(239,375)
<b>Non-Operating Revenues (Expenses)</b>		
Interest income	151	334
Interest expense	(20,808)	(13,935)
Federal revenues	2,020,765	426,491
State revenues	192,509	62,807
Contributions from localities	<u>85,960</u>	<u>85,960</u>
Total Non-Operating Revenues (Expenses)	<u>2,278,577</u>	<u>561,657</u>
Change in Net Position	<b>1,942,974</b>	322,282
Net Position - Beginning of Year	<u>5,758,809</u>	<u>5,436,527</u>
Net Position - End of Year	<u><b>\$ 7,701,783</b></u>	<u><b>\$ 5,758,809</b></u>

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

## Mecklenburg-Brunswick Airport Commission

## Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 139,625	\$ 130,426
Payments for personnel	(57,524)	(59,662)
Payments to suppliers	<u>(168,150)</u>	<u>(35,021)</u>
Net Cash Provided by (Used in) Operating Activities	(86,049)	35,743
<b>Cash Flows from Non-Capital Financing Activities</b>		
Receipts from localities	85,960	85,960
Receipts from federal and state grants	<u>2,213,274</u>	<u>489,298</u>
Net Cash Provided by Non-Capital Financing Activities	2,299,234	575,258
<b>Cash Flows from Capital and Related Financing Activities</b>		
Construction of infrastructure and equipment purchases	(2,220,295)	(489,530)
Proceeds from loans	161,622	-
Payment of principal	<u>(93,389)</u>	<u>(27,661)</u>
Net Cash Used in Capital and Related Financing Activities	(2,152,062)	(517,191)
<b>Cash Flows from Investing Activities</b>		
Interest income	151	334
Interest expense	<u>(20,808)</u>	<u>(13,935)</u>
Net Cash Used in Investing Activities	<u>(20,657)</u>	<u>(13,601)</u>
Net Increase in Cash and Cash Equivalents	40,466	80,209
Cash and Cash Equivalents - Beginning of Year	<u>106,457</u>	<u>26,248</u>
Cash and Cash Equivalents - End of Year	<u>\$ 146,923</u>	<u>\$ 106,457</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (335,603)	\$ (239,375)
<i>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities</i>		
Depreciation	229,837	201,719
<i>Changes in assets and liabilities</i>		
<i>(Increase) Decrease in</i>		
Accounts receivable	(2,066,918)	(19,316)
Inventory	(9,405)	12,345
<i>Increase (Decrease) in</i>		
Accounts payable	<u>2,096,040</u>	<u>80,370</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (86,049)</u>	<u>\$ 35,743</u>

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

## Mecklenburg-Brunswick Airport Commission

### Notes to the Financial Statements

Years Ended June 30, 2017 and 2016

#### 1 Organization, Description of the Entity and Its Activities

The Mecklenburg-Brunswick Airport Commission (the "Commission") was created by a resolution of the General Assembly of Virginia (the "Assembly") dated January 8, 1975 in accordance with Chapter 33, Title 15.1, of the Code of Virginia of 1950, as amended (the "Act"). The purpose of the Commission shall be to establish and operate one or more airports or landing fields for all such political subdivisions.

A ten-member board shall consist of members from the participating counties and towns, the membership being composed of four members from the County of Mecklenburg, one from the Town of LaCrosse, two from the Town of South Hill, two from the County of Brunswick, and one from the Town of Brodnax, each appointed by the governing bodies thereof, respectively. The directors are to serve terms of four years each.

#### 2 Significant Accounting Policies

##### *Financial Statement Presentation*

The financial statements of the Mecklenburg-Brunswick Airport Commission have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the Commission's accounting policies are described below:

##### *Basis of Accounting*

The Commission's accounting system is organized and operated on a fund basis. A fund records cash and other financial resources, together with all related liabilities, obligations, reserves, and residual equity, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Proprietary Funds account for activities similar to those found in the private sector. The measurement focus is upon determination of net income. The Commission utilizes one type of Proprietary Fund with that being an Enterprise Fund.

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Commission is that the cost of providing services to the general public be financed or recovered through user charges. In the Commission's operation, costs are represented by interest expense and financing cost, while user charges consist of interest income earned on receivables.

The Commission utilizes the accrual basis of accounting under which revenues are recorded in the period earned and expenses are recorded when the related liabilities are incurred.

The Commission may realize its assets and liquidate its liabilities in operating cycles, which range from very short to very long periods. The accompanying financial statements are presented in a nonclassified format because working capital concepts are not indicative of its operating cycle.

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### *Accounts Receivable*

The Commission utilizes the direct write-off method for the reporting of uncollectible receivables. Generally accepted accounting principles require the use of an allowance for doubtful accounts method which recognizes anticipated losses based on predetermined guidelines. Management has determined that all existing debt is collectible as of June 30, 2017. Refer to Note 6 regarding notes payable.

### *Inventory*

Gasoline inventory is valued at the lower of cost or market on a first-in, first-out basis.

### *Subsequent Events*

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2017. Management has performed their analysis through October 10, 2017.

