

MOUNT AIRY/SURRY COUNTY
AIRPORT AUTHORITY
(A Component Unit of Surry County, North Carolina)

Financial Statements

June 30, 2021



GOULD KILLIAN
CPA GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Mount Airy/Surry County Airport Authority
(A Component Unit of Surry County, North Carolina)

BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Commissioners
Mount Airy/Surry County Airport Authority
Dobson, North Carolina

We have audited the accompanying financial statements of the Mount Airy/Surry County Airport Authority (a component unit of Surry County, North Carolina) (the “Authority”) which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year 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 audits. We conducted our audits 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 Comptroller 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mount Airy/Surry County Airport Authority as of June 30, 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Mount Airy/Surry County Airport Authority. The budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules 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 budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2021 on our consideration of Mount Airy/Surry County Airport 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 the 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. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Airy/Surry County Airport Authority's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 26, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mount Airy/Surry County Airport Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of its financial activities of the Authority for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

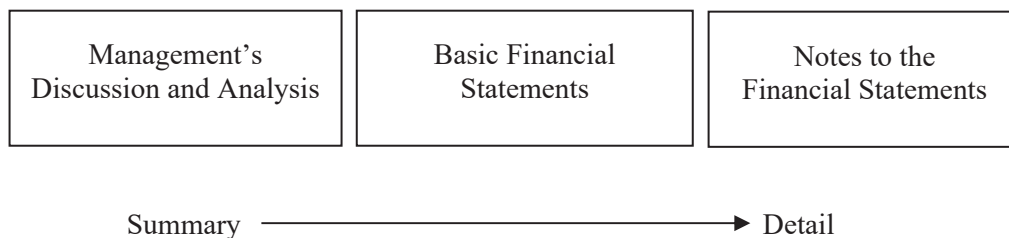
Financial Highlights

- As of the close of the current fiscal year, the assets of Mount Airy/Surry County Airport Authority exceeded its liabilities by \$27,487,233 (net position). This includes unrestricted net position of \$692,995.
- The Authority's net position increased by \$2,876,833 as a result of additional grant funding for corporate hanger construction.
- Capital assets of the Authority increased by approximately \$2,700,000 due to continued airport development.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of two components: 1) basic financial statements and 2) notes to the financial statements (see Figure 1). In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Authority.

Figure 1 – Required Components of Annual Financial Report



Basic Financial Statements

The Mount Airy/Surry County Airport Authority's basic financial statements are comprised of Exhibits 1 through 3. The Mount Airy/Surry County Airport Authority operates as a singular Enterprise Fund. All activities of the Authority are considered business-type activities. Business-type activities are those that the Authority charges customers to provide aviation services.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided. Budgetary information required by the General Statutes can be found in this part of the statements.

**MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUTHORITY'S NET POSITION
Table 1**

	<u>FY 2021</u>	<u>FY 2020</u>
Assets:		
Current and other assets	\$ 1,494,842	\$ 1,185,004
Capital assets, net	<u>26,794,238</u>	<u>24,096,047</u>
Total assets	<u>28,289,080</u>	<u>25,281,051</u>
Liabilities:		
Current liabilities	787,972	670,651
Compensated absences	<u>13,875</u>	<u>-</u>
Total liabilities	<u>801,847</u>	<u>670,651</u>
Net position:		
Net investment in capital assets	26,794,238	24,096,047
Unrestricted	<u>692,995</u>	<u>514,353</u>
Total net position	<u>\$ 27,487,233</u>	<u>\$ 24,610,400</u>

Net position may serve, over time, as one useful indicator of the Authority's financial condition. The assets of the Mount Airy/Surry County Airport Authority exceeded liabilities by \$27,487,233 (net position) as of June 30, 2021. The largest portion of net position (97%) reflects the Authority's investment in capital assets (e.g., buildings, land, fixtures, equipment and construction in process); less any related debt still outstanding that was issued to acquire those items. The Mount Airy/Surry County Airport Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**AUTHORITY'S CHANGES IN NET POSITION
Table 2**

