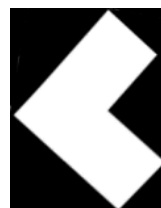


Lake Country Airport Commission
Comprehensive Annual Financial Report
Years Ended June 30, 2018 and 2017



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

Lake Country Airport Commission

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Lake Country Airport Commission

Officers and Commissioners

Year Ended June 30, 2018

Commissioners

Michael Denton

Jane Lipscomb

Glenn Burney

Doug Davis

Dave Williams

Steve Rozek

Lou Zarelli

Gregory Gordon

Office Held

Chairman , Airport Manager

Vice Chairman

Secretary

Officer Other Than Commissioners

Nola Adler

Treasurer



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA, CGMA
Kimberly W. Jackson, CPA*

*Nadine L. Chase, CPA
Monique A. Lubick, 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
Lake Country Airport Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Lake Country Airport Commission, as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Lake Country 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 Lake Country Airport Commission, as of June 30, 2018 and 2017, 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 September 26, 2018, on our consideration of the Lake Country 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 solely 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 the effectiveness of Lake Country Airport Commission's 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 Lake Country 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
September 26, 2018

Lake Country Airport Commission

Management's Discussion and Analysis

As of June 30, 2018 and 2017

Our discussion and analysis of the Lake Country Airport Commission's financial performance provides an overview of the Commission's financial activities for the year ended June 30, 2018. Please read this information in conjunction with the Lake Country Airport Commission's basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Lake Country 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 discloses 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 2018 and 2017 is presented below:

	<u>2018</u>	<u>2017</u>
Total Assets	<u>\$ 1,066,419.29</u>	<u>\$ 908,706.73</u>
Total Liabilities	<u>\$ 165,362.76</u>	<u>\$ 49,600.44</u>
Net Position		
Net investment in capital assets	<u>868,692.84</u>	<u>843,318.41</u>
Unrestricted	<u>32,363.69</u>	<u>15,787.88</u>
Total Liabilities and Net Position	<u>\$ 1,066,419.29</u>	<u>\$ 908,706.73</u>

The overall financial position of the Commission increased in the year ended June 30, 2018. Assets increased by \$157,712.56, while liabilities increased by \$115,762.32.

Change in Net Position. A summary of the Commission's Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2018 and 2017 is presented below:

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

	<u>2018</u>	<u>2017</u>
Operating Revenue	\$ 11,235.57	\$ 13,078.56
Operating Expenses	<u>92,215.56</u>	<u>108,071.49</u>
Net Operating Loss	(80,979.99)	(94,992.93)
Non-Operating Revenue	134,006.92	81,385.12
Non-Operating Expenses	<u>(11,076.69)</u>	<u>-</u>
Change in Net Position	<u>\$ 41,950.24</u>	<u>\$ (13,607.81)</u>

During the year, the Commission had a net operating loss of \$80,979.99. The Commission had non-operating income in the form of interest income and state reimbursement rental income, as well as contributions from localities and local patrons, which amounted to \$74,824.00 and \$7,870.00, respectively. Operating expenses of \$92,215.56 included fuel, consulting fees, professional fees, insurance, repairs and maintenance, and utilities. Non-operating expenses amounted to \$11,076.69 and included interest expense and depreciation.

Net position increased \$41,950.24 in the year ending June 30, 2018.

Cash Flows. A summary of the Commission's Statements of Cash Flows for the years ended June 30, 2018 and 2017 is presented below:

Condensed Statements of Cash Flows

	<u>2018</u>	<u>2017</u>
Cash Flows Provided by (Used in)		
Operating activities	\$ (47,410.93)	\$ (52,379.56)
Non-capital financing activities	247,480.27	39,947.74
Investing activities	<u>(190,824.18)</u>	<u>(63,383.14)</u>
Net Increase (Decrease) in Cash	<u>\$ 9,245.16</u>	<u>\$ (75,814.96)</u>

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

Cash flows from non-capital financing activities net to \$247,480.27 consisting of net proceeds from loans, receipts from localities, federal and state reimbursement, and rental income.

During the year, there was an increase of \$9,245.16 in cash. Loan proceeds and contributions exceeded operating expenses.

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 Michael Denton, Chairman, Lake Country Airport Commission, 413 Virginia Avenue, Clarksville, Virginia 23927, telephone 434-374-8028.

