

TITUSVILLE AIRPORT AUTHORITY
TITUSVILLE, PENNSYLVANIA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Titusville Airport Authority
Table of Contents
For the Years Ended December 31, 2017 and 2016

	<u>Page</u>
Independent Auditors' Report	3-4
Financial Statements	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9-14



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report

To the Authority Members
Titusville Airport Authority
Titusville, Pennsylvania

We have audited the accompanying financial statements of the Titusville Airport Authority, a component unit of the City of Titusville, as of and for the years ended December 31, 2017 and 2016 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 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. 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 auditors consider 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 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 Titusville Airport Authority as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the 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 the missing information.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.
Erie, Pennsylvania

January 15, 2019

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Titusville Airport Authority
Statements of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 47,412	\$ 45,538
Accounts Receivable	43,813	-
Inventories- Jet Fuel and 100ll	32,406	21,416
Prepaid Expenses	5,185	-
Total Current Assets	128,816	66,954
Property, Plant and Equipment		
Furniture and Equipment	361,877	361,877
Runway/ Taxiway	1,953,949	1,953,949
Airport Improvements	561,238	561,238
Less: Accumulated Depreciation	(1,457,523)	(1,312,136)
Construction in Progress	42,456	-
Total Property, Plant and Equipment, Net	1,461,997	1,564,928
Total Assets	1,590,813	1,631,882
Liabilities and Net Position		
Accounts Payable	42,797	-
Total Liabilities	42,797	-
Net Position		
Unrestricted	1,548,016	1,631,882
Total Net Position	1,548,016	1,631,882
Total Liabilities and Net Position	\$ 1,590,813	\$ 1,631,882

See accompanying notes to financial statements.

Titusville Airport Authority
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues		
Fuel Sales	\$ 10,601	\$ 15,480
Cost of Goods Sold - Fuel Purchases	(7,585)	(10,929)
Fuel Income	3,016	4,551
Rental Income	10,489	5,740
Landing and Tiedown Fees	3,315	1,775
Other Income	567	22
Total Operating Revenue	17,387	12,088
Operating Expenses		
General Expenditures	12,405	19,242
Utilities	3,756	3,874
Repairs and Maintenance	4,309	3,894
Professional Fees	3,966	-
Depreciation Expense	145,387	144,915
Total Operating Expenses	169,823	171,925
Income (Loss) from Operations	(152,436)	(159,837)
Non-Operating Revenues (Expenses)		
Grant Income	40,486	67,246
Grant Project Expense	-	(71,148)
Contribution Income	27,150	560
Royalties	934	475
Total Non-Operating Revenues	68,570	(2,867)
Net Income (Loss)	(83,866)	(162,704)
Net Position at Beginning of Year	1,631,882	1,794,586
Net Position at End of Year	\$ 1,548,016	\$ 1,631,882

See accompanying notes to financial statements.

Titusville Airport Authority
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Aviation Fuel and Gas Sales	\$ 10,601	\$ 15,480
Aviation Fuel and Gas Purchases	(18,576)	(14,645)
Rental Income	10,489	5,740
Landings and Tie Down Fees	3,315	1,775
Other Income	567	22
Cash Disbursements for Operating Expenses	(30,634)	(27,010)
Net Cash Provided by Operating Activities	(24,238)	(18,638)
Cash Flows from Investing Activities		
Royalties Received	934	475
Purchases of Construction in Progress	(42,458)	-
Net Cash (Used) by Investing Activities	(41,524)	475
Cash Flows from Financing Activities		
Grant Revenues	40,486	67,246
Grant Project Expenses	-	(71,148)
Contribution Income	27,150	560
Net Cash (Used) by Financing Activities	67,636	(3,342)
Net Increase in Cash	1,874	(21,505)
Cash at Beginning of the Year	45,538	67,043
Cash at End of the Year	\$ 47,412	\$ 45,538
Reconciliation of Changes in Net Assets		
Cash Flows From Operating Activities		
Income (Loss) from operations	(152,436)	(159,837)
Adjustments to Reconcile Increase in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	145,387	144,915
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(43,813)	-
(Increase) Decrease in Inventory	(10,990)	(3,716)
(Increase) Decrease in Prepaid Expenses	(5,185)	-
Increase (Decrease) in Accounts Payable	42,799	-
Net Cash Provided by Operating Activities	\$ (24,238)	\$ (18,638)

See accompanying notes to financial statements.

