

**VIRGINIA HIGHLANDS AIRPORT AUTHORITY
A COMPONENT UNIT OF
WASHINGTON COUNTY, VIRGINIA
AUDITED FINANCIAL REPORT
June 30, 2014**

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
A COMPONENT UNIT OF WASHINGTON COUNTY, VIRGINIA
AUDITED FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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LIST OF AUTHORITY MEMBERS

Stephen Lowe, Chairman

Frank Buchanan, Vice-Chairman

Gary Cutlip, Treasurer

David Anderson, Secretary and Assistant Treasurer

Edward Maine, Assistant Secretary

Joseph Straten, Member

John White, Member

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Virginia Highlands Airport Authority's performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2014. Please read this information in conjunction with the Authority's financial statements.

The Virginia Highlands Airport Authority presents three basic financial statements. These are: (1) a Statement of Net Position (2) a Statement of Revenues, Expenditures and Changes in Net Position and (3) a Statement of Cash Flows.

Our financial position is measured in terms of resources we own and obligations we owe on a given date. This information is reported on the Statement of Net Position, which reflects the Authority's assets in relation to its debts to its suppliers, employees and other creditors. The excess of our assets over liabilities is our net position.

Information regarding the results of our operation during the year is reported in the Statement of Revenues, Expenditures and Changes in Net Position. This statement shows how much our overall net assets increased or decreased during the year as a result of our operations.

Our Statement of Cash Flows discloses the flow of cash resources into and out of the Authority during the year (from operations, contributions and other sources) and how we applied those funds (for example, payment of expenses, purchases of new property, etc.).

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A summary of the Authority's Statement of Net Position for 2014 and 2013 is presented below:

Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 1,420,367	\$ 856,045
Property and Equipment	<u>18,743,710</u>	<u>17,405,996</u>
TOTAL ASSETS	<u>\$ 20,164,077</u>	<u>\$ 18,262,041</u>
Current Liabilities	\$ 678,594	\$ 627,157
Long Term Liabilities	<u>442,510</u>	<u>459,859</u>
TOTAL LIABILITIES	<u>1,121,104</u>	<u>1,087,016</u>
Net Position		
Invested in Capital Assets	18,292,510	16,468,052
Unrestricted	<u>750,463</u>	<u>706,973</u>
TOTAL NET POSITION	<u>19,042,973</u>	<u>17,175,025</u>
TOTAL NET POSITION AND LIABILITIES	<u>\$ 20,164,077</u>	<u>\$ 18,262,041</u>

The financial position of the Virginia Highlands Airport Authority is good.

A summary of the Virginia Highlands Airport Authority's Statements of Revenues, Expenditures and Changes in Net Position for 2014 and 2013 are presented below.

Condensed Statements of Revenues, Expenditures and Changes in Net Position

	<u>2014</u>	<u>2013</u>
Operating Income	\$ 1,685,215	\$ 1,730,593
Operating COGS & Expenses	<u>1,974,622</u>	<u>2,158,886</u>
Operating Income (loss)	(289,407)	(428,293)
Net Non-Operating Income	<u>2,157,355</u>	<u>159,184</u>
Changes in Net Position	<u>\$ 1,867,948</u>	<u>\$ (269,109)</u>

Operating income is defined as the amount of revenue received from providing customer services. Of this amount, 83% of the operating income was from fuel and inventory sales.

Operating expenses are comprised of the direct expenses of operating the Airport. These expenses include fuel purchases, salaries and benefits, repairs and maintenance, occupancy, supplies, travel and depreciation. (See the full Statement of Revenues, Expenditures and Changes in Net Position for a complete breakdown of these expenses for 2014).

Non-operating income is comprised of interest, County appropriations, interest expense and federal and state capital grants. During the current year the Airport had several projects in progress where there were federal and state grant reimbursements.

Net Position increased \$1,867,948 in 2014.

A summary of the Virginia Highlands Airport Authority's Statements of Cash Flows for 2014 and 2013 are presented below:

Condensed Statement of Cash Flows

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities	\$ 113,816	\$ 16,551
Cash Flows From Non-Capital Activities	19,938	2,738
Cash Flows From Capital and Financing Activities	60,359	(130,381)
Cash Flows From Investing Activities	<u>3,187</u>	<u>1,681</u>
 Net Change in Cash	 197,300	 (109,411)
 Cash Beginning of Year	 <u>658,204</u>	 <u>767,615</u>
Cash Ending of Year	<u>\$ 855,504</u>	<u>\$ 658,204</u>

Cash flows from operating activities reconcile the operating loss recorded on the Statement of Revenues, Expenses and Changes in Net Position to cash provided by operating activities. In this process, the operating loss is decreased by the amount of any non-cash transactions and adjusted for changes in assets and liabilities. (See the full Statement of Cash Flows for a full listing of these transactions).

