

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY
A Component Unit of Dinwiddie County, Virginia

FINANCIAL REPORT

June 30, 2022

OFFICERS

Richard B. Taylor, Chairman

Jonathan Bourlier, Vice Chairman

Jeremy Pultz, Secretary-Treasurer

MEMBERS

Franklin Zitta

John V. Mazza, Jr.

Dr. Mark E. Moore

Tyler H. Ragsdale

Norma J. Newman

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Authority of
Dinwiddie Airport and Industrial Authority
Petersburg, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Dinwiddie Airport and Industrial Authority, a component unit of the County of Dinwiddie, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Dinwiddie Airport and Industrial Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dinwiddie Airport and Industrial Authority as of June 30, 2022, and the changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 the Dinwiddie Airport and Industrial Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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, and for 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 statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dinwiddie Airport and Industrial Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and *Government 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 and *Government 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 the Dinwiddie Airport and Industrial 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 Dinwiddie Airport and Industrial 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 6 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 financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of officers and members but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of Dinwiddie Airport and Industrial 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dinwiddie Airport and Industrial Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dinwiddie Airport and Industrial Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 31, 2022

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

As management of the Dinwiddie Airport and Industrial Authority (the "Authority"), we offer readers of the Dinwiddie Airport and Industrial Authority's financial statements this narrative overview and analysis of the financial activities of Dinwiddie Airport and Industrial Authority for the fiscal year ended June 30, 2022.

The Airport Manager and accounting personnel are responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Dinwiddie Airport and Industrial Authority are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with accounting principles generally accepted in the United States of America (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Summary of Dinwiddie Airport and Industrial Authority Operations

The Dinwiddie Airport and Industrial Authority (DAIA or the Authority) staff consists of 1 full-time employee including the Airport Manager, and 4 part-time employees. DAIA operates an airport in Dinwiddie County which is located 20 miles south of Richmond, Virginia adjacent to Interstate 85 and Route 460. The airport features a terminal, five large hangars suitable for single or multiple corporate jets, and 42 T-hangars. DAIA also oversees the activity of an industrial park surrounding the airport and seeks to promote industrial growth in the area.

Overview of the Financial Statements

The Authority's basic financial statements are comprised of two components: (1) financial statements and (2) notes to the financial statements.

The financial statements of the Authority offer short and long-term financial information about its activities. The statement of net position provides information about the nature and amounts of the Authority's cash and receivables (assets), and its obligations to creditors (liabilities). All of the Authority's current fiscal year revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures whether the Authority successfully recovered all of its costs through user charges from its customers. The statement of cash flows provides information on the Authority's cash receipts, cash payments, and net changes in cash resulting from operating, investing, capital, and noncapital financial activities. It also provides insight on the source of cash, the use of cash, and cash changes during the reporting period.

(Continued)

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

Financial Highlights

Selected financial information for 2022 is as follows, with comparative information for 2021:

	<u>2022</u>	<u>2021</u>
Total capital assets, net	\$ 7,313,622	\$ 7,600,366
Total assets	\$ 8,036,146	\$ 8,237,942
Total long-term liabilities	\$ 1,256,731	\$ 1,408,255
Total liabilities	\$ 1,361,584	\$ 1,555,884
Total operating revenues	\$ 757,312	\$ 675,624
Total revenues	\$ 1,299,234	\$ 928,105
Total operating expenses, other than depreciation	\$ 722,735	\$ 614,040
Total expenses	\$ 1,306,730	\$ 1,006,385
Change in net position	\$ (7,496)	\$ (78,280)
Net assets:		
Net investment in capital assets	\$ 5,982,089	\$ 6,068,098
Unrestricted	<u>692,473</u>	<u>613,960</u>
Total net position	<u>\$ 6,674,562</u>	<u>\$ 6,682,058</u>

- Total revenues increased from fiscal year 2021 to fiscal year 2022 by \$371,129. The increase in revenues is primarily the result of an increase in federal grant activity. Total expenses increased from fiscal year 2021 to fiscal year 2022 by \$300,345 primarily due to increased grant-related repairs and maintenance expense during the year.
- Long-term liabilities decreased from fiscal year 2021 to fiscal year 2022 by \$151,524 due to principal payments made during the year.
- The change in net assets for fiscal year 2022 of \$(7,496) compared to the prior year of \$(78,280) is primarily due to the gain on sale of land during 2022.