	<u>FY 2021</u>	<u>FY 2020</u>
Operating revenues:		
Rental income	\$ 164,156	\$ 125,400
Other income	<u>195,478</u>	<u>21,065</u>
Total operating revenues	<u>359,634</u>	<u>146,465</u>
Operating expenses:		
Airport operations	606,972	495,410
Depreciation	<u>484,196</u>	<u>490,570</u>
Total operating expenses	<u>1,091,168</u>	<u>985,980</u>
Operating loss	(731,534)	(839,515)
Non-operating revenues:		
CARES Act funding	30,000	-
Surry County annual appropriation	<u>277,917</u>	<u>315,264</u>
Total non-operating revenues	<u>307,917</u>	<u>315,264</u>
Loss before contributions	(423,617)	(524,423)
Capital contributions	<u>3,300,450</u>	<u>3,745,895</u>
Change in net position	2,876,833	3,221,472
Net position, beginning	<u>24,610,400</u>	<u>21,388,928</u>
Total net position, end of year	<u>\$ 27,487,233</u>	<u>\$ 24,610,400</u>

Business-type activities.

Business-type activities increased the Mount Airy/Surry County Airport Authority's net position by \$2,876,833. Key elements of the increase are as follows:

- Continued support by Surry County for the corporate development projects;
- Increased aviation activity;
- Continued to receive grant revenues related to capital improvements.

Capital Asset and Debt Administration

Capital assets. The Mount Airy/Surry County Airport Authority's capital assets as of June 30, 2021 total \$26,794,238 (net of accumulated depreciation). These assets include land, construction in progress, land improvements, buildings, and equipment.

**MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Major capital asset transactions during the year include the following:

- Continued improvements to runway and taxiway

**AUTHORITY'S CAPITAL ASSETS
(Net of Depreciation)
Table 3**

	<u>FY 2021</u>	<u>FY 2020</u>
Land	\$ 3,983,770	\$ 3,983,770
Construction in progress	11,965,241	8,782,855
Land improvements	10,120,031	10,564,805
Buildings	697,265	727,447
Equipment and vehicles	<u>27,931</u>	<u>37,170</u>
Total capital assets, net	<u>\$ 26,794,238</u>	<u>\$ 24,096,047</u>

Additional information on the Authority's capital assets can be found in Notes 1 and 2 of the Basic Financial Statements.

Debt Administration. At June 30, 2021, the Authority had no outstanding long-term debt.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2022

The economic outlook for the upcoming year is positive. Phase II of infrastructure installation is continuing and expected to be completed in FY22. The parallel taxiway extension project will also begin in FY22. The Authority did not renew the fixed based operator contract and brought the sale of fuel and other day to day operations in house effective January 1, 2021.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to Rhonda Nixon, Finance Officer, PO Box 1467, 114 West Atkins St, Dobson, North Carolina 27017.

BASIC FINANCIAL STATEMENTS

MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY
(A COMPONENT UNIT OF SURRY COUNTY, NORTH CAROLINA)

Exhibit 1

STATEMENT OF NET POSITION

June 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 618,057
Due from other governments	842,618
Inventory	29,417
Restricted cash	<u>4,750</u>
Total current assets	<u>1,494,842</u>

Non-current assets:

Land and construction in progress	15,949,011
Depreciable capital assets, net	<u>10,845,227</u>
Total non-current assets	<u>26,794,238</u>

Total assets 28,289,080

Liabilities

Current liabilities:

Accounts payable	783,222
Payable from restricted assets - rental deposits	<u>4,750</u>
Total current liabilities	<u>787,972</u>

Long-term liabilities:

Compensated absences 13,875

Total liabilities 801,847

Net Position

Net investment in capital assets	26,794,238
Unrestricted	<u>692,995</u>
Total net position	<u>\$ 27,487,233</u>

The accompanying notes are an integral part of these financial statements.

MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY
(A COMPONENT UNIT OF SURRY COUNTY, NORTH CAROLINA)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2021

Exhibit 2

Operating revenues:	
Rental income	\$ 164,156
Fuel income	194,801
Other operating income	<u>677</u>
Total operating revenues	<u>359,634</u>
Operating expenses:	
Salaries and benefits	194,717
Fuel purchases	135,355
Repairs and maintenance	101,004
Utilities	13,647
Insurance	29,894
Other operating expenses	40,612
Professional services	91,743
Depreciation	<u>484,196</u>
Total operating expenses	<u>1,091,168</u>
Operating loss	<u>(731,534)</u>
Non-operating revenues:	
CARES Act funding	30,000
Surry County annual appropriation	<u>277,917</u>
Total non-operating revenues	<u>307,917</u>
Loss before capital contributions	(423,617)
Capital contributions	<u>3,300,450</u>
Change in net position	2,876,833
Net position, beginning of year	<u>24,610,400</u>
Net position, end of year	<u>\$ 27,487,233</u>

The accompanying notes are an integral part of these financial statements.

MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY
(A COMPONENT UNIT OF SURRY COUNTY, NORTH CAROLINA)

Exhibit 3

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

Cash Flows from Operating Activities:

Cash received from customers	\$ 363,739
Cash paid for goods and services	(441,672)
Cash paid to or on behalf of employees for services	<u>(180,842)</u>
Net cash used by operating activities	<u>(258,775)</u>

Cash Flows from Non-capital Financing Activities:

Annual appropriation received from Surry County	277,917
CARES Act funding	<u>30,000</u>
Net cash provided by non-capital financing activities	<u>307,917</u>

Cash Flows from Capital and Related Financing Activities:

Grant proceeds	3,060,594
Acquisition and construction of capital assets	<u>(3,065,063)</u>
Net cash used by capital and related financing activities	<u>(4,469)</u>

Net increase in cash and cash equivalents	44,673
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Cash and cash equivalents, beginning of year	<u>578,134</u>
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Cash and cash equivalents, end of year	<u><u>\$ 622,807</u></u>
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Reconciliation of Operating Loss to Net Cash

Used by Operating Activities:

Operating loss	\$ (731,534)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	484,196
Changes in operating assets and liabilities:	
Decrease in accounts receivable	4,105
Increase in inventory	(29,417)
Increase in compensated absences	<u>13,875</u>
Net cash used by operating activities	<u><u>\$ (258,775)</u></u>

Supplemental Cash Flow Information:

Acquisition of capital assets included in accounts payable	<u><u>\$ 783,222</u></u>
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The accompanying notes are an integral part of these financial statements.

MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY
(A Component Unit of Surry County, North Carolina)

NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

Note 1- Summary of Significant Accounting Policies

The accounting policies of the Mount Airy/Surry County Airport Authority (the "Authority") conform to generally accepted accounting principles as they apply to governments. The following is a summary of the more significant accounting policies:

A. Reporting entity

The Authority is a public authority, a legal subdivision of the State, separate from Surry County and the City of Mount Airy. The Authority is governed by a seven-member Board of Directors, in which five members are appointed by Surry County and two members are appointed by the City of Mount Airy. In May 2017, the County Commissioners of Surry County appointed themselves to the five member seats appointed by Surry County. Therefore, the Authority is included in the reporting entity of the County of Surry, North Carolina under GASB Statement 14.