BASIC FINANCIAL STATEMENTS

Lake Country Airport Commission

Statements of Net Position

As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash in bank	\$ 23,876.27	\$ 14,631.11
Inventory	<u>5,336.43</u>	<u>8,576.91</u>
Total Current Assets	29,212.70	23,208.02
Property and Equipment		
Land	440,122.67	440,122.67
Land improvements	243,736.23	222,508.71
Building and hangars	157,624.53	131,265.09
Equipment	172,186.22	172,186.22
Construction in process	148,931.50	2,605.37
Vehicles	4,000.00	4,000.00
Accumulated depreciation	<u>(214,266.56)</u>	<u>(174,493.34)</u>
Net Property and Equipment	952,334.59	798,194.72
Other Assets		
Wetlands Mitigation	90,843.73	90,843.73
Amortization of Wetlands Mitigation cost	(12,112.50)	(6,056.25)
Prepaid gas	<u>6,140.77</u>	<u>2,516.51</u>
Net Other Assets	<u>84,872.00</u>	<u>87,303.99</u>
Total Assets	<u>\$ 1,066,419.29</u>	<u>\$ 908,706.73</u>
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,910.61	\$ 9,826.62
Accrued interest payable	960.26	110.03
Bank drafts	118.91	-
Construction line of credit	148,931.50	-
Current portion of long-term debt	<u>13,441.48</u>	<u>26,222.29</u>
Total Current Liabilities	165,362.76	36,158.94
Long-Term Liabilities		
Bond obligation	<u>-</u>	<u>13,441.50</u>
Total Liabilities	165,362.76	49,600.44
Net Position		
Net investment in capital assets	868,692.84	843,318.41
Unrestricted	<u>32,363.69</u>	<u>15,787.88</u>
Total Net Position	<u>901,056.53</u>	<u>859,106.29</u>
Total Liabilities and Net Position	<u>\$ 1,066,419.29</u>	<u>\$ 908,706.73</u>

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

Lake Country Airport Commission

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Fuel sales	\$ <u>11,235.57</u>	\$ <u>13,078.56</u>
Total Operating Revenues	<u>11,235.57</u>	<u>13,078.56</u>
Operating Expenses		
Consulting	268.00	6,191.20
Virginia grant work	-	300.00
Fuel and gas farm	11,757.31	10,094.86
Professional fees	3,950.00	3,800.00
Advertising	230.00	324.25
Bank fees	66.77	-
Conferences and meetings	643.69	-
Dues	100.00	-
Insurance	9,618.66	9,683.02
Repairs and maintenance	17,779.23	33,856.35
Telephone	2,081.65	1,883.22
Internet/Web expense	395.64	-
Utilities	4,043.78	3,598.61
Postage and office	50.00	-
Depreciation - operations	34,843.46	30,924.39
Amortization	6,056.25	6,056.25
Car	224.62	1,193.16
Fees and permits	81.50	166.18
Miscellaneous	<u>25.00</u>	<u>-</u>
Total Operating Expenses	<u>92,215.56</u>	<u>108,071.49</u>
Operating Loss	<u>(80,979.99)</u>	<u>(94,992.93)</u>
Non-Operating Revenues (Expenses)		
Rental income	9,150.00	7,950.00
Interest income	85.84	165.93
Interest expense	(6,146.93)	(1,896.32)
State Reimbursement Program	42,077.08	13,813.16
Contributions from local governments	74,824.00	44,900.00
Contributions from individuals	7,870.00	5,100.00
Reimbursement of prior period expense	-	1,877.00
Gain on sale of fixed assets	-	1,500.00
Insurance proceeds	-	12,575.62
Depreciation - rentals	<u>(4,929.76)</u>	<u>(4,600.27)</u>
Total Non-Operating Revenues (Expenses)	<u>122,930.23</u>	<u>81,385.12</u>
Change in Net Position	<u>41,950.24</u>	<u>(13,607.81)</u>
Net Position - Beginning of Year	<u>859,106.29</u>	<u>872,714.10</u>
Net Position - End of Year	<u>\$ 901,056.53</u>	<u>\$ 859,106.29</u>

