

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

**Financial Statements**

**June 30, 2023**

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

**BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

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"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

### **Opinions**

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, 2023, 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.

### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mount Airy/Surry County Airport Authority, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mount Airy/Surry County Airport Authority's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mount Airy/Surry County Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mount Airy/Surry County Airport Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **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 17, 2023 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 17, 2023

**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, 2023. 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.

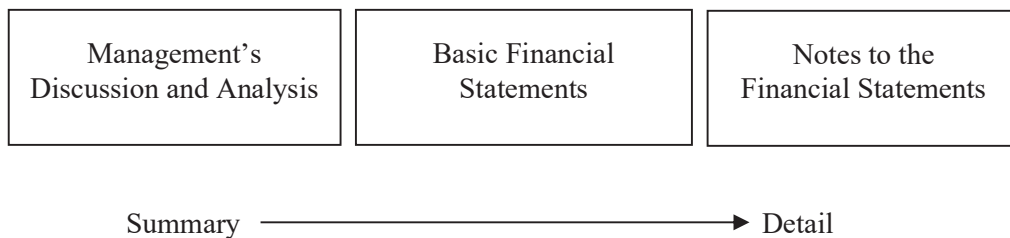
**Financial Highlights**

- As of the close of the current fiscal year, the assets of Mount Airy/Surry County Airport Authority exceeded its liabilities by \$28,663,856 (net position). This includes unrestricted net position of \$844,801.
- The Authority's net position increased by \$20,929 as a result of fuel sales and grant revenue for ongoing construction projects.
- Capital assets of the Authority increased by approximately \$92,849 due to continued airport development offset by depreciation expense.

**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.

**AUTHORITY'S NET POSITION  
Table 1**

	<u>FY 2023</u>	<u>As Restated FY 2022</u>
Assets:		
Current and other assets	\$ 4,369,757	\$ 3,880,698
Lease receivable	423,799	464,789
Capital assets, net	<u>27,819,055</u>	<u>27,726,566</u>
Total assets	<u>32,612,611</u>	<u>32,072,053</u>
Liabilities:		
Current liabilities	3,491,704	2,935,315
Compensated absences	<u>38,002</u>	<u>33,090</u>
Total liabilities	<u>3,529,706</u>	<u>2,968,405</u>
Deferred inflow	<u>419,049</u>	<u>460,721</u>
Net position:		
Net investment in capital assets	27,819,055	27,726,566
Unrestricted	<u>844,801</u>	<u>916,361</u>
Total net position	<u>\$ 28,663,856</u>	<u>\$ 28,642,927</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 \$28,663,856 (net position) as of June 30, 2023. 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 2023</u>	<u>FY 2022</u>
Operating revenues:		
Rental and lease income	\$ 173,572	\$ 165,089
Fuel sales and other income	<u>586,661</u>	<u>593,801</u>
Total operating revenues	<u>760,233</u>	<u>758,890</u>
Operating expenses:		
Airport operations	919,816	972,496
Depreciation	<u>907,991</u>	<u>690,987</u>
Total operating expenses	<u>1,827,807</u>	<u>1,663,483</u>
Operating loss	(1,067,574)	(904,593)
Non-operating revenues:		
CARES Act funding	-	45,000
Loss on disposal of assets	(3,622)	-
Investment earnings	7,760	-
Contribution from City of Mt. Airy	20,000	10,000
Surry County annual appropriation	<u>237,239</u>	<u>240,629</u>
Total non-operating revenues	<u>261,377</u>	<u>295,629</u>
Loss before contributions	(806,197)	(608,964)
Capital contributions	<u>827,126</u>	<u>1,764,658</u>
Change in net position	20,929	1,155,694
Net position, beginning	<u>28,642,927</u>	<u>27,487,233</u>
Total net position, end of year	<u>\$ 28,663,856</u>	<u>\$ 28,642,927</u>

**Business-type activities.**

Business-type activities increased the Mount Airy/Surry County Airport Authority's net position by \$20,929. 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.