## **3** **Cash and Investments**

The Commission considers all investments purchased with a maturity of three months or less to be cash equivalents.

### *Deposits*

All cash of the Commission is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by Federal Depository Insurance.

### *Investments*

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The Commission's main investments at June 30, 2017 were certificates of deposit which are considered cash.

## 4 Local Contributions

Local contributions were as follows:

	<u>2017</u>	<u>2016</u>
Town of South Hill	<b>\$ 25,000</b>	\$ 25,000
County of Mecklenburg	<b>40,000</b>	40,000
Town of LaCrosse	<b>1,980</b>	1,980
Town of Brodnax	<b>1,980</b>	1,980
County of Brunswick	<b><u>17,000</u></b>	<u>17,000</u>
Total Local Contributions	<b><u>\$ 85,960</u></b>	<u>\$ 85,960</u>

## 5 Capital Assets

The schedule below shows the breakdown of capital assets by category at June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Acquired (Increased)</u>	<u>Deleted (Decreased)</u>	<u>Balance June 30, 2017</u>
Land	\$ 435,195	\$ -	\$ -	<b>\$ 435,195</b>
Airport construction	6,523,207	2,220,295	-	<b>8,743,502</b>
Buildings and hangars	1,448,446	-	-	<b>1,448,446</b>
Furniture and fixtures	3,251	-	-	<b>3,251</b>
Equipment	697,490	-	-	<b>697,490</b>
Fuel farm	<u>191,644</u>	<u>-</u>	<u>-</u>	<b><u>191,644</u></b>
Total at Historical Cost	9,299,233	2,220,295	-	<b>11,519,528</b>
Less: Accumulated depreciation for				
Airport construction	1,931,624	168,906	-	<b>2,100,530</b>
Buildings and hangars	516,768	31,298	-	<b>548,066</b>
Furniture and fixtures	232	464	-	<b>696</b>
Equipment	624,592	24,377	-	<b>648,969</b>
Fuel farm	<u>95,822</u>	<u>4,791</u>	<u>-</u>	<b><u>100,613</u></b>
Total Accumulated Depreciation	<u>3,169,038</u>	<u>229,836</u>	<u>-</u>	<b><u>3,398,874</u></b>
Capital Assets, Net	<b><u>\$ 6,130,195</u></b>	<b><u>\$ 1,990,459</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,120,654</u></b>

Capital assets of the Commission are stated at cost and, at the time of acquisition, are set up in a comprehensive fixed asset system. Depreciation of the cost of capital assets is provided on a straight-line basis over their estimated useful lives as follows:

Airport construction	5 - 50 years
Buildings and hangars	10 - 50 years
Furniture and fixtures	7 - 10 years
Equipment	10 - 25 years
Fuel farm	40 years

## 6 Long-Term Debt

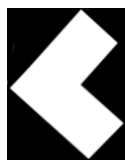
A summary of long-term debt transactions for the current year is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
<b>General Long-Term Debt</b>					
<b>Lake Country Development Corporation</b>					
Note payable with interest at the rate of 4.00%, payable in 240 monthly installments of \$1,969 beginning March 01, 2011.	\$ 247,361	\$ -	\$ 11,739	\$ 235,622	\$ 14,515
<b>International Veneer Company</b>					
Note payable with interest at the rate of 5.00%, payable in 240 monthly installments of \$791 beginning March 04, 2012.	78,327	-	78,327	-	-
<b>Citizens Community Bank</b>					
Note payable with interest at the rate of 4.25%, payable in 240 monthly installments of \$772 beginning January 02, 2012.	85,740	-	3,323	82,417	5,107
<b>Citizens Community Bank</b>					
Note payable with interest at the rate of 4.96%, payable in 180 monthly installments of \$1,275.03 beginning July 15, 2017, with a 5 year balloon payment.	-	161,622	-	161,622	7,452
Total General Long-Term Debt	<u>\$ 411,428</u>	<u>\$ 161,622</u>	<u>\$ 93,389</u>	<u>\$ 479,661</u>	<u>\$ 27,074</u>

Annual requirements to amortize long-term debt and related interest are as follows:

<b>Debt Payoff</b>			
<u>Years Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 27,074	21,124	\$ 48,198
2019	28,265	19,933	48,198
2020	29,398	18,799	48,197
2021	30,807	17,391	48,198
2022	32,164	16,034	48,198
2023-2027	250,937	33,936	284,873
2028-2032	<u>81,016</u>	<u>6,691</u>	<u>87,707</u>
Totals	<u>\$ 479,661</u>	<u>\$ 133,908</u>	<u>\$ 613,569</u>

**COMPLIANCE**



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

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Members of  
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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 Commissioners  
Mecklenburg-Brunswick Airport Commission

We have audited, in accordance with the 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 *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Mecklenburg-Brunswick Airport Commission, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Mecklenburg-Brunswick Airport Commission's basic financial statements, and have issued our report thereon dated October 10, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Mecklenburg-Brunswick 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 Mecklenburg-Brunswick Airport Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mecklenburg-Brunswick Airport 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 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 Mecklenburg-Brunswick Airport Commission'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*.

