Mecklenburg-Brunswick Airport Commission

Comprehensive Annual Financial Report

Years Ended June 30, 2015 and 2014



Table of Contents

Years Ended June 30, 2015 and 2014

		Pages
Independen	t Auditor's Report	i-ii
Manageme	nt's Discussion and Analysis	1-2
	FINANCIAL STATEMENTS	
Exhibits		
Α	Statements of Net Position	3
В	Statements of Revenues, Expenses, and Changes in Net Position	4
С	Statements of Cash Flows	5
Notes to the Financial Statements		6-9
	COMPLIANCE	
Complian	t Auditor's Report on Internal Control Over Financial Reporting and on ce and Other Matters Based on an Audit of Financial Statements Performed ance with Government Auditing Standards	10-11



Robin B. Jones, CPA, CFP David V. Alga, CPA, CVA, CFF Denise C. Williams, CPA, CSEP Scott A. Thompson, CPA James A. Allen, Jr., CPA Nadine L. Chase, CPA Kimberly W. Jackson, CPA

Sherwood H. Creedle, Emeritus

Members of American Institute of Certified Public Accountants Virginia Society of Certified Public Accountants

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, 2015 and 2014, 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, 2015 and 2014, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, 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 December 17, 2015

Management's Discussion and Analysis

As of June 30, 2015

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 year ended June 30, 2015. Please read this information in conjunction with the Mecklenburg-Brunswick Airport Commission's 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 Statement of Net Position for 2015 and 2014 is presented below:

	<u>2015</u>	<u>2014</u>
Total Assets	\$5,905,313	\$6,049,522
Total Liabilities Net Position	\$ 468,786	\$ 487,826
Net investment in capital assets Unrestricted	5,403,295 33,232	5,522,430 39,266
Total Liabilities and Net Position	\$ 5,905,313	\$6,049,522

The financial position of the Commission decreased in 2015. Assets decreased by 2.38 percent while liabilities decreased by 3.91 percent.

Change in Net Position. A summary of the Commission's Statements of Revenues, Expenses, and Changes in Net Position for 2015 and 2014 is presented below:

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

	<u>2015</u>	<u>2014</u>
Operating Revenues Operating Expenses	\$ 251,633 \$ 514,540	249,994 529,347
Net Operating Loss Non-Operating Income	(262,907) 137,739	(279,353) 102,977
Changes in Net Position	\$ (125,168) \$	(176,376)

During the year, the Commission had a net operating loss of \$262,907. 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 \$137,739. Operating expenses of \$514,540 included gas purchases, insurance, payroll, and repairs and maintenance.

Net position decreased \$125,168 in 2015.

Long-Term Debt. As of June 30, 2015, the Commission's long-term obligations total \$439,090.

	Balance July 1, 2014		Net Additions and Deletions		Balance June 30, 2015		
Long-term debt	\$	460,424	\$	(21,334)	\$	439,090	

Cash Flows. A summary of the Commission's Statements of Cash Flows for 2015 and 2014 is presented below:

Condensed Statements of Cash Flows

	<u>2015</u>	<u>2014</u>	
Cash Flows Provided by (Used in)			
Operating activities	\$ (45,857)	\$ (94,547))
Non-capital financing activities	158,616	124,640	
Capital and related financing activities	(75,595)	(22,110))
Investing activities	 (20,878)	(21,663))
Net Increase (Decrease) in Cash	\$ 16,286	\$ (13,680))

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

Cash flows from non-capital financing activities net to a positive \$158,616, consisting of receipts from localities and federal and state grants. Capital and related financing activities net to a negative \$75,595. This was attributable, in part, to the \$75,595 spent on repayment on loans.

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.southhillweb.com/avc.

FINANCIAL STATEMENTS

Statements of Net Position

June 30, 2015 and 2014

		<u>2015</u>	<u>2014</u>		
Assets					
Current Assets					
Cash	\$	26,248	\$	9,962	
Accounts receivable		4,021		29,279	
Inventory		32,659		27,427	
Total Current Assets		62,928		66,668	
Noncurrent Assets					
Capital Assets					
Property and equipment, net		5,842,385		5,982,854	
Total Noncurrent Assets		5,842,385		5,982,854	
Total Assets	\$	5,905,313	\$	6,049,522	
Liabilities and Net Position					
Liabilities					
Current Liabilities					
Accounts payable	\$	28,326	\$	26,192	
Accrued payroll taxes payable		1,370		1,210	
Current portion of long-term debt		20,904		20,086	
Total Current Liabilities		50,600		47,488	
Long-Term Liabilities		418,186		440,338	
Total Liabilities		468,786		487,826	
Net Position					
Net investment in capital assets		5,403,295		5,522,430	
Unrestricted	-	33,232		39,266	
Total Net Position	_	5,436,527		5,561,696	
Total Liabilities and Net Position	\$	5,905,313	\$	6,049,522	

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

Statements of Revenues, Expenses, and Changes in Net Position Years Ended June 30, 2015 and 2014