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

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**Capital Asset and Debt Administration**

**Capital assets.** The Mount Airy/Surry County Airport Authority's capital assets as of June 30, 2023 total \$27,819,055 (net of accumulated depreciation). These assets include land, construction in progress, land improvements, buildings, and equipment.

Major capital asset transactions during the year include the following:

- Continued improvements to runway, taxiway, and infrastructure.

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

	<u>FY 2023</u>	<u>FY 2022</u>
Land	\$ 3,981,472	\$ 3,983,770
Construction in progress	1,558,323	561,833
Land improvements	14,852,504	15,667,171
Buildings	7,411,583	7,495,100
Equipment and vehicles	<u>15,173</u>	<u>18,692</u>
Total capital assets, net	<u>\$ 27,819,055</u>	<u>\$ 27,726,566</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, 2023, the Authority had no outstanding long-term debt.

**BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2024**

The economic outlook for the upcoming year is positive. Terminal construction will soon begin. Corporate area development is underway. Taxiway improvements are wrapping up. Fuel sales are projected to continue to increase throughout FY24.

**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 Laura Neely, 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, 2023

**Assets**

Current assets:

Cash and cash equivalents	\$ 883,484
Due from other governments	656,865
Inventory	47,921
Restricted cash	<u>2,781,487</u>
Total current assets	<u>4,369,757</u>

Non-current assets:

Land and construction in progress	5,539,795
Depreciable capital assets, net	<u>22,279,260</u>
Total capital assets, net	27,819,055
Leases receivable	<u>423,799</u>
Total non-current assets	<u>28,242,854</u>

Total assets	<u>32,612,611</u>
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**Liabilities**

Current liabilities:

Accounts payable	710,217
Payable from restricted assets - rental deposits	7,500
Unearned revenue	2,773,987
Compensated absences	<u>38,002</u>
Total current liabilities	<u>3,529,706</u>

**Deferred Inflows of Resources**

Leases	<u>419,049</u>
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**Net Position**

Net investment in capital assets	27,819,055
Unrestricted	<u>844,801</u>
Total net position	<u>\$ 28,663,856</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, 2023

**Exhibit 2**

Operating revenues:	
Short-term rental income	\$ 113,001
Fuel income	579,823
Lease income	54,745
Lease interest income	5,826
Other operating income	6,838
Total operating revenues	<u>760,233</u>
Operating expenses:	
Salaries and benefits	314,393
Fuel purchases	408,832
Repairs and maintenance	90,085
Utilities	13,365
Insurance	34,687
Other operating expenses	20,411
Professional services	38,043
Depreciation	907,991
Total operating expenses	<u>1,827,807</u>
Operating loss	<u>(1,067,574)</u>
Non-operating revenues:	
Loss on disposal of capital asset	(3,622)
Contribution from City of Mt. Airy	20,000
Investment earnings	7,760
Surry County annual appropriation	237,239
Total non-operating revenues	<u>261,377</u>
Loss before capital contributions	(806,197)
Capital contributions	<u>827,126</u>
Change in net position	20,929
Net position, beginning of year	<u>28,642,927</u>
Net position, end of year	<u>\$ 28,663,856</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, 2023

**Cash Flows from Operating Activities:**

Cash received from customers	\$ 761,051
Cash paid for goods and services	(608,904)
Cash paid to or on behalf of employees for services	<u>(309,482)</u>
Net cash used by operating activities	<u>(157,335)</u>

**Cash Flows from Non-capital Financing Activities:**

Annual appropriation received from Surry County	<u>237,239</u>
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**Cash Flows from Capital and Related Financing Activities:**

Grant proceeds	646,384
Acquisition and construction of capital assets	<u>(449,212)</u>
Net cash provided by capital and related financing activities	<u>197,172</u>

**Cash Flows from Investing Activities:**

Investment earnings	<u>7,760</u>
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Net increase in cash and cash equivalents	284,836
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Cash and cash equivalents, beginning of year	<u>3,380,135</u>
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Cash and cash equivalents, end of year	<u>\$ 3,664,971</u>
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**Reconciliation of Operating Loss to Net Cash**

**Used by Operating Activities:**

Operating loss	\$ (1,067,574)
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Adjustments to reconcile operating loss to net cash used by operating activities:

Depreciation	907,991
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Changes in operating assets and liabilities:

Net change in leases	(682)
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Increase in inventory	(3,481)
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Increase in rental deposits	1,500
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Increase in compensated absences	<u>4,911</u>
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Net cash used by operating activities	<u>\$ (157,335)</u>
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**Supplemental Cash Flow Information:**

Acquisition of capital assets included in accounts payable	<u>\$ 680,617</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, 2023

**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.

**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:

**Major 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 Projects Fund**

*Airport Capital Projects 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.