TITUSVILLE AIRPORT AUTHORITY
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Titusville Airport Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Authority's accounting policies are described below.

A. General

The Titusville Airport Authority was established under the laws of the Commonwealth of Pennsylvania, pursuant to the Municipal Authorities Act of 1945, approved May 2, 1945, P.L. 382, as amended, having been duly organized by Crawford County. The Authority was created to operate, manage and develop the City of Titusville's Airport, which is located just outside the City of Titusville in Crawford County, Pennsylvania on property owned by the City. The financial statements of the Titusville Airport Authority consist only of funds held by the Authority. The Authority has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Authority.

B. Basis of Presentation

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority operates one proprietary fund.

Proprietary Fund – Proprietary Fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The Authority's proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services are financed properly through user charges; or where the governing body is required to maintain such a system for capital maintenance, management control, accountability or other purposes.

C. Measurement Focus

Fund Financial Statements – The Proprietary Fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases and decreases in net position. The Statements of Cash Flows provide information about how the Authority finances and meets the cash flow needs of its proprietary activity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT INUED)

D. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary funds use the accrual basis of accounting.

Revenue/Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place.

Deferred/Unearned Revenue - Deferred and unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue consists of advanced collections from customers for services to be provided.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

E. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the proprietary fund financial statement.

F. Net Position

Net position represents the difference between assets and liabilities. Net balance invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of these assets. Net position is reported as restricted when there are limitations imposed on their use through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are charges for sales and services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT INUED)

H. Capital Assets

Capital assets are recorded at cost and depreciated over the estimated useful life of the related asset. Depreciation is computed on the straight-line method. The cost of capital assets retired or otherwise disposed of and the accumulated depreciation thereon is eliminated from the asset and related reserve accounts and the resulting difference, after giving effect to any proceeds from sales, is charged against income. The Authority follows a capitalization policy of \$1,000 per item. The cost of periodic repairs necessary to continue operations is expensed rather than capitalized. The estimated useful lives of the assets used are as follows: equipment (7-15 years) and improvements (20-35 years).

I. Accounts Receivable

The Authority has outstanding accounts receivable for the year ending December 31, 2017 related to grants and fuel sales. The Authority does not provide an allowance for losses on accounts receivable but does review the current status of existing receivables and uses a direct write-off method of any accounts considered uncollectible. This method produces similar results to an allowance account. No write-offs occurred during the years ending December 31, 2017 and 2016.

J. Cash and Cash Equivalents

Pennsylvania statutes provide for the investment of governmental funds into certain authorized investment types including U. S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits. However, they do allow pooling of governmental funds for investment purposes. The Authority considers all highly liquid investments with maturity of three months or less to be cash equivalents.

The deposit and investment policy of the Authority adheres to state statutes and prudent business practices. Deposits of the governmental funds are maintained in demand deposits and are captioned as “cash and cash equivalents” in the Statements of Net Position.

As of December 31, 2017, and 2016 the carrying value and the related bank balance of the Authority’s cash deposits were \$47,412 and \$45,538, respectively. The bank balance was covered by the Federal Deposit Insurance Coverage (FDIC), which insures deposits up to a maximum amount of \$250,000.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Management Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the amounts of revenue and expenses reported during the period covered by this report. Accordingly, actual results could differ from those estimates and assumptions.

L. Inventory

Inventory consists solely of aviation fuel held for resale and is valued at the cost of last purchase during the fiscal year.

