
CHINCOTEAGUE RECREATION AND
CONVENTION CENTER AUTHORITY
FINANCIAL REPORT
JUNE 30, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE □ RICHMOND □ FREDERICKSBURG □ STAUNTON □ BLACKSBURG □ LOUISA



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CHINCOTEAGUE RECREATION AND CONVENTION CENTER AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

AUTHORITY MEMBERS

Bill Chrisman, Chairman

Steve Potts, Treasurer

James Frese

Lynne Ballerini

Laurie Walton

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Commissioners
Chincoteague Recreation and Convention Center Authority
Chincoteague, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Chincoteague Recreation and Convention Center Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority'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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Chincoteague Recreation and Convention Center Authority, as of June 30, 2015, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Others Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of the Chincoteague Recreation and Convention Center Authority'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 Chincoteague Recreation and Convention Center Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

December 11, 2015

Basic Financial Statements

Statement of Net Position
June 30, 2015

ASSETS

Current Assets:

Cash and cash equivalents	\$ 51,652
Total Current Assets	<u>\$ 51,652</u>

Noncurrent Assets:

Capital assets:

Land improvements	\$ 46,162
Buildings	1,180,756
Equipment	<u>78,347</u>
Total	\$ 1,305,265
Accumulated depreciation	<u>(671,330)</u>
Net capital assets	<u>\$ 633,935</u>
Total Assets	<u><u>\$ 685,587</u></u>

LIABILITIES

Current Liabilities:

Accounts payable	\$ 292
Accrued payroll taxes	2,503
Unearned revenue	8,540
Long-term obligations	<u>9,394</u>
Total Current Liabilities	<u>\$ 20,729</u>
Total Liabilities	<u>\$ 20,729</u>

NET POSITION

Net investment in capital assets	\$ 624,541
Unrestricted	<u>40,317</u>
Total Net Position	<u>\$ 664,858</u>
Total Liabilities and Net Position	<u><u>\$ 685,587</u></u>

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

CHINCOTEAGUE RECREATION AND CONVENTION CENTER AUTHORITY

Exhibit 2

Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2015

Operating revenues:	
Rental fees	\$ 27,915
Security deposits	350
Miscellaneous	3,031
Total operating revenues	<u>\$ 31,296</u>
Operating expenses:	
Wages	\$ 59,615
Payroll taxes	8,300
Advertising	7,101
Sales and promotional materials	1,073
Mileage	791
Professional memberships	833
Electricity	19,736
Insurance	5,619
Propane	11,944
Building maintenance	981
Contractual services	1,779
Building maintenance supplies	14,350
Telephone	3,540
Office supplies	1,517
Professional services	19,473
Donations	2,800
Miscellaneous	3,013
Depreciation	33,627
Total operating expenses	<u>\$ 196,092</u>
Net income (loss) from operations	<u>\$ (164,796)</u>
Nonoperating revenues (expenses):	
Town of Chincoteague:	
Transient occupancy tax	\$ 110,000
Meals tax	36,946
Interest income	46
Interest expense	(1,347)
Total nonoperating revenues (expenses)	<u>\$ 145,645</u>
Change in net position	<u>\$ (19,151)</u>
Net position, beginning of year	<u>684,009</u>
Net position, end of year	<u><u>\$ 664,858</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2015

Cash flows from operating activities:	
Receipts from customers and users	\$ 24,451
Payments to employees (including fringe benefits)	(68,327)
Payments for operating activities	<u>(95,073)</u>
Net cash provided by (used for) operating activities	\$ <u>(138,949)</u>
Cash flows from capital and related financing activities:	
Principal retired on long-term debt	\$ (9,395)
Interest paid on loans	<u>(1,347)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(10,742)</u>
Cash flows from noncapital financing activities:	
Transient occupancy tax	\$ 110,000
Meals tax	<u>36,946</u>
Net cash provided by (used for) non-capital financing activities	\$ <u>146,946</u>
Cash flows from investing activities:	
Interest income	\$ <u>46</u>
Net cash provided by (used for) investing activities	\$ <u>46</u>
Net increase (decrease) in cash and cash equivalents	\$ (2,699)
Cash and cash equivalents at beginning of year	<u>54,351</u>
Cash and cash equivalents at end of year	\$ <u><u>51,652</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (164,796)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	33,627
Changes in operating assets and liabilities:	
Increase (decrease) in accounts payable	(523)
Increase (decrease) in accrued payroll liabilities	(412)
Increase (decrease) in unearned revenue	<u>(6,845)</u>
Net cash provided by (used for) operating activities	\$ <u><u>(138,949)</u></u>

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

CHINCOTEAGUE RECREATION AND CONVENTION CENTER AUTHORITY

Notes to Financial Statements June 30, 2015

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

The Chincoteague Recreation and Convention Center Authority (the Authority) was created pursuant to the provisions of the "Public Recreation Facilities Authorities Act" (Chapter 29 of Title 15.1 of the Code of Virginia of 1950, as amended) by the Town of Chincoteague to manage and operate the Chincoteague Recreation and Convention Center. The Center was built to provide a recreational facility for the residents of Chincoteague as well as provide meeting rooms for conventions.