Cash flows from non-capital transactions are comprised of income received as operating grants. Cash flows from capital and financing activities are comprised of all the capital assets purchased by the Authority and the payment of the Authority's debt and interest. Cash flows from investing activities are comprised of interest income. During 2014 there was an increase of \$197,300 in cash.

Capital Assets

At the end of 2014, the Virginia Highlands Airport Authority had \$18,743,710 in net property and equipment. Fixed assets are the largest asset of the Authority. This is comprised of \$27,870,877 in fixed assets less \$9,127,167 in accumulated depreciation. (See Note 3).

Debt

Virginia Highlands Airport Authority had \$451,200 in debt outstanding at year-end. No new debt was issued this year and we retired a loan in the amount of \$470,000 mostly using grant funds from the FAA and VDA. (See Note 8).

Contacting the Airport's Financial Management

This financial report is designed to provide the taxpayers, customers, and our funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions or need additional financial information, contact the Airport Manager.

Hicok, Fern, Brown & Garcia

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INDEPENDENT AUDITOR'S REPORT

To the Board
Virginia Highlands Airport Authority

We have audited the accompanying financial statements of Virginia Highlands Airport Authority, which comprise the statement of net position as of June 30, 2014 and the related statement of revenues, expenditures and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Hicok, Fern, Brown & Garcia
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Highlands Airport Authority as of June 30, 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress defined benefit plans 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 Virginia Highlands Airport Authority's basic financial statements. The supporting statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supporting schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Hicok, Fern, Brown & Garcia

Certified Public Accountants

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, dated August 22, 2014, on our consideration of Virginia Highlands Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the 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 Virginia Highlands Airport Authority's internal control over financial reporting and compliance.

Hicok Fern Brown & Garcia

HICOK, FERN, BROWN & GARCIA
CERTIFIED PUBLIC ACCOUNTANTS

August 22, 2014

Hicok, Fern, Brown & Garcia

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board
Virginia Highlands Airport Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of The Virginia Highlands Airport Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Virginia Highlands Airport Authority's basic financial statements, and have issued our report thereon dated August 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Highlands Airport 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Highlands Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Highlands Airport 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.

Hicok, Fern, Brown & Garcia
Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Highlands Airport 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.

Hicok Fern Brown & Garcia
HICOK, FERN, BROWN & GARCIA
CERTIFIED PUBLIC ACCOUNTANTS

August 22, 2014

Hicok, Fern, Brown & Garcia

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board
Virginia Highlands Airport Authority

Report on Compliance for Each Major Federal Program

We have audited the Virginia Highlands Airport Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Virginia Highlands Airport Authority's major federal programs for the year ended June 30, 2014. Virginia Highlands Airport Authority'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Virginia Highlands Airport Authority'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Virginia Highlands Airport Authority'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 Virginia Highlands Airport Authority's compliance.

Hicok, Fern, Brown & Garcia

Certified Public Accountants

Opinion on Each Major Federal Program

In our opinion, Virginia Highlands Airport Authority, 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, 2014.

Report on Internal Control over Compliance

Management of the Virginia Highlands Airport Authority 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 Virginia Highlands Airport Authority'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 OMB Circular A-133, 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 Virginia Highlands Airport Authority'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


HICOK, FERN, BROWN & GARCIA
CERTIFIED PUBLIC ACCOUNTANTS

August 22, 2014

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Statement of Net Position
At June 30, 2014

Exhibit 1

<u>Assets</u>		<u>Amount</u>
Current Assets		
Cash on hand and in bank (Note 2)	\$ 855,504	
Accounts receivable	48,588	
Grant receivable	459,702	
Prepaid insurance	5,051	
Inventory (Note 1)	<u>51,522</u>	
Total Current Assets		\$ 1,420,367
Property, Plant and Equipment (Notes 1 & 3)		
Land	8,531,041	
Buildings	5,021,300	
Improvements other than buildings	12,178,861	
Construction in progress	1,450,451	
Equipment	633,033	
Furniture & fixtures	<u>56,191</u>	
	27,870,877	
Less: Accumulated Depreciation	<u>9,127,167</u>	
Total Property, Plant, & Equipment		<u>18,743,710</u>
Total Assets		<u>\$ 20,164,077</u>
<u>Liabilities and Net Position</u>		
Current Liabilities		
Accounts payable	\$ 638,507	
Accrued wages and taxes	15,194	
Accrued interest	7,324	
Current portion of long-term debt (Note 8)	<u>17,569</u>	
Total Current Liabilities		\$ 678,594
Long - Term Liabilities		
Loans payable less short-term portion (Note 8)	433,631	
Accrued vacation	<u>8,879</u>	
Total Long - Term Liabilities		<u>442,510</u>
Total Liabilities		1,121,104
Net Position		
Invested in capital assets, net of related debt	18,292,510	
Unrestricted	<u>750,463</u>	
Total Net Position		<u>19,042,973</u>
Total Liabilities & Net Position		<u>\$ 20,164,077</u>