The Authority had an agreement with Ra-Tech Aviation, LLC ("Ra-Tech"), under which Ra-Tech operated and maintained the airport. Under the terms of the agreement, Ra-Tech leased multiple hangars from the Authority, including a maintenance hangar and the common hangar, as well as all tie down spaces. The leased premises are to be used for the purposes of conducting the business of a Fixed Base Operator ("FBO"), including flight training, provision of maintenance services for aircraft, and the efficient operations of the airport. Ra-Tech was also charged with providing petroleum products for sale to aircraft using the airport. In exchange for these services, the Authority paid Ra-Tech a monthly management fee of \$7,000. In exchange for use of the fueling equipment, Ra-Tech paid the Authority a fee of \$0.10 per gallon of fuel pumped from the Authority's fuel tanks and pumping station. Ra-Tech retained all income from the rental of all facilities leased from the Authority, while the Authority retained income related to all other hangars (see Note 3D). The term of the agreement ran through December 31, 2020. The contract was not renewed with Ra-Tech, and beginning on January 1, 2021 the Authority has taken over all airport operations. As a result, the Authority now reports fuel sales in these financial statements. Additional staff were also hired by the Authority to assist with operating and maintaining the airport.

B. Basis of presentation

Business-type activities are financed, in whole or in part, by fees charged to external parties. All activities of the Authority are considered business-type activities.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Authority has one fund category - Proprietary Funds.

Proprietary funds include the following fund types:

Enterprise Fund

Airport Operations Fund. Enterprise funds are used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public, on a continuing basis, be finance or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Mount Airy/Surry County Airport Authority operates as a singular Enterprise Fund.

Capital Project Fund

Airport Capital Project Fund. Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds). The Authority maintains one capital project fund for the Airport Improvement Plan, which is consolidated with the Airport Operations Fund for financial reporting purposes.

The Enterprise Fund is considered a major fund for the year ended June 30, 2021.

C. Measurement focus, basis of accounting

In accordance with North Carolina General Statutes, the fund of the Authority is maintained during the year using the modified accrual basis of accounting.

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus. The proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds 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 non-operating revenues and expenses.

D. Budgetary data

The Authority's budget is adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the enterprise fund while the capital project fund has a project ordinance. All annual appropriations lapse at the fiscal year-end. The budget is prepared at the line item level using the budgetary basis of accounting (modified accrual). To account for the difference between the budgetary basis of accounting and the full accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Expenditures may not legally exceed appropriations at the departmental level for enterprise funds. The budget ordinance must be adopted by July 1 of the fiscal year or the governing

board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, liabilities, and fund equity

1. Deposits and investments

All deposits of the Authority are made in Board-designated official depositories and are collateralized as required by State law [G.S. 159-31]. The Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and SuperNow accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust (NCCMT).

2. Cash and cash equivalents

The Authority considers demand deposits and investments with an original maturity of three months or less, which are not limited to use, to be cash and cash equivalents.

3. Inventories

Fuel inventories are recorded at cost, cost being determined on the first-in, first-out basis. The consumption method is used to accounts for inventories. Under the consumption method, inventories are recorded as expenditures when used and inventory on hand at year-end is recorded as an asset.

4. Capital assets

Property and equipment are recorded at original cost at the time of acquisition. Capital assets donated are recorded at estimated fair market value at the date of donation. Upon disposal of an asset, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period. Assets are depreciated using the straight-line method over the following years:

<u>Assets</u>	<u>Estimated Useful Lives (In Years)</u>
Equipment	5
Vehicles	5
Other improvements (land improvements)	10 - 40
Landing lights	10 - 20
Buildings	20 - 50

Minimum capitalization cost is \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

5. Compensated absences

The vacation policy of the Authority provides for the annual accumulation of up to thirty (30) days, earned vacation leave with such leave being fully vested when earned. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements.

The Authority's sick leave policy provides for an unlimited annual accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Authority has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

6. Net position

Net position in the proprietary fund financial statements is classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statute.

7. Use of estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2- Detail Notes on All Funds**A. Assets****1. Deposits**

All of the Authority's deposits are insured or collateralized by using one of two options. Under the Dedicated Method, all deposits over the Federal depository insurance coverage are collateralized with securities held by the Authority's agent in the Authority's name. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agent in the Authority's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization; and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each pooling method depository. The State Treasurer enforces standards of minimum capitalization for all Pooling Method financial institutions. The Authority relies on the State Treasurer to monitor those financial institutions.