Authority Highlights

- The Authority received \$196,000 in grant awards from the Federal Aviation Administration, all of which was expended for allowable purposes during the year.

Future Plans and Trends

- Sale of property in the industrial park.
- Purchase of additional land adjacent to the Airport to accommodate future growth.
- Pay down debt.

(Continued)

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

Contacting DAIA's Financial Management

This financial report is to provide federal, state, and local grantors, as well as member localities with a general overview of the DAIA's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact the Airport Manager at 6775 Beck-Chappell Drive, N. Dinwiddie, Virginia 23803, phone (804) 861-0218.

BASIC FINANCIAL STATEMENTS

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

STATEMENT OF NET POSITION

June 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 3)	\$	645,877
Fuel inventory		42,961
Prepaid expenses		14,770
Grants receivable		5,805
Hangar rents receivable		3,485
Miscellaneous receivables		9,626
		<hr/>
Total current assets		722,524

CAPITAL ASSETS (Note 4)

Capital assets, nondepreciable		2,599,011
Capital assets, subject to depreciation, net		4,714,611
		<hr/>
Total capital assets		7,313,622
		<hr/>
Total assets	\$	8,036,146

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	22,986
Accounts payable - grant funding		5,805
Unearned revenue		1,260
Current portion of long-term debt (Note 5)		74,802
		<hr/>
Total current liabilities		104,853

LONG-TERM LIABILITIES

Long-term debt, less current portion (Note 5)		1,256,731
		<hr/>
Total liabilities		1,361,584

NET POSITION

Net investment in capital assets		5,982,089
Unrestricted		692,473
		<hr/>
Total net position		6,674,562
		<hr/>
Total liabilities and net position	\$	8,036,146

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

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2022

OPERATING REVENUES	
Income from fuel operations	\$ 479,217
Hangar rent	221,432
Other rent	47,800
Other income	8,863
	<hr/>
Total operating revenues	757,312
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OPERATING EXPENSES, other than depreciation	
Fuel operations	418,786
Salaries and benefits	91,137
Professional fees	56,199
Utilities	31,155
Insurance	29,702
Repairs and maintenance	41,917
Payroll taxes and fringe benefits	13,533
Office expense	2,529
Telephone	10,003
Trash	5,733
Members fees	5,200
Dues and memberships	550
Publicity	589
Miscellaneous	15,158
Travel expense	544
	<hr/>
Total operating expenses, other than depreciation	722,735
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Operating income before depreciation	34,577
 DEPRECIATION (Note 4)	
	<hr/>
	(357,191)
	<hr/>
Operating loss	(322,614)
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NONOPERATING REVENUES (EXPENSES)	
Contributions from Dinwiddie County	155,875
Federal grants	202,241
State grants	42,419
Gain on sale of land	141,387
Repairs and maintenance expense, grant funded	(183,753)
Interest expense	(43,051)
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Total nonoperating revenues, net	315,118
	<hr/>
Change in net position	(7,496)
 NET POSITION	
Beginning of year	<hr/>
	6,682,058
	<hr/>
End of year	\$ 6,674,562
	<hr/>

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

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

OPERATING ACTIVITIES

Cash receipts from customers	\$ 752,534
Cash receipts from other income	8,863
Cash payments to employees for services	(158,936)
Cash payments for other operating expenses	(581,222)
	<hr/>
Net cash provided by operating activities	21,239
	<hr/>

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(79,014)
Payments for repairs and maintenance funded by grants	(177,948)
County contributions	155,875
Proceeds from sale of land	149,954
Federal grants	196,436
State grants	42,419
Interest paid	(43,051)
Principal paid	(200,735)
	<hr/>
Net cash provided by capital and related financing activities	43,936
	<hr/>

Net increase in cash and cash equivalents 65,175

CASH AND CASH EQUIVALENTS

Beginning of year	580,702
	<hr/>
End of year	\$ 645,877
	<hr/> <hr/>

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (322,614)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	357,191
Change in current assets and liabilities:	
Fuel inventory	(10,123)
Prepaid expenses	(12,005)
Hangar rents receivable	12,030
Miscellaneous receivables	(3,870)
Accounts payable and accrued expenses	4,705
Unearned revenue	(4,075)
	<hr/>
Net cash provided by operating activities	\$ 21,239
	<hr/> <hr/>

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

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

1. Organization and Nature of Business

The Dinwiddie Airport and Industrial Authority (the “Authority”) is a public body organized by the General Assembly of Virginia to construct, operate and maintain a regional airport and to promote industry in Dinwiddie, Virginia. The Authority is governed by seven directors.