The Notes to Financial Statements are an integral part of this statement.

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Statement of Revenues, Expenditures,
And Changes in Net Position
For the Year Ended June 30, 2014

Exhibit 2

	<u>Amount</u>
Operating Revenues:	
Fuel sales	\$ 1,390,714
Rental income	280,911
Miscellaneous income	<u>13,590</u>
Total Operating Revenues	\$ 1,685,215
Cost of Goods Sold:	
Beginning inventory at July 1, 2013	72,507
Add: Purchases	<u>980,563</u>
Goods available for resale	1,053,070
Less: Ending inventory at June 30, 2014	<u>51,522</u>
Total Cost of Goods Sold	<u>1,001,548</u>
Gross Profit	683,667
Total Operating Expenses (Schedule 1)	<u>973,074</u>
Net Income (Loss) Before Non-Operating Revenues (Expenses) and Capital Contributions	(289,407)
Non-Operating Revenues (Expenses)	
Interest income	3,187
Washington County funds	19,938
Interest expense	<u>(25,889)</u>
Total Non-Operating Revenues (Expenses)	<u>(2,764)</u>
Income (Loss) Before Capital Contributions	(292,171)
Capital Contributions	<u>2,160,119</u>
Change in net position	1,867,948
Net position at beginning of year	<u>17,175,025</u>
Net position at end of year	<u>\$ 19,042,973</u>

The Notes to Financial Statements are an integral part of this statement.

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Statement of Cash Flows
For the Year Ended June 30, 2014

Exhibit 3

	<u>Amount</u>
Cash Flows from Operating Activities	
Cash received from customers and others	\$ 1,726,763
Cash payments to suppliers for goods and services	(1,250,202)
Cash payments to employees for services and benefits	<u>(362,745)</u>
Net Cash Flows Provided By Operating Activities	\$ 113,816
Cash Flows From Non-Capital Financing Activities	
Cash received from operating grants and contributions	19,938
Cash Flows From Capital and Related Financing Activities	
Interest paid	(24,262)
Repayment of principle on debt	(486,744)
Capital projects & assets purchased	(1,159,465)
Capital contributions received	<u>1,730,830</u>
Net Cash Flows Provided By Capital And Related Financing Activities	60,359
Cash Flows From Investing Activities	
Interest Received	<u>3,187</u>
Increase In Cash and Cash Equivalents	197,300
Cash and Cash Equivalents At Beginning of Year	<u>658,204</u>
Cash and Cash Equivalents At End of Year	<u>\$ 855,504</u>
Reconciliation Of Operating Income to Net Cash Provided By Operating Activities	
Net loss from operations	\$ (289,407)
Noncash items included in net loss	
Depreciation and amortization	345,179
Changes in operating assets and liabilities	
Receivables	41,548
Inventory and prepaids	20,719
Payables and other liabilities	<u>(4,219)</u>
Net Cash Provided By Operating Activities	<u>\$ 113,820</u>

The Notes to Financial Statements are an integral part of this statement.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Financial Statements of the Virginia Highlands Airport Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Proprietary Fund Type

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The proprietary fund measurement focus is upon determination of net income, financial position, and cash flows. The proprietary fund of the Authority is an Enterprise Fund which includes all of the Authority's operations.

Enterprise Fund

The Enterprise Fund accounts for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services.

Reporting Entity

The Authority has been included in the general purpose financial statements of Washington County, Virginia as a component unit, in accordance with Statement 61 of the Governmental Accounting Standards Board.

Basis of Accounting

The Enterprise Fund uses the accrual basis of accounting. Under this method revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

Inventory

The Inventory is valued at lower of cost or market using the first in, last out method.

Cash and Cash Equivalent

Virginia Highlands Airport Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from these estimates.

Property, Plant, and Equipment

Property, plant, and equipment purchased are stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Depreciation for fixed assets has been provided over the following estimated useful lives using the straight-line method:

Buildings.....	30-40 years
Improvements other than buildings.....	15-25 years
Equipment.....	5-20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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, 2014.