On anoting Revenues		<u>2015</u>		<u>2014</u>
Operating Revenues Hangar rent	\$	E4 0E7	\$	04 000
Gas sales	Ф	54,857	Φ	84,822
		112,346		164,734
Other income		84,430		438
Total Operating Revenues		251,633		249,994
Operating Expenses				
Gas purchases		93,169		133,492
Insurance		15,161		16,480
Advertising		2,001		544
Legal and accounting		4,498		4,800
Equipment repair		4,491		2,342
Miscellaneous		1,575		1,225
Supplies		713		-
Payroll		50,832		47,133
Repairs and maintenance		91,251		89,138
Telephone		5,333		5,547
Travel		983		2,653
Utilities		15,438		13,834
Depreciation		194,730		195,374
Office		34,365		16,785
Total Operating Expenses		514,540		529,347
Operating Loss		(262,907)		(279,353)
Non-Operating Revenues (Expenses)				
Interest income		175		70
Interest expense		(21,053)		(21,733)
Federal revenues		-		37,342
State revenues		72,656		36,355
Contributions from localities		85,960		50,943
Total Non-Operating Revenues (Expenses)		137,738		102,977
Change in Net Position		(125,169)		(176,376)
Net Position - Beginning of Year		5,561,696	_	5,738,072
Net Position - End of Year	\$	5,436,527	\$	5,561,696

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

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

		<u>2015</u>		<u>2014</u>
Cash Flows from Operating Activities				
Receipts from customers	\$	276,891	\$	243,611
Payments for personnel		(50,832)		(47,133)
Payments to suppliers		(271,916)		(291,025)
Net Cash Used in Operating Activities		(45,857)		(94,547)
Cash Flows from Non-Capital Financing Activities				
Receipts from localities		85,960		50,943
Receipts from federal and state grants		72,656		73,697
Net Cash Provided by Non-Capital Financing Activities		158,616		124,640
Cash Flows from Capital and Related Financing Activities				
Construction of infrastructure and equipment purchases		(54,261)		-
Payment of principal		(21,334)		(22,110)
Net Cash Used in Capital and Related Financing Activities		(75,595)		(22,110)
Cash Flows from Investing Activities				
Interest income		175		70
Interest expense		(21,053)		(21,733)
Net Cash Used in Investing Activities		(20,878)		(21,663)
Net Increase (Decrease) in Cash and Cash Equivalents		16,286		(13,680)
Cash and Cash Equivalents - Beginning of Year		9,962		23,642
Cash and Cash Equivalents - End of Year	\$	26,248	\$	9,962
Reconciliation of Operating Loss to Net Cash				
Used in Operating Activities				
Operating loss	\$	(262,907)	\$	(279,353)
Adjustments to reconcile operating loss to net cash	Ψ	(202,501)	Ψ	(273,333)
used in operating activities				
Depreciation		194,730		195,374
Changes in assets and liabilities				,
(Increase) Decrease in				
Accounts receivable		25,258		(6,383)
Inventory		(5,232)		32,369
Increase (Decrease) in				
Accounts payable		2,294		(36,554)
Net Cash Used in Operating Activities	\$	(45,857)	\$	(94,547)

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

Notes to the Financial Statements

Years Ended June 30, 2015 and 2014

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 accompanying financial statements conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB).

The Commission applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

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, 2015. 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.

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, 2015 were certificates of deposit which are considered cash.

4 Local Contributions

Local contributions were as follows:

	<u>2015</u>	<u>2014</u>
Town of South Hill	\$25,000	\$25,000
County of Mecklenburg	40,000	16,983
Town of LaCrosse	1,980	1,980
Town of Brodnax	1,980	1,980
County of Brunswick	17,000	5,000
Total Local Contributions	\$85,960	\$50,943

5Capital Assets

The schedule below shows the breakdown of capital assets by category at June 30, 2015:

	Balance		Acquired		Deleted	Balance		
	<u>July 1, 2014</u>		(Increased)		(Decreased)	<u>Ju</u>	ne 30, 2015	
Land	\$	435,195	\$	-	\$ -	\$	435,195	
Airport construction		5,982,668		54,261	-		6,036,929	
Buildings and hangars		1,448,446		-	-		1,448,446	
Equipment		697,490		-	-		697,490	
Fuel farm	_	191,644					191,644	
Total at Historical Cost		8,755,443		54,261	-		8,809,704	
Less: Accumulated depreciation for								
Airport construction		1,668,233		128,317	-		1,796,550	
Buildings and hangars		454,173		31,297	-		485,470	
Equipment		563,943		30,325	-		594,268	
Fuel farm		86,240		4,791		_	91,031	
Total Accumulated								
Depreciation		2,772,589		194,730			2,967,319	
Capital Assets, Net	\$	5,982,854	\$	(140,469)	\$ -	\$	5,842,385	

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
Equipment	10 - 25 years
Fuel farm	40 years