2. Summary of Significant Accounting Policies

Reporting entity

The Authority is considered a component unit of Dinwiddie County (the “County”) for governmental accounting standards purposes. The criteria for including the Authority within the County’s reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit’s board and either the ability to impose the primary government’s will or the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the primary government. The Board of Supervisors of Dinwiddie County appoints four out of seven of the Authority’s Board members, and all Board members are approved by the County. The Authority and Dinwiddie County have a Support Agreement, whereby the County will, subject to appropriation, pay the Authority budgeted amounts for debt service, for operation and maintenance expenses, and for deficiencies in the Authority’s operating revenues. The Support Agreement also requires the Authority to notify the County Administrator if in any month the Authority is unable to make its required debt service payment, and to request an appropriation from the Board of Directors to make up any deficiency. The existence of this Support Agreement satisfies the criteria of “imposing a financial burden on the primary government,” thus making the County financially accountable for the Authority.

Basis of accounting

The Authority utilizes the economic resources management focus and the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses when incurred. The Authority follows the reporting requirements for special purpose governments involved in business-type activities, which provide an entity-wide perspective in the financial statement presentation. These standards require presentation of Management’s Discussion and Analysis as required supplementary information, and presentation of a statement of net position, statement of revenues, expenses, and changes in net position using a specified format which distinguishes between operating and non-operating revenues and expenses, and statement of cash flows using the direct method. The statement of net position presents the Authority’s assets and liabilities, with the difference reported as net position. Net position is categorized into three components:

Net investment in capital assets: represents the Authority’s total investment in capital assets, net of accumulated depreciation reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net position: result when constraints placed on net asset use are either externally imposed by law through constitutional provisions or enabling legislation. At June 30, 2022, the Authority had no restricted net position.

Unrestricted net position: consist of net assets which do not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

(Continued)

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fuel inventory

Fuel inventory is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Capital assets

Capital assets, which include property, plant and equipment, are stated at cost. Assets acquired by grant or bequest are recorded at their fair value on the date of transfer. When assets are disposed, the related costs and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized currently.

Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

Buildings	7 - 27.5 years
Land improvements	15 years
Equipment	3 - 20 years
Furniture	5 - 10 years
Runways	10 - 15 years

Maintenance and ordinary repairs are charged to expense as incurred. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized.

Capital contributions

Certain expenditures for Authority capital improvements receive significant funding through the Airport Improvement Program of the Federal Aviation Administration ("FAA"). Funds are also received for Authority development from the Commonwealth of Virginia Department of Aviation ("DOAV") and the County of Dinwiddie ("County"). The balance of such expenditures is funded by the Authority's operation. Capital funding is recorded as capital contributions and earned as allowable expenditures are incurred.

Operating and non-operating classification

The Authority's policy is to report as operating revenues and expenses items that result from providing services in connection with the principal ongoing activities of the Authority. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of estimates

The preparation of the 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses reported during that period. Actual results could differ from those estimates and assumptions.

(Continued)

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

3. Cash and Investments

Deposits

The Authority follows a deposit policy in accordance with statutes of the Commonwealth of Virginia. All of the Authority's deposits were insured by federal depository insurance or the provisions of the Commonwealth of Virginia Security for Public Deposits Act ("Act"). Under the Act, banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100 percent of deposits in excess of federal depository insurance limits. The State Treasury Board has the authority to assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan institutions. Accordingly, all of the Authority's deposits are considered fully collateralized.

The Authority's cash and cash equivalents consist of the following at June 30, 2022:

Demand deposits	\$ 641,206
Cash on hand	<u>4,671</u>
	<u>\$ 645,877</u>

Investments

Investment Policy

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development ("World Bank"), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool ("LGIP"). At June 30, 2022, the Authority did not have any such investments.