**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. Restricted Assets**

Restricted assets include monies or other resources, the use of which is restricted by legal or contractual requirements. Unexpended grant funds are classified as restricted cash because they can only be expended for the purpose specified in the grant. Rent deposits held by the Authority are restricted for the purpose for which the deposit was collected.

**3. 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.

**4. 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.

**5. Leases**

The Authority's lease receivable is measured at the present value of the lease payments expected to be received during the respective lease terms. There are no variable components under the lease agreements. A deferred inflow of resources is recorded for the leases. The deferred inflow of resources is recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the respective leases.

**6. 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.



**7. Unearned revenue**

The unspent portion of capital grants received in advance of the related construction expenditures are recorded as unearned revenues. At June 30, 2023 this amounted to \$2,773,987.

**8. 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.

**9. 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.

**10. 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****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, 2023, the Authority's deposits had a carrying amount and bank balance of \$3,664,671. 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. Petty cash held by the Authority at June 30, 2023 was \$300.

## **2. Due from other governments**

As of June 30, 2023, amounts due from other governments of \$656,865 consisted of \$20,000 in operating contributions due from the City of Mount Airy and grant reimbursements receivable from the North Carolina Department of Transportation in the amount of \$636,865.

## **3. Lease receivable**

Mt. Airy/Surry County Airport Authority has leases with numerous tenants for hangars located at the airport. Under the leases, the tenants pay the Authority amounts ranging from \$125 to \$1,000 per month in exchange for the use of the hangars. 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. The leases mature between FY24 and FY37. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate ranging from 0.5% to 2%.

In fiscal year 2023, the Authority recognized \$54,745 of lease revenue and \$5,826 of interest revenue under the lease.

**4. Changes in capital assets**

The capital assets of the Authority at June 30, 2023 consisted of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 3,983,770	\$ -	\$ (2,298)	\$ 3,981,472
Construction in progress	<u>561,833</u>	<u>996,490</u>	<u>-</u>	<u>1,558,323</u>
Total capital assets not being depreciated	<u>4,545,603</u>	<u>996,490</u>	<u>(2,298)</u>	<u>5,539,795</u>
Capital assets being depreciated:				
Land improvements	19,970,479	-	-	19,970,479
Buildings	8,179,619	-	(17,793)	8,161,826
Equipment	51,782	-	(11,625)	40,157
Vehicles & motorized equipment	<u>44,446</u>	<u>7,610</u>	<u>-</u>	<u>52,056</u>
Total capital assets being depreciated	<u>28,246,326</u>	<u>7,610</u>	<u>(29,418)</u>	<u>28,224,518</u>
Less accumulated depreciation for:				
Land improvements	4,303,308	814,667	-	5,117,975
Buildings	684,519	83,267	(17,543)	750,243
Equipment	42,736	4,010	(10,553)	36,193
Vehicles & motorized equipment	<u>34,800</u>	<u>6,047</u>	<u>-</u>	<u>40,847</u>
Total accumulated depreciation	<u>5,065,363</u>	<u>907,991</u>	<u>(28,096)</u>	<u>5,945,258</u>
Total capital assets being depreciated, net	<u>23,180,963</u>			<u>22,279,260</u>
Total capital assets	<u>\$27,726,566</u>			<u>\$27,819,055</u>

**Construction commitments**

As of June 30, 2023, the Authority had construction commitments of approximately \$1,650,000 related to the partial parallel taxiway project.