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, 2014.

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 that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 2 - CASH AND INVESTMENTS

Deposits

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1-359 et. seq. of the Code of Virginia or covered by federal depository insurance. The Authority has no investments as of or for the year ended June 30, 2014.

NOTE 3 - CHANGES IN FIXED ASSETS

A summary of the changes in fixed assets follows:

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
Land	\$ 8,531,041	\$ -	\$ -	\$ 8,531,041
Buildings	5,021,300	-	-	5,021,300
Improvements	12,047,163	131,698	-	12,178,861
Equipment	465,459	167,574	-	633,033
Furniture & Fixtures	56,191	-	-	56,191
Construction in Progress	66,830	1,646,915	263,294	1,450,451
Totals	<u>26,187,984</u>	<u>1,946,187</u>	<u>263,294</u>	<u>27,870,877</u>
Accumulated Depreciation	<u>(8,781,988)</u>			<u>(9,127,167)</u>
Net	<u><u>17,405,996</u></u>			<u><u>18,743,710</u></u>

Depreciation expense for the year ending June 30, 2014 was \$345,179

NOTE 4 – COMPENSATED ABSENCES:

In accordance with GASB Statement 16 “Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences”, the Authority has accrued the liability arising from outstanding claims and judgments and compensated absences.

The Authority employees earn 12 days of vacation after they have been employed with the Authority for one year. Vacation time accrues monthly up to a maximum of 80 hours without prior approval from management. At June 30, 2014 the Authority had outstanding accrued leave of \$8,879.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 - LEASES

Lease Revenue

The Authority has various operating lease agreements for buildings currently rented in their operation. The rental agreements have various rates and terms.

The following is a schedule of future minimum rental payments required to be received under operating lease terms in excess of one year as of June 30, 2014.

<u>Year Ended June 30</u>	<u>Amount</u>
2015	\$ 125,479
2016	117,900
2017	87,421
2018	11,909
2019	11,909
2020-2024	60,579
2025-2029	63,237
2030-2034	66,081
2035-2038	49,260
2039-2044	<u>4,232</u>
Totals	<u>\$ 598,007</u>

NOTE 6 - CONTINGENT LIABILITIES

In the normal course of operations, the Authority receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material. The Authority is exposed to various risks of loss relating to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

Name of Plan:	Virginia Retirement Systems (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as set out in the table below:

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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About VRS Plan 2 VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions,

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

		About the Hybrid Retirement Plan (continued) investment gains or losses, and any required fees.
<p>Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid</p>	<p>Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014 • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Hybrid Opt-In Election (continued) Retirement Plan and remain as VRS Plan 1 or ORP.</p>		<p>Eligible Members (continued) by enhanced benefits for hazardous duty employees</p> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit</p>	<p>Retirement Contributions Same as VRS Plan 1.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Retirement Contributions (continued) payment.</p>		
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as VRS Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may e</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to</p>	<p>Vesting Same as VRS Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan</p>

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Vesting (continued) qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><u>Vesting Defined Benefit Component (continued)</u> when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.
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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

		<p><u>Defined Contributions Component: (continued)</u></p> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p>

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Earliest Unreduced Retirement Eligibility (continued) Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility (continued) Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility (continued) <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA</u> <u>Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). 	<p>Cost-of-Living Adjustment (COLA) in Retirement (continued) <u>Eligibility:</u> Same as VRS Plan 1</p> <p><u>Exceptions to COLA</u> <u>Effective Dates:</u> Same as VRS Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (continued) <u>Eligibility:</u> Same as VRS Plan 1 and VRS Plan 2.</p> <p><u>Exceptions to COLA</u> <u>Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.</p>
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VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Exceptions to COLA Effective Dates: (continued)</p> <ul style="list-style-type: none"> • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability</p>

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Disability Coverage (continued) before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage (continued) before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage (continued) retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as VRS Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as VRS Plan 1. <u>Defined Contribution Component:</u> Not applicable.</p>

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2014 was 6.00% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the Authority's annual pension cost of \$13,899 was equal to the Authority's required and actual contributions.