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. government or agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. government or agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. government or agency securities.

The Authority is exposed to little interest rate risk since all investments had maturities of less than one year at June 30, 2022.

Custodial credit risk

The Authority does not have a policy for custodial credit risk. At June 30, 2022, the Authority's cash and cash equivalents were maintained with a high credit quality financial institution. The Authority was not exposed to custodial risk at June 30, 2022.

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DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

4. Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2022:

	<u>Balance June 30, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2022</u>
Capital assets not being depreciated:				
Land	\$ 2,607,578	\$ -	\$ 8,567	\$ 2,599,011
Depreciable capital assets:				
Buildings	6,618,375	32,000	-	6,650,375
Land improvements	246,921	-	-	246,921
Equipment	240,933	46,277	-	287,210
Furniture	59,561	737	-	60,298
Runways	<u>4,766,960</u>	<u>-</u>	<u>-</u>	<u>4,766,960</u>
Total depreciable capital assets at historical cost	<u>11,932,750</u>	<u>79,014</u>	<u>-</u>	<u>12,011,764</u>
Accumulated depreciation for:				
Buildings	2,669,284	255,879	-	2,925,163
Land improvements	241,087	1,030	-	242,117
Equipment	216,986	16,023	-	233,009
Furniture	59,561	25	-	59,586
Runways	<u>3,753,044</u>	<u>84,234</u>	<u>-</u>	<u>3,837,278</u>
Total accumulated depreciation	<u>6,939,962</u>	<u>357,191</u>	<u>-</u>	<u>7,297,153</u>
Total depreciable capital assets, net	<u>4,992,788</u>	<u>(278,177)</u>	<u>-</u>	<u>4,714,611</u>
Total capital assets, net	<u>\$ 7,600,366</u>	<u>\$ (278,177)</u>	<u>\$ 8,567</u>	<u>\$ 7,313,622</u>

(Continued)

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

5. Long-Term Debt

Long-term debt consists of the following at June 30, 2022:

Bonds payable

Refunding Series 2011A and B Airports Revolving Fund Revenue Bonds:

\$504,400 due in monthly installments of \$4,595, including principal and interest at 2%.

The bond matured and was fully paid off in May 2022.

\$ -

Series 2019 Taxable Airport Revenue Bonds:

\$1,475,646 due in semi-annual installments of \$55,060, including principal and interest at 2.69%, matures November 2036.

1,331,533

\$ 1,331,533

Activity in long-term debt accounts was as follows:

	<u>Balance July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2022</u>	<u>Amount Due Within One Year</u>
Note payable	\$ 79,443	\$ -	\$ 79,443	\$ -	\$ -
Bonds payable	<u>1,452,825</u>	<u>-</u>	<u>121,292</u>	<u>1,331,533</u>	<u>74,802</u>
	<u>\$ 1,532,268</u>	<u>\$ -</u>	<u>\$ 200,735</u>	<u>\$ 1,331,533</u>	<u>\$ 74,802</u>

Future principal and interest obligations related to long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 74,802	\$ 35,318	\$ 110,120
2024	76,827	33,293	110,120
2025	78,908	31,212	110,120
2026	81,045	29,075	110,120
2027	83,240	26,880	110,120
2028 - 2032	451,258	99,342	550,600
2033 - 2037	<u>485,453</u>	<u>34,512</u>	<u>519,970</u>
	<u>\$ 1,331,535</u>	<u>\$ 289,632</u>	<u>\$ 1,621,170</u>

(Continued)

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

6. Federal and State-Assisted Programs

The Authority has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes any required refunds will be immaterial. Based on past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

7. Regulated Leases

On July 1, 2021, the Authority adopted GASB Statement No. 87, *Leases*. The Authority conducted a thorough review of its existing lease agreements and determined that none of its leases were subject to the recording requirements of this standard. However, it was determined that the revised, more expansive disclosure for regulated leases addressed in this standard was required as it relates to the Authority's regulated leases, as follows.

