

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

Financial Statements

June 30, 2020



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

BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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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, 2020, 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, 2020, 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 March 22, 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
March 22, 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, 2020. 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.

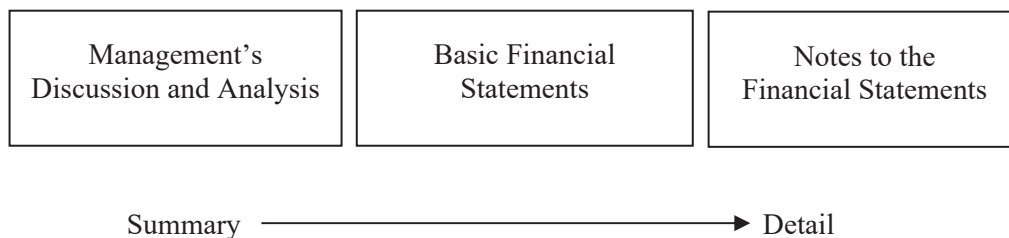
Financial Highlights

- As of the close of the current fiscal year, the assets of Mount Airy/Surry County Airport Authority exceeded its liabilities by \$24,610,400 (net position). Approximately 2 percent of this total amount, or \$514,353, is classified as unrestricted.
- The Authority's net position increased by \$3,221,472 as a result of additional grant funding for corporate hanger construction and land improvements.
- Capital assets of the Authority increased by approximately \$2,900,000 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 2020</u>	<u>FY 2019</u>
Assets:		
Current and other assets	\$ 1,185,004	\$ 560,685
Capital assets, net	<u>24,096,047</u>	<u>21,188,324</u>
Total assets	<u>25,281,051</u>	<u>21,749,009</u>
Liabilities:		
Current liabilities	<u>670,651</u>	<u>360,081</u>
Total liabilities	<u>670,651</u>	<u>360,081</u>
Net position:		
Net investment in capital assets	24,096,047	21,188,324
Unrestricted	<u>514,353</u>	<u>200,604</u>
Total net position	<u>\$ 24,610,400</u>	<u>\$ 21,388,928</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 \$24,610,400 (net position) as of June 30, 2020. The largest portion (98%) of net position 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.

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

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

	<u>FY 2020</u>	<u>FY 2019</u>
Operating revenues:		
Rental income	\$ 125,400	\$ 117,865
Other income	<u>21,065</u>	<u>35,927</u>
Total operating revenues	<u>146,465</u>	<u>153,792</u>
Operating expenses:		
Airport operations	495,410	424,565
Depreciation	<u>490,840</u>	<u>222,508</u>
Total operating expenses	<u>986,250</u>	<u>647,073</u>
Operating loss	(839,785)	(493,281)
Non-operating revenues:		
Gain on sale of fixed assets	-	12,250
Surry County annual appropriation	<u>315,362</u>	<u>306,364</u>
Total non-operating revenues	<u>315,362</u>	<u>318,614</u>
Loss before contributions	(524,423)	(174,667)
Capital contributions	<u>3,745,895</u>	<u>1,133,653</u>
Change in net position	3,221,472	958,986
Net position, beginning	<u>21,388,928</u>	<u>20,429,942</u>
Total net position, end of year	<u>\$ 24,610,400</u>	<u>\$ 21,388,928</u>

Business-type activities.

Business-type activities increased the Mount Airy/Surry County Airport Authority's net position by \$3,221,472. Key elements of the increase are as follows:

- Continued support by Surry County for the runway extension and corporate development projects;
- Increased aviation activity;
- Increased 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, 2020 total \$24,096,047 (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:

- Completion of new corporate hanger
- Continued improvements to runway and taxiway

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

	<u>FY 2020</u>	<u>FY 2019</u>
Land	\$ 3,983,770	\$ 3,983,770
Construction in progress	8,782,855	6,222,294
Land improvements	10,564,805	10,191,784
Buildings	727,447	757,629
Equipment and vehicles	<u>37,170</u>	<u>32,847</u>
Total capital assets, net	<u>\$ 24,096,047</u>	<u>\$ 21,188,324</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, 2020, the Authority had no outstanding long-term debt.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2021

The economic outlook for the upcoming year is positive. Phase I of corporate development to house a corporate jet has been completed. Phase II is underway beginning with infrastructure installation. 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 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, 2020

Assets

Current Assets:

Cash and cash equivalents	\$ 573,384
Accounts receivable	4,108
Grant funds receivable	602,762
Restricted cash	<u>4,750</u>
Total current assets	<u>1,185,004</u>