**5. 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 individually performance bonded through a commercial surety for \$100,000. All other employees are covered by a blanket bond through a commercial surety in the amount of \$250,000 to protect the authority against theft and other related crimes.

**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, 2023.

For the year ended June 30, 2023, the Authority received funding from Surry County in the total amount of \$237,239 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.

**Note 5- Correction of Prior Period Error**

During the fiscal year ending June 30, 2023, management determined that the amounts reported for leases receivable and deferred inflows related to leases were both overstated in the amount of \$220,430 at June 30, 2022. This correction did not result in a change to beginning net position. The comparative statement of net position in management's discussion and analysis has been updated to reflect this correction.

**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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating Revenues:			
Short-term rental income	\$ 178,800	\$ 113,001	\$ (65,799)
Fuel income	573,300	579,823	6,523
Lease income	-	54,745	54,745
Lease interest income	-	5,826	5,826
Other operating income	900	6,838	5,938
Total operating revenues	<u>753,000</u>	<u>760,233</u>	<u>7,233</u>
Non-operating Revenues:			
Contribution from City of Mt. Airy	10,000	20,000	10,000
Surry County annual appropriation	237,239	237,239	-
Total non-operating revenues	<u>247,239</u>	<u>257,239</u>	<u>10,000</u>
 Total revenues	 <u>1,000,239</u>	 <u>1,017,472</u>	 <u>17,233</u>
<b>Expenditures:</b>			
Salaries and benefits	310,099	309,482	617
Fuel purchases	454,000	408,832	45,168
Repairs and maintenance	96,500	90,085	6,415
Utilities	14,000	13,365	635
Insurance	34,000	34,687	(687)
Other operating expenses	45,440	20,411	25,029
Professional services	46,200	38,043	8,157
Total expenditures	<u>1,000,239</u>	<u>914,905</u>	<u>85,334</u>
 Net change in fund balance	 <u>\$ -</u>	 102,567	 <u>\$ 102,567</u>
<b>Reconciliation from budgetary basis</b>			
<b>(modified accrual) to full accrual basis:</b>			
From Airport Capital Projects Fund:			
Capital contributions		827,126	
Investment earnings		7,760	
Loss on disposal of capital asset		(3,622)	
Compensated absences		(4,911)	
Depreciation		<u>(907,991)</u>	
Total reconciling items		<u>(81,638)</u>	
Change in net position		<u>\$ 20,929</u>	

**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, 2023

	Total Project Budget	Prior Years	Current Actual	Total	Variance Positive (Negative)
<b>Revenues:</b>					
NCDOT aviation grants	\$ 1,650,600	\$ 119,006	\$ 701,398	\$ 820,404	\$ (830,196)
State budget directed grant	2,900,000	285	125,728	126,013	(2,773,987)
Investment earnings	-	-	7,760	7,760	7,760
Total revenues	<u>4,550,600</u>	<u>119,291</u>	<u>834,886</u>	<u>954,177</u>	<u>(3,596,423)</u>
<b>Expenditures:</b>					
Apron rehab	200,000	184,911	-	184,911	15,089
Partial parallel taxiway	1,527,750	315,444	805,557	1,121,001	406,749
Terminal building	<u>2,998,879</u>	<u>61,478</u>	<u>190,934</u>	<u>252,412</u>	<u>2,746,467</u>
Total expenditures	<u>4,726,629</u>	<u>561,833</u>	<u>996,491</u>	<u>1,558,324</u>	<u>3,168,305</u>
Revenue under expenditures	<u>(176,029)</u>	<u>(442,542)</u>	<u>(161,605)</u>	<u>(604,147)</u>	<u>(428,118)</u>
<b>Other Financing Sources:</b>					
Appropriated fund balance	<u>176,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176,029)</u>
Revenues and other sources under expenditures	<u>\$ -</u>	<u>\$ (442,542)</u>	<u>\$ (161,605)</u>	<u>\$ (604,147)</u>	<u>\$ (604,147)</u>

## **COMPLIANCE SECTION**





**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, 2023, 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 17, 2023.

**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.

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 17, 2023

**MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY**

SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2023

**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, 2023

None reported.