The Authority leases hangar space to two unrelated businesses who are engaged in aircraft maintenance and repair activities. These activities are permissible aeronautical use according to the FAA and thus are deemed to be a regulated activity under the new GASB. The first lease is a five year lease beginning January 1, 2020, at \$1,550 per month with annual escalations of \$50 per month. The second lease is a five year lease beginning February 1, 2021, at \$900 per month with no annual escalations. The lessees are also responsible for portions of utilities and other fees as stipulated in the lease agreements.

Total inflows of resources from regulated leases were \$34,800 during the year ended June 30, 2022, and are included in hangar rent on the statement of revenue, expenses, and changes in net position.

Expected future minimum lease payments to be received under these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2023	\$ 30,900
2024	31,500
2025	21,300
2026	10,800
2027	<u>10,800</u>
	<u>\$ 105,300</u>

(Continued)

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

8. New Accounting Standards

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

COMPLIANCE SECTION

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

To the Members of the Authority of
Dinwiddie Airport and Industrial Authority
Petersburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the accompanying financial statements of the business-type activities of Dinwiddie Airport and Industrial Authority (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 31, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. **Given these limitations, during our audit, we did not identify any deficiencies in internal that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2022-001, which we consider to be a significant deficiency.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* (Item 2022-002).**

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral report of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 31, 2022

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2022

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Dinwiddie Airport and Industrial Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Conflicts of Interest Act

Procurement Laws

Uniform Disposition of Unclaimed Property Act

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2022

1. Summary of Auditor's Results

- a. An unmodified opinion was issued on the financial statements.
- b. One significant deficiency relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- c. The audit disclosed one item of noncompliance material to the financial statements.

2. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards*

2022-001: Segregation of Duties (Significant Deficiency)

Condition:

There is a lack of segregation of duties in the area of customer receipts. The same person who receives customer receipts in the mail also records customer receipts in the accounting software, prepares bank deposits, prepares bank reconciliations, and has full access to online banking. Additionally, there is no documentation of the review being performed over bank reconciliations.

Criteria:

The customer receipting function should be segregated from the bank reconciliation and deposit functions, and bank reconciliations should be reviewed by an appropriate level of management.

Cause:

Processes and procedures are not designed to facilitate segregation of duties.

Effect:

As a result of this lack of segregation of duties, a single person has almost unlimited and unrestricted access to the Authority's liquid assets and financial reporting and thus has the ability to misappropriate assets, either due to error or fraud. Additionally, financial reporting could be materially misstated. We noted no indications of fraud actually occurring during the course of our audit; however, our procedures were not designed specifically to detect such matters.

Recommendation:

We recommend that processes and procedures be re-designed and implemented such that there is adequate segregation of duties.

Views of Responsible Officials and Planned Corrective Action:

Duties will be segregated so that the person who has responsibility for processing receipts is not the same person who has access to online banking, recording customer receipts, and preparing bank deposits, and controls will be implemented to ensure documentation of the bank reconciliation review performed by an appropriate level of management is maintained.

(Continued)

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2022

3. Findings for Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2022-002: Conflicts of Interest Act

Condition:

One of the seven Financial Disclosure Statements was not filed by the member of the Board before the deadline.

Criteria:

Financial Disclosure Statements should be completed and filed by the deadline.

Cause:

A Board member did not complete the form and file before the deadline.

Effect:

Noncompliance with the Commonwealth of Virginia Conflicts of Interest Act.

Recommendation:

We recommend that all Financial Disclosure Statements be completed in full and filed by the deadline.

Views of Responsible Officials and Planned Corrective Action:

Board members will complete these by the deadline in the future.

4. Status of Prior Year Findings

2021-001: Segregation of Duties (Significant Deficiency)

Condition:

There is a lack of segregation of duties in the area of customer receipts. The same person who receives customer receipts in the mail also records customer receipts in the accounting software, prepares bank deposits, prepares bank reconciliations, and has full access to online banking.

Recommendation:

We recommend that processes and procedures be re-designed and implemented such that there is adequate segregation of duties.

Current Status:

This is still a finding in the current year; see 2022-001.

DINWIDDIE AIRPORT AND INDUSTRIAL AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2022

4. Status of Prior Year Findings (Continued)

2021-002: Conflict of Interest Act

Condition:

One of the seven Financial Disclosure Statements filed by the members of the Board was not signed by the Board member.

Recommendation