6 Long-Term Debt

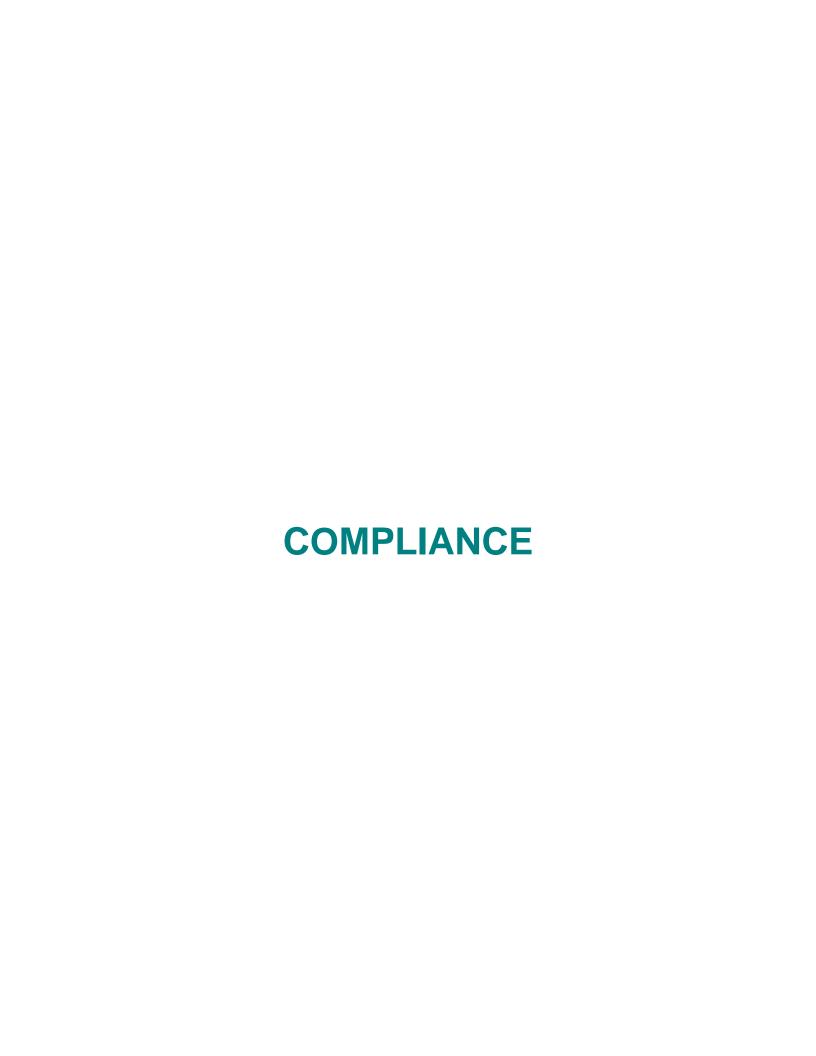
A summary of long-term debt transactions for the current year is as follows:

	Balance l <u>y 1, 2014</u>	Increa	ase Decrease		Balance June 30, 2015		 e Within ne Year	
General Long-Term Debt Lake Country Development Corporation Note payable with interest at the rate of 4.00%, payable in 240 monthly installments of \$1,969 beginning March 01, 2011.	\$ 273,726	\$	-	\$	11,823	\$	261,903	\$ 13,401
International Veneer Company Note payable with interest at the rate of 5.00%, payable in 240 monthly installments of \$791 beginning March 04, 2012.	88,913		-		5,161		83,752	2,918
Citizens Community Bank Note payable with interest at the rate of 4.25%, payable in 240 monthly installments of \$772 beginning January 02, 2012.	97,785		<u>-</u>		4,350		93,435	 4,585
Total General Long-Term Debt	\$ 460,424	\$	<u>-</u>	\$	21,334	\$	439,090	\$ 20,904

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

Debt Payoff

Years Ending	В	rincinal	ln	toroot	Total
<u>June 30,</u>	<u> </u>	<u>rincipal</u>	<u> </u>	<u>terest</u>	<u>Total</u>
2016	\$	20,999		21,388	\$ 42,387
2017		21,981		20,406	42,387
2018		23,000		19,387	42,387
2019		24,069		18,318	42,387
2020		25,081		17,306	42,387
2021-2025		144,851		68,084	212,935
2026-2030		172,098		31,707	203,805
2031-2035		7,011		4,536	11,547
Totals	\$	439,090	\$ 2	201,132	\$ 640,222





Robin B. Jones, CPA, CFP David V. Alga, CPA, CVA, CFF Denise C. Williams, CPA, CSEP Scott A. Thompson, CPA James A. Allen, Jr., CPA Nadine L. Chase, CPA Kimberly W. Jackson, CPA

Sherwood H. Creedle, Emeritus

Members of American Institute of Certified Public Accountants Virginia Society of Certified Public Accountants

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, 2015, 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 December 17, 2015.

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 December 17, 2015