M. Risk Management

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss, including workers compensation, general liability and aviation liability insurance.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Authority receives a substantial amount of its revenue from the Federal Government, the Commonwealth of Pennsylvania and Crawford County. A loss of funding from these entities or a change in the economic condition in the Crawford County area could have a material effect on the operations of the Authority.

NOTE 3 – GOING CONCERN

The Authority operates an airport facility on property owned by the City of Titusville, PA (the City). In late 2017, the City manager notified the Authority that the City does not intend to continue this arrangement and the City expressed the intent to assume control of the property. This has led to discussions between the Authority and the City regarding the future operation of the property. While we believe that the operation of the airport property will continue, there is a strong possibility that the Authority will not continue as a going concern. These financial statements do not contain any adjustments which would be necessary should the Authority not continue as a going concern.

NOTE 4 – RELATED PARTIES

The City of Titusville is a related organization holding an agency relationship with the Authority but is excluded from the Authority's financial reporting since the Authority has no control or dependence on the City's operations. Audited financial statements of the City of Titusville are available upon request to the City Manager's office.

NOTE 5 – CAPITAL ASSETS

Capital assets as of December 31, 2017 and 2016 are as follows:

	Balance 12/31/16	Increase or (Decrease)	Balance 12/31/17
Capital Assets			
Furniture and Equipment	\$ 361,877	\$ -	\$ 361,877
Runway and Taxiway	1,953,949	-	1,953,949
Airport Improvements	561,238	-	561,238
Total Capital Assets	<u>2,877,064</u>	<u>-</u>	<u>2,877,064</u>
Less: Accumulated Depreciation			
Furniture and Equipment	288,711	33,238	321,949
Runway and Taxiway	856,393	81,627	938,020
Airport Improvements	167,032	30,522	197,554
Total Accumulated Depreciation	<u>1,312,136</u>	<u>145,387</u>	<u>1,457,523</u>
Total Capital Assets	<u>\$ 1,564,928</u>	<u>\$ (145,387)</u>	<u>\$ 1,419,541</u>

Depreciation has been recorded on the straight-line basis over the useful life of the asset. For the year ended December 31 2017, depreciation of \$145,387 was charged to operations.

NOTE 6 – NET POSITION RESTATEMENT

Due to an over-valued fuel inventory at January 1, 2016, the Authority's Net Position as of that date has been restated as follows:

	<u>Inventories</u>	<u>Equity</u>
Balance as of January 1, 2016, Prior to Restatement	\$ 23,778	\$ 1,800,660
Effect of Restatement	<u>(6,074)</u>	<u>(6,074)</u>
Balance as of January 1, 2016	<u>\$ 17,704</u>	<u>\$ 1,794,586</u>

Due to an over-valued fuel inventory at December 31, 2015, the Authority's Net Income as of that date has been restated as follows:

	<u>Cost of Goods Sold</u>	<u>Net Income (Loss)</u>
Balance as of December 31, 2016, Prior to Restatement	\$ (10,655)	\$ (162,430)
Effect of Restatement	<u>(274)</u>	<u>(274)</u>
Balance as of December 31, 2016	<u>\$ (10,929)</u>	<u>\$ (162,704)</u>

NOTE 7 – LEASE AGREEMENT

The Titusville Airport Authority activities are conducted at the Airport, which is leased from the City of Titusville. There are no lease payments payable to the City of Titusville; however, the Airport Authority is responsible for operating and maintaining the facility. The current lease commenced March 4th, 2003 and unless sooner terminated as provided herein, it shall continue until terminated by Lessor by written notice to Lessee, effective at any time. Lessee shall have no right to terminate this Lease under any circumstances.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued. In late 2017 the Authority engaged in a discussion with the City of Titusville regarding the status of the current lease. Although litigation never commenced, the result of the discussion granted the City of Titusville to possess control over the City-owned Airport property and the Authority. As of July 2018, the City of Titusville has taken over responsibility for performing all management activities of the Airport Authority.