The Authority analyzes the financial soundness of any other financial institution used by the Authority. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Authority does not have a policy regarding custodial credit risk for deposits.

At June 30, 2021, the Authority's deposits had a carrying amount and bank balance of \$622,807. Because these funds are held by Surry County in their central depository account, it is not possible to determine the amounts covered under federal depository insurance versus the amount covered by collateral held under the pooling method. Therefore, all balances will be considered to be covered by collateral held under the pooling method. The Authority holds no petty cash.

2. Due from other governments

As of June 30, 2021, amounts due from other governments of \$842,618 consisted of \$29,714 in sales tax refunds receivable and grant reimbursements receivable from the North Carolina Department of Transportation in the amount of \$812,904.

3. Changes in capital assets

The capital assets of the Authority at June 30, 2021 consisted of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 3,983,770	\$ -	\$ -	\$ 3,983,770
Construction in progress	<u>8,782,855</u>	<u>3,182,386</u>	<u>-</u>	<u>11,965,241</u>
Total capital assets not being depreciated	<u>12,766,625</u>	<u>3,182,386</u>	<u>-</u>	<u>15,949,011</u>
Capital assets being depreciated:				
Land improvements	13,824,925	-	-	13,824,925
Buildings	1,298,450	-	-	1,298,450
Equipment	80,095	-	-	80,095
Vehicles & motorized equipment	<u>44,446</u>	<u>-</u>	<u>-</u>	<u>44,446</u>
Total capital assets being depreciated	<u>15,247,916</u>	<u>-</u>	<u>-</u>	<u>15,247,916</u>
Less accumulated depreciation for:				
Land improvements	3,260,120	444,774	-	3,704,894
Buildings	571,003	30,182	-	601,185
Equipment	62,637	4,206	-	66,843
Vehicles & motorized equipment	<u>24,734</u>	<u>5,033</u>	<u>-</u>	<u>29,767</u>
Total accumulated depreciation	<u>3,918,494</u>	<u>484,195</u>	<u>-</u>	<u>4,402,689</u>
Total capital assets being depreciated, net	<u>11,329,422</u>			<u>10,845,227</u>
Total capital assets	<u>\$24,096,047</u>			<u>\$26,794,238</u>

Construction commitments

As of June 30, 2021, the Authority has incurred expenditures under construction contracts related to the runway expansion and improvement projects in the amount of \$3,200,640. The remaining commitment under these contracts is approximately \$1.5 million

B. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past fiscal years. The Authority has elected not to carry flood insurance.

In accordance with G. S. 159-29, the Authority's Finance Director is performance bonded through a commercial surety bond for \$50,000.

C. Leases

The Authority rents other hangar spaces to tenants with initial lease terms of one year, followed by month-to-month terms, from \$125 to \$1,000 per month. The Authority also rents residential property that is near the Mount Airy/Surry County Airport, which the Authority is not currently using for operations, to tenants with initial lease terms of one year, followed by month-to-month terms, from \$350 to \$800 per month. Total income from hangar space and land rentals for the year ended June 30, 2021 was \$164,156.

Note 3- Related Party Transactions

On May 17, 2017, the Authority entered into a contract for general management and financial services with Surry County. Under the terms of the contract, beginning July 1, 2017, the Authority will pay Surry County an annual sum of \$5,000 as compensation for management and financial accounting services. Fees of \$5,000 were incurred and paid under this contract during the year ended June 30, 2021.

For the year ended June 30, 2021, the Authority received funding from Surry County in the total amount of \$277,917 for operating costs.

Note 4- Contingent Liabilities

The Authority is subject to potential claims which may arise out of the ordinary conduct of its affairs. It is the opinion of the Authority's management and the Authority's attorney that settlement of these matters, if any, will not have a material adverse effect on the Authority's financial position.