Non-current Assets:

Land and construction in progress	12,766,625
Depreciable capital assets, net	<u>11,329,422</u>
Total non-current assets	<u>24,096,047</u>

Total assets 25,281,051

Liabilities

Current Liabilities:

Accounts payable	665,901
Payable from restricted assets - rental deposits	<u>4,750</u>
Total current liabilities	<u>670,651</u>

Net Position

Net investment in capital assets	24,096,047
Unrestricted	<u>514,353</u>
Total net position	<u>\$ 24,610,400</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, 2020

Exhibit 2

Operating Revenues:	
Rental income	\$ 125,400
Fuel income	<u>21,065</u>
Total operating revenues	<u>146,465</u>
Operating Expenses:	
Salaries and benefits	75,304
Repairs and maintenance	87,486
Utilities	13,243
Insurance	26,389
Other operating expenses	17,047
Professional services	275,941
Depreciation	<u>490,840</u>
Total operating expenses	<u>986,250</u>
Operating loss	<u>(839,785)</u>
Non-operating Revenues:	
Surry County annual appropriation	<u>315,362</u>
Total non-operating revenues	<u>315,362</u>
Loss before capital contributions	(524,423)
Capital contributions	<u>3,745,895</u>
Change in net position	3,221,472
Net position, beginning of year	<u>21,388,928</u>
Net position, end of year	<u>\$ 24,610,400</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, 2020

Cash Flows from Operating Activities:

Cash received from customers	\$ 137,593
Cash paid for goods and services	(420,106)
Cash paid to or on behalf of employees for services	<u>(75,304)</u>
Net cash used by operating activities	<u>(357,817)</u>

Cash Flows from Non-capital Financing Activities:

Annual appropriation received from Surry County	<u>315,362</u>
Net cash provided by non-capital financing activities	<u>315,362</u>

Cash Flows from Capital and Related Financing Activities:

Proceeds on sale of fixed assets	-
Grant proceeds	3,697,777
Acquisition and construction of capital assets	<u>(3,082,488)</u>
Net cash provided by capital and related financing activities	<u>615,289</u>

Net increase in cash and cash equivalents	572,834
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Cash and cash equivalents, beginning of year	<u>5,300</u>
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Cash and cash equivalents, end of year	<u><u>\$ 578,134</u></u>
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Reconciliation of Operating Loss to Net Cash

Used by Operating Activities:

Operating loss	\$ (839,785)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	490,840
Changes in operating assets and liabilities:	
Increase in accounts receivable	(3,367)
Decrease in prepaid rent	(4,955)
Decrease in rental deposits	<u>(550)</u>
Net cash used by operating activities	<u><u>\$ (357,817)</u></u>

Supplemental Cash Flow Information:

Acquisition of capital assets included in accounts payable	<u><u>\$ 316,075</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, 2020

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 has an agreement with Ra-Tech Aviation, LLC ("Ra-Tech"), under which Ra-Tech will operate and maintain the airport. Under the terms of the agreement, Ra-Tech leases 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 is also charged with providing petroleum products for sale to aircraft using the airport. In exchange for these services, the Authority pays Ra-Tech a monthly management fee of \$7,000. The term of the agreement runs through December 31, 2020. In exchange for use of the fueling equipment, Ra-Tech pays the Authority of fee of \$0.10 per gallon of fuel pumped from the Authority's fuel tanks and pumping station. Ra-Tech retains all income from the rental of all facilities leased from the Authority, while the Authority retains income related to all other hangars (see Note 3D). The contract was not renewed with Ra-Tech and beginning on January 1, 2021 the Authority has taken over all airport operations.

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, 2020.

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. 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.

4. 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.

5. 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, 2020, the Authority's deposits had a carrying amount and bank balance of \$573,384. 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. Changes in capital assets

The capital assets of the Authority at June 30, 2020 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	6,222,294	3,486,797	(926,236)	8,782,855
Total capital assets not being depreciated	<u>10,206,064</u>	<u>3,486,797</u>	<u>(926,236)</u>	<u>12,766,625</u>
Capital assets being depreciated:				
Land improvements	12,998,888	826,037	-	13,824,925
Buildings	1,298,450	-	-	1,298,450
Equipment	68,130	11,965	-	80,095
Vehicles & motorized equipment	44,446	-	-	44,446
Total capital assets being depreciated	<u>14,409,914</u>	<u>838,002</u>	<u>-</u>	<u>15,247,916</u>
Less accumulated depreciation for:				
Land improvements	2,807,104	453,016	-	3,260,120
Buildings	540,821	30,182	-	571,003
Equipment	60,028	2,609	-	62,637
Vehicles & motorized equipment	19,701	5,033	-	24,734
Total accumulated depreciation	<u>3,427,654</u>	<u>490,840</u>	<u>-</u>	<u>3,918,494</u>
Total capital assets being depreciated, net	<u>10,982,260</u>			<u>11,329,422</u>
Total capital assets	<u>\$ 21,188,324</u>			<u>\$ 24,096,047</u>