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

Lake Country Airport Commission

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Sales of fuel	\$ 11,235.57	\$ 13,078.56
Payments to suppliers	<u>(58,646.50)</u>	<u>(65,458.12)</u>
Net Cash Used in Operating Activities	(47,410.93)	(52,379.56)
Cash Flows from Non-Capital Financing Activities		
Receipts from localities	74,824.00	44,900.00
Receipts from State Reimbursement Program	42,077.08	13,813.16
Contributions from local donors	7,870.00	5,100.00
Gain on sale of fixed asset	-	1,500.00
Proceeds from Construction Project Loan	148,931.50	-
Payments on bond	<u>(26,222.31)</u>	<u>(25,365.42)</u>
Net Cash Provided by Non-Capital Financing Activities	247,480.27	39,947.74
Cash Flows from Investing Activities		
Reimbursement of prior period expenses	-	1,877.00
Purchase of property and equipment	(193,913.09)	(84,055.37)
Rents	9,150.00	7,950.00
Interest income	85.84	165.93
Interest expense	(6,146.93)	(1,896.32)
Insurance proceeds	<u>-</u>	<u>12,575.62</u>
Net Cash Used in Investing Activities	(190,824.18)	(63,383.14)
Net Increase (Decrease) in Cash and Cash Equivalents	9,245.16	(75,814.96)
Cash and Cash Equivalents - Beginning of Year	<u>14,631.11</u>	<u>90,446.07</u>
Cash and Cash Equivalents - End of Year	\$ 23,876.27	\$ 14,631.11
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (80,979.99)	\$ (94,992.93)
Depreciation	34,843.46	30,924.39
Amortization	6,056.25	6,056.25
(Increase) Decrease in inventory	3,240.48	(4,593.46)
(Increase) Decrease in accounts receivable	-	-
(Increase) Decrease in prepaid gas	(3,624.26)	1,476.60
Increase (Decrease) in accounts payable	(7,916.01)	8,821.10
Increase (Decrease) in Bank drafts	118.91	-
Increase (Decrease) in accrued interest	<u>850.23</u>	<u>(71.51)</u>
Net Cash Used in Operating Activities	\$ (47,410.93)	\$ (52,379.56)

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

Lake Country Airport Commission

Notes to the Financial Statements

Years Ended June 30, 2018 and 2017

1 Organization, Description of the Entity and Its Activities

The Lake Country Airport Commission (the "Commission") is a political subdivision of the Commonwealth of Virginia duly created pursuant to Chapter 3 of Chapter 680 of the Acts of the Virginia General Assembly of 2005 as amended and by resolution of the Towns of Boydton, Virginia and Clarksville, Virginia. The purpose of the Commission is to establish and operate an airport or landing field for the Boydton and Clarksville region.

An eight-member Board shall consist of members from the participating towns and county, the membership being composed of three members from the Town of Clarksville, Virginia, three members from the County of Mecklenburg, Virginia, and two members from the Town of Boydton, Virginia, each appointed by the governing bodies thereof, respectively. Although not listed in the bylaws, the County of Mecklenburg, Virginia has requested that an eighth member be added to the Board to represent the Board of Supervisors. Accordingly, the current Board consists of eight members who are to serve terms of three years each which are staggered so that no more than three Board member's terms will expire in one year.

2 Significant Accounting Policies

Financial Statement Presentation

The financial statements of the Lake Country 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.

Adoption of New GASB Statements

During the fiscal year ended June 30, 2018, the Commission did not adopt any new GASB statements.

3 **Cash Equivalents**

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

4 **Cash and Investments**

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 financial investment of \$23,876.27 was held in a money market deposit account at a local financial institution.

5 **Accounts Receivable**

As of June 30, 2018, the Commission had not spent funds in accordance with a grant agreement. Accordingly, no accounts receivable has been recorded.

6 **Inventory**

The Commission owns a used fueling station that it purchased from the Chase City Airport. Management estimates that the fuel tank has a 2,000-gallon capacity and that at year end there were 1133 gallons of usable fuel held in the tank. Based on the last purchase amount of fuel at \$4.71 per gallon, the value of the gas inventory is estimated to be 5,336.43.

7 Property and Equipment

In 2009, the Commission acquired the property formerly known as the Marks Municipal Airport. The property consists of 99.27 acres including land and improvements in the form of an airstrip, a brick office building, five airplane hangars, and a fuel dispensing system.

The Commission is charged with maintaining a license that allows air traffic service to the Clarksville region. To remain in compliance, there is a constant effort to enhance the airport facilities. To date, all related cost for improvements has been capitalized as land improvements and buildings.

Capital Assets

The schedule below shows the breakdown of capital assets by category at June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Acquired (Increased)</u>	<u>Disposed (Decreased)</u>	<u>Balance June 30, 2018</u>
Tangible Assets				
Land	\$ 440,122.67	\$ -	\$ -	\$ 440,122.67
Land improvements	222,508.71	21,227.52	-	243,736.23
Buildings and hangars	131,265.09	26,359.44	-	157,624.53
Equipment	172,186.22	-	-	172,186.22
Vehicles	4,000.00	-	-	4,000.00
Construction-in-progress	<u>2,605.37</u>	<u>146,326.13</u>	<u>-</u>	<u>148,931.50</u>
Total Cost	972,688.06	193,913.09	-	1,166,601.15
Less: Accumulated depreciation for				
Land improvements	67,217.80	18,002.83	-	85,220.63
Buildings and hangars	35,700.52	4,929.76	-	40,630.28
Equipment	71,108.35	16,040.63	-	87,148.98
Vehicles	<u>466.67</u>	<u>800.00</u>	<u>-</u>	<u>1,266.67</u>
Total Accumulated Depreciation	174,493.34	39,773.22	-	214,266.56
Intangible Assets				
Wetlands Mitigation	90,843.73	-	-	90,843.73
Less: Amortization	<u>(6,056.25)</u>	<u>(6,056.25)</u>	<u>-</u>	<u>(12,112.50)</u>
Net Intangible Assets	<u>84,787.48</u>	<u>(6,056.25)</u>	<u>-</u>	<u>78,731.23</u>
Capital Assets, Net	<u>\$ 882,982.20</u>	<u>\$ 148,083.62</u>	<u>\$ -</u>	<u>\$ 1,031,065.82</u>

Capital outlays are recorded as assets on the financial statements. Depreciation is recorded using the straight-line method and the following estimated useful lives:

Building and improvements	10-40 years
Land improvements	7-20 years
Equipment	5-15 years
Vehicles	5 years

All fixed assets are valued at historical cost. Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

8 Accounts Payable

As of June 30, 2018, the Commission had received invoices for operating expenses in the amount of \$1,910.61. These payables were paid in July of 2018.

9 Borrowings

The Commission has participated in the Virginia Resources Authority (VRA) which was authorized to issue and sell Airport Revolving Fund Bonds. Accordingly, on January 9, 2009, the VRA issued a \$633,000.00 bond obligation bearing an interest rate of 3.35 percent with semi-annual payments of principal and interest. The original terms of indebtedness called for semi-annual payments of \$35,741.56 beginning on June 1, 2009 and payable semi-annually through December 1, 2018. On June 1, 2009, the Commission elected to pay \$421,000.00 including principal and interest. This reduced the future semi-annual payments to \$13,666.62 with the final payment due December 1, 2018.

Debt

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

	<u>Balance July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
General Obligation Bond					
Virginia Resources Authority (VRA)					
Interest at the rate of 3.35 percent payable in semi-annual payments of \$13,666.62 ending December 1, 2018.	\$ 39,663.79	\$ -	\$ 26,222.31	\$ 13,441.48	\$ 13,441.48
Construction Loan Debt					
Benchmark Community Bank					
Interest at the rate of 2.83% with interest payable quarterly. This loan is unsecured.	-	148,931.50	-	148,931.50	148,931.50
Total	<u>\$ 39,663.79</u>	<u>\$ 148,931.50</u>	<u>\$ 26,222.31</u>	<u>\$ 162,372.98</u>	<u>\$ 162,372.98</u>

The schedule of payments is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 162,372.98</u>	<u>\$ 4,366.50</u>	<u>\$ 166,739.48</u>

10 Contributions from Local Government

Local government contributions were as follows:

Town of Clarksville, Virginia	\$	5,000
County of Mecklenburg, Virginia		69,824
Airport patrons		7,870

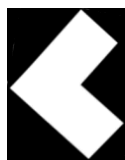
11 Related Party Transactions

The Commission has rented office space to a business interest of the Commission's Chairman. The agreement, which initiated on November 1, 2016, has a term of one year and calls for monthly payments of \$275. The initial term of the lease was for twelve months with an annual renewal terms thereafter.

12 Subsequent Events

Management has evaluated subsequent events through September 26, 2018, the date the financial statements were available to be issued. The Commission has initiated a runway improvement project with an estimated cost of \$2,800,000. The cost of the project includes a \$150,000 engineering fee which has been funded through a line of credit from a local banking institution. The cost of the scope of the project has been determined to be at such a cost that it must be divided into four separate phases, spanning a period of 2018 through 2021. Currently, the commission plans to apply for grants during the year to fund phases II and III of the project. Management has determined there are no other subsequent events to be reported in the accompanying financial statements.

COMPLIANCE



**Creedle
Jones
& Alga**

A Professional Corporation

Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA, CGMA
Kimberly W. Jackson, CPA

Nadine L. Chase, CPA
Monique A. Lubick, 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
Lake Country 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 Lake Country Airport Commission, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lake Country Airport Commission's basic financial statements, and have issued our report thereon dated September 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lake Country 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 Lake Country Airport Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Country 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 Lake Country 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.
Certified Public Accountants

South Hill, Virginia
September 26, 2018