SUPPLEMENTAL FINANCIAL DATA

MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY
(A COMPONENT UNIT OF SURRY COUNTY, NORTH CAROLINA)

AIRPORT OPERATIONS FUND

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the year ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Rental income	\$ 159,975	\$ 164,156	\$ 4,181
Fuel income	187,557	194,801	7,244
Other operating income	<u>-</u>	<u>677</u>	<u>677</u>
Total operating revenues	<u>347,532</u>	<u>359,634</u>	<u>12,102</u>
Non-operating Revenues:			
CARES Act funding	30,000	30,000	-
Surry County annual appropriation	<u>277,917</u>	<u>277,917</u>	<u>-</u>
Total non-operating revenues	<u>307,917</u>	<u>307,917</u>	<u>-</u>
 Total revenues	 <u>655,449</u>	 <u>667,551</u>	 <u>12,102</u>
Expenditures:			
Salaries and benefits	180,049	180,842	(793)
Fuel purchases	171,260	135,355	35,905
Repairs and maintenance	90,750	101,004	(10,254)
Utilities	17,000	13,647	3,353
Insurance	28,000	29,894	(1,894)
Other operating expenses	44,940	40,612	4,328
Professional services	100,000	73,489	26,511
Capital outlay	<u>23,450</u>	<u>-</u>	<u>23,450</u>
Total expenditures	<u>655,449</u>	<u>574,843</u>	<u>80,606</u>
 Net change in fund balance	 <u>\$ -</u>	 92,708	 <u>\$ 92,708</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual basis:**

From Airport Capital Projects Fund:

Capital contributions	3,300,450
Expense from capital project fund	(18,254)
Compensated absences	(13,875)
Depreciation	<u>(484,196)</u>

Total reconciling items 2,784,125

Change in net position \$ 2,876,833

MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY
(A COMPONENT UNIT OF SURRY COUNTY, NORTH CAROLINA)
AIRPORT CAPITAL PROJECTS FUND
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From inception and the year ended June 30, 2021

	<u>Total Project Budget</u>	<u>Prior Years</u>	<u>Current Actual</u>	<u>Total</u>	<u>Variance Positive (Negative)</u>
Revenues:					
NCDOT aviation grants	\$ 12,846,775	\$ 8,099,161	\$ 3,300,450	\$ 11,399,611	\$ (1,447,164)
Surry County contribution	681,951	-	-	-	(681,951)
Total revenues	<u>13,528,726</u>	<u>8,099,161</u>	<u>3,300,450</u>	<u>11,399,611</u>	<u>(2,129,115)</u>
Expenditures:					
Hanger Apron Rehab	200,000	-	113,034	113,034	86,966
Runway and taxiway extension	6,388,466	6,120,616	24,939	6,145,555	242,911
Corporate area development phase I	2,131,031	2,113,639	13,493	2,127,132	3,899
Airport layout plan	18,254	-	18,254	18,254	-
Corporate area development phase II	<u>4,790,975</u>	<u>527,845</u>	<u>3,030,920</u>	<u>3,558,765</u>	<u>1,232,210</u>
Total expenditures	<u>13,528,726</u>	<u>8,762,100</u>	<u>3,200,640</u>	<u>11,962,740</u>	<u>1,565,986</u>
Revenue under expenditures	<u>\$ -</u>	<u>\$ (662,939)</u>	<u>\$ 99,810</u>	<u>\$ (563,129)</u>	<u>\$ (563,129)</u>

COMPLIANCE SECTION



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

**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***

Independent Auditors' Report

To the Board of Trustees
Mount Airy/Surry County Airport Authority
Dobson, North Carolina

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 Mount Airy/Surry County Airport Authority, which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mount Airy/Surry County 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 Mount Airy/Surry County Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Airy/Surry County Airport Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 the 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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Airy/Surry County 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 is required to be reported under *Government Auditing Standards*.

Purpose of the 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.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 26, 2021

MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2021

I. Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____yes X none reported
- Noncompliance material to financial statements noted _____yes X no

MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Year Ended June 30, 2021

None reported.