Construction commitments

As of June 30, 2020, the Authority has incurred expenditures under construction contracts related to the runway expansion and improvement projects in the amount of \$3,537,395. The remaining commitment under these contracts is \$3,220,682.

B. Accounts and grants receivable

As of June 30, 2020, accounts receivable consists of \$4,108 of rents receivable. Grants receivable consists of various grants related to the expansion of the airport. As of June 30, 2020 the receivables related to reimbursable grant expenditures consists of \$602,762.

C. 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.

D. 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, 2020 was \$125,400.

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, 2020.

For the year ended June 30, 2020, the Authority received funding from Surry County in the total amount of \$315,362 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- Uncertainties from the COVID-19 Pandemic

The COVID-19 pandemic in the United States, including Surry County, North Carolina, where the Authority is located, has caused severe business disruptions as state and local governments have declared states of emergency and issued stay-at-home orders for all but the most essential activities. As a result, economic uncertainties have arisen which are likely to negatively impact the Authority in various ways.

Revenue losses could continue to occur. Other financial impacts could occur, though such potential impacts are unknown at this time. The overall financial statement impact and duration of the COVID-19 pandemic cannot be reasonably estimated at this time.

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, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Rental income	\$ 148,000	\$ 125,400	\$ (22,600)
Fuel income	<u>26,800</u>	<u>21,065</u>	<u>(5,735)</u>
Total operating revenues	<u>174,800</u>	<u>146,465</u>	<u>(28,335)</u>
Non-operating Revenues:			
Surry County annual appropriation	<u>315,362</u>	<u>315,362</u>	<u>-</u>
Total non-operating revenues	<u>315,362</u>	<u>315,362</u>	<u>-</u>
Total revenues	<u>490,162</u>	<u>461,827</u>	<u>(28,335)</u>
Expenditures:			
Salaries and benefits	77,472	75,304	2,168
Repairs and maintenance	79,500	87,486	(7,986)
Utilities	14,000	13,243	757
Insurance	25,000	26,389	(1,389)
Other operating expenses	22,190	17,047	5,143
Professional services	252,000	125,145	126,855
Capital outlay	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>490,162</u>	<u>344,614</u>	<u>145,548</u>
Net change in fund balance	<u>\$ -</u>	117,213	<u>\$ 117,213</u>

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

From Airport Capital Projects Fund:

Capital contributions	3,745,895
Expense from capital project fund	(150,796)
Depreciation	<u>(490,840)</u>

Total reconciling items 3,104,259

Change in net position \$ 3,221,472

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, 2020

	Total Project Budget	Prior Years	Current Actual	Total	Variance Positive (Negative)
Revenues:					
NCDOT aviation grants	\$ 12,820,300	\$ 4,287,933	\$ 3,745,895	\$ 8,033,828	\$ (4,786,472)
Surry County contribution	723,847	1,062,922	-	1,062,922	339,075
Total revenues	<u>13,544,147</u>	<u>5,350,855</u>	<u>3,745,895</u>	<u>9,096,750</u>	<u>(4,447,397)</u>
Expenditures:					
Runway expansion	850,000	846,793	-	846,793	3,207
Runway and taxiway extension	6,388,466	4,679,773	1,440,843	6,120,616	267,850
Corporate area development phase I	2,131,031	595,529	1,518,110	2,113,639	17,392
Airport layout plan	174,650	100,199	50,597	150,796	23,854
Corporate area development phase II	<u>4,000,000</u>	<u>-</u>	<u>527,845</u>	<u>527,845</u>	<u>3,472,155</u>
Total expenditures	<u>13,544,147</u>	<u>6,222,294</u>	<u>3,537,395</u>	<u>9,759,689</u>	<u>3,784,458</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>\$ (871,439)</u>	<u>\$ 208,500</u>	<u>\$ (662,939)</u>	<u>\$ (662,939)</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, 2020, 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 March 22, 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
March 22, 2021

MOUNT AIRY/SURRY COUNTY AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Year Ended June 30, 2020

Finding 2019-001
Status: Corrected

Finding 2019-002
Status: Corrected