B. Financial Reporting Entity:

The Chincoteague Recreation and Convention Center Authority is reported as a discretely presented component unit of the Town of Chincoteague. The Authority is governed by a board consisting of five members appointed by the Chincoteague Town Council.

C. Financial Statement Presentation:

Management's Discussion and Analysis—GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). Management has elected to omit the Management's Discussion and Analysis in the fiscal year ending June 30, 2015.

D. Basic Financial Statements:

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements consist of:

Enterprise fund financial statements

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements

E. Basis of Accounting:

The Authority operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CHINCOTEAGUE RECREATION AND CONVENTION CENTER AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

F. Capital Assets:

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. In cases where historical cost is not known estimates and other information available to support historical cost were used. Donated capital assets are recorded at estimated fair market value at the date of donation. The Authority has a capitalization policy of \$1,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation is computed on the straight—line method over the following estimated lives:

Equipment	5 to 10 years
Land improvements	20 years
Building	40 years

Depreciation expense for the year ended June 30, 2015 totaled \$33,627.

G. Cash and Cash Equivalents:

For purposes of the statement of cash flows the Chincoteague Recreation and Convention Center Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of U. S. Treasury notes, Federal Home Loan notes, and repurchase agreements.

Investments are reported at fair value.

H. 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.

I. Net Position:

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

J. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Authority does not have any deferred outflows of resources as of June 30, 2015.

CHINCOTEAGUE RECREATION AND CONVENTION CENTER AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

NOTE 1 - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES: (continued)

J. Deferred Outflows/Inflows of Resources: (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2015.

K. Net Position Flow Assumption:

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize the Authority 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).

Credit Risk of Debt Securities:

The Authority does not have a policy related to credit risk of debt securities.

The Authority's rated debt investments as of June 30, 2015 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale:

<u>Authority's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 41,191</u>

CHINCOTEAGUE RECREATION AND CONVENTION CENTER AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Interest Rate Risk:

The Authority does not have a policy related to interest rate risk.

External Investment Pools:

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2-7.

NOTE 3 - CAPITAL ASSETS:

Details of changes in capital assets for the year ended June 30, 2015 are as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Land improvements	\$ 46,162	\$ -	\$ -	\$ 46,162
Buildings	1,180,756	-	-	1,180,756
Equipment	78,347	-	-	78,347
Total	<u>\$ 1,305,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,305,265</u>
Accumulated depreciation:				
Land improvements	\$ 36,123	\$ 2,252	\$ -	\$ 38,375
Buildings	528,325	30,512	-	558,837
Equipment	73,255	863	-	74,118
Total accumulated depreciation	<u>\$ 637,703</u>	<u>\$ 33,627</u>	<u>\$ -</u>	<u>\$ 671,330</u>
Total capital assets, net	<u>\$ 667,562</u>	<u>\$ (33,627)</u>	<u>\$ -</u>	<u>\$ 633,935</u>

NOTE 4 - UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria has been met, but for which revenue recognition criteria has not been met. Under the accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$8,540 consists of the following:

Rental Fees - Full	\$ 5,062
Security Deposits	250
Rental Fees - Discount	<u>3,228</u>
Total	<u>\$ 8,540</u>

CHINCOTEAGUE RECREATION AND CONVENTION CENTER AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

NOTE 5 - LONG-TERM OBLIGATIONS:

Changes in Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30:

Note payable, July 1, 2014	\$ 18,789
Principal payments	<u>(9,395)</u>
Note payable, June 30, 2015	<u>\$ 9,394</u>

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

Year Ended June 30,	Note Payable	
	Principal	Interest
2016	\$ 9,394	\$ 643
	<u>\$ 9,394</u>	<u>\$ 643</u>

Note payable at June 30, 2015, consists of the following:

Note payable:

\$65,760 note dated May 27, 2009 payable in principal annual installments of \$9,394, on November 27, 2009 through November 27, 2015, interest payable on August 27 and November 27 at 6.75%.

\$ 9,394

NOTE 6 - RELATED PARTY:

The Chincoteague Civic Center sits on land that is owned by the Town of Chincoteague. The Authority entered into a 40-year land lease with the Town rent-free. The lease is renewable.

The Town of Chincoteague provides a portion of the meals and occupancy tax it collects to the Center. For the period ended June 30, 2015, the meals tax receipts were \$36,946 and the occupancy tax was \$110,000.

NOTE 7 - LITIGATION:

There were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions pending matters not be favorable to the Authority.

NOTE 8 - RISK MANAGEMENT:

The Authority contracts with commercial insurance carriers for property and liability coverages. There have been no reductions in insurance coverages or settlements in excess of insurance coverages in the past three fiscal years.

Compliance

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' 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 Honorable Members of the Board of Commissioners
Chincoteague Recreation and Convention Center Authority
Chincoteague, Virginia

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 the *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 Chincoteague Recreation and Convention Center Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2015.

Internal Control over Financial Reporting

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 11, 2015