Three-Year Trend Information for the Authority

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 20,960	100%	\$ ---
2012	\$ 23,265	100%	\$ ---
2013	\$ 13,899	100%	\$ ---

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administration expenses) of 7.0% (b) projected salary increases ranging from 3.75% to 5.60% per year and (c) a cost of living adjustment of 2.5% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.5%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short term volatility in the market value of assets over a five year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 80.27% funded. The actuarial accrued liability for benefits was \$480,855 and the actuarial value of assets was \$385,995, resulting in an unfunded actuarial accrued liability (UAAL) of \$94,860. The covered payroll (annual payroll of active employees covered in the plan) was \$226,551 and the ratio of the UAAL to the covered payroll was 41.87%.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plans assets is increasing or decreasing over time relative to actuarial accrued liability (AAL) for benefits.

NOTE 8 – NOTES PAYABLE

	Interest Rate	Payment Amount	Balance 7/1/2013	New Issues	Principle Repayment	Balance 6/30/2014	Within One Year	Maturity Date
VRA	4.87%	\$19,666 Semi-Annual	\$ 467,944	\$ -	\$ 16,744	\$ 451,200	\$ 17,569	3/1/2031
FB&T	3.25%	Interest Only	470,000	-	470,000	-	-	NA
Total			<u>\$ 937,944</u>	<u>\$ -</u>	<u>\$ 486,744</u>	<u>\$ 451,200</u>	<u>\$ 17,569</u>	

Scheduled principal and interest payments are as follows:

Year Ended June 30	Principle	Interest
2015	\$ 17,569	\$ 21,762
2016	18,435	20,896
2017	19,344	19,987
2018	20,298	19,034
2019	21,298	18,034
2020-2024	123,311	73,344
2025-2029	156,850	39,807
2030-2031	74,095	4,564
Total	<u>\$ 451,200</u>	<u>\$ 217,428</u>

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 – RELATED PARTIES

In the normal course of operations the Authority leases hanger and office rental space. Hanger space is rented to various board members and the lease terms are comparable to other leases entered into by the Authority.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 22, 2014, the date which the financial statements were available to be issued.

VIRGINIA HIGHLANDS AIRPORT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2014

VIRGINIA HIGHLANDS AIRPORT AUTHORITY
 A COMPONENT UNIT OF WASHINGTON COUNTY, VIRGINIA
 SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT PLAN

EXHIBIT A

VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL FUNDED RATIO	UAAL COVERED PAYROLL	AS % OF PAYROLL
June 30, 2011	\$344,537	\$429,660	\$85,123	80.19%	\$191,919	44.35 %
June 30, 2012	\$363,441	\$447,308	\$83,867	81.25%	\$239,440	35.03%
June 30, 2013	\$385,995	\$480,855	\$94,860	80.27%	\$226,551	41.87%

VIRGINIA HIGHLANDS AIRPORT AUTHORITY

SUPPORTING INFORMATION

JUNE 30, 2014

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Schedule of Operating Expenses
For the Year Ended June 30, 2014

Schedule 1

	<u>Amount</u>
Operating Expenses:	
Advertising	\$ 3,356
Professional fees	28,224
Salaries	300,249
Travel and meetings	9,789
Dues and fees	1,789
Retirement and benefits	43,277
Utilities	48,582
Supplies	12,643
Insurance	33,986
Payroll taxes	22,099
Other taxes	368
Merchant processing fees	21,920
Depreciation	345,179
Repairs and maintenance	97,182
Uniforms	1,805
Miscellaneous	2,626
	<hr/>
Total Operating Expenses	<u>\$ 973,074</u>

Virginia Highlands Airport Authority
A Component Unit of Washington County, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Schedule 2

<u>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
Department of Transportation Department of Transportation Airport Improvement Program	20.106*	<u>\$ 1,158,654</u>

* Denotes Major Program

I. SUMMARY OF AUDIT RESULTS

- A. The Auditors' report expresses an unmodified opinion on the financial statements.
- B. There were no instances on noncompliance material to the financial statements of Virginia Highlands Airport Authority.
- C. There was no instance of noncompliance material to the financial statements of Virginia Highlands Airport Authority which would be required to be reported in accordance with Governmental Auditing Standards.
- D. There were no instances of noncompliance material to the Auditor's Report on Compliance With Requirements Applicable to each Major Program and Internal Control Over Financial Reporting for Virginia Highlands Airport Authority under OMB Circular A-133.
- E. Major programs as identified on the Schedule of Expenditures of Federal Awards were tested as major programs.
- F. The dollar threshold for distinguishing Types A and B programs was \$300,000.
- G. Virginia Highlands Airport Authority was determined not to be a low risk auditee.

II. SCHEDULE OF FINDINGS AND QUESTIONS COST

<u>PROGRAM</u>	<u>CATALOGUE NUMBER</u>	<u>FINDINGS</u>	<u>QUESTIONED COST</u>
Airport Improvement Program	20.106	None	None