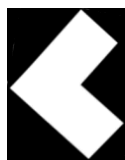
## Purpose of this Report

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.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
October 10, 2017



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

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

To the Commissioners  
Mecklenburg-Brunswick Airport Commission

### **Report on Compliance for Each Major Federal Program**

We have audited the Mecklenburg-Brunswick Airport Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Mecklenburg-Brunswick Airport Commission's major federal programs for the year ended June 30, 2017. Mecklenburg-Brunswick 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Mecklenburg-Brunswick 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; 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); and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications 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 the Mecklenburg-Brunswick 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 the Mecklenburg-Brunswick Airport Commission's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, the Mecklenburg-Brunswick Airport Commission, 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, 2017.

### Report on Internal Control over Compliance

Management of the Mecklenburg -Brunswick 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 the Mecklenburg -Brunswick 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 the Uniform Guidance, 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 the Mecklenburg -Brunswick 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, 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 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.

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.



Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
October 10, 2017

**Mecklenburg-Brunswick Airport Commission**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Transportation</b>				
<b>Pass-Through Payments</b>				
Virginia Department of Aviation Airport Improvement Program	20.106	CF0070-15	841	<u>\$ 2,020,765</u>
Grand Total				<u><u>\$ 2,020,765</u></u>

**NOTE:** There were no awards passed through to subrecipients.

See accompanying notes to schedule of expenditures of federal awards.

## Mecklenburg -Brunswick Airport Commission

### Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of Mecklenburg -Brunswick Airport Commission under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented 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). Because the Schedule presents only a selected portion of the operations of Mecklenburg -Brunswick Airport Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mecklenburg -Brunswick Airport Commission.

#### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### 3. Indirect Cost Rate

Mecklenburg -Brunswick Airport Commission has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

#### 4. Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Commission's basic financial statements as follows:

##### Intergovernmental Federal Revenues per the Basic Financial Statements

##### Primary Government

Airport Improvement Program	\$ 2,020,765
Total Federal Expenditures per Basic Financial Statements	<u>\$ 2,020,765</u>
Total Federal Expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 2,020,765</u>

**Mecklenburg -Brunswick Airport Commission**

**Schedule of Findings and Questioned Costs**

Year Ended June 30, 2017

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

*Internal control over financial reporting:*

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

**Federal Awards**

*Internal control over major programs:*

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

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

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? No

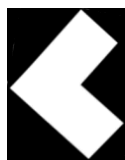
*Major programs:*

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

20.106	Airport Improvement Program
--------	-----------------------------

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

Auditee qualified as low-risk auditee? No



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Virginia Society of Certified Public Accountants*

## Commissioners

Mecklenburg-Brunswick Airport Commission  
1495 Regional Airport Road  
Brodnax, Virginia 23920

In planning and performing our audit of the financial statements of Mecklenburg-Brunswick Airport Commission for the year ended June 30, 2017, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 10, 2017 on the financial statements of Mecklenburg-Brunswick Airport Commission.

We will review the status of these comments during our next audit engagement. We have in prior years discussed these comments and suggestions by means of letters to the Treasurer. Implementing these suggestions will add to the accuracy and efficiency of your accounting system.

Sincerely,

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
October 10, 2017

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## Memorandum

Mecklenburg -Brunswick Airport Commission

Management Letter Points

### Weaknesses

#### *Approval and Cancellation of Invoices*

It was noted at times during our normal auditing procedures that various invoices were not recorded as being approved for payment. All invoices should show that they are approved to be paid and should indicate on the invoice when they were paid with the date and check number. We noted that a few invoices were actually paid twice. Syn-tech Systems for \$1,220.25 and Sargent Corporation for \$30,936.55. While the money was refunded by the first vendor, the second vendor applied a credit for the overpayment. This could have been avoided if the first invoice properly reflected the payment information.

#### *Postings and Classifications*

A payment made to Delta Airport Consultants, Inc. for \$63,069.65 was posted to Contract Services when it should have been posted to Grant Expense – Ground Maintenance. This classification was important, as this is a federal grant expense which should be reconciled to federal grant reports.

### Miscellaneous Recommendations

We had difficulty locating various invoices. The invoices we managed to find did not have the check stubs attached nor was there any indication of approval for payment or that the invoice was actually paid.

Cash receipts and cash disbursements should be kept in separate monthly folders. Receipts and backup documentation should be attached to each receipt and kept in receipt number order by date. Disbursements, along with the invoices should be kept in check number order, by date. The check stub should be attached to the invoice. The invoice should be marked approved for payment, date paid, and check number of the payment. Everything should be kept in numerical order, by check number and date.

All monthly minutes should be kept in a separate folder or binder.

Federal/State Grant Projects should be kept in separate folders to include a copy of all requests for reimbursements, along with a copy of each invoice that relates to the request for reimbursement. A copy of the deposit/electronic transfer should be attached to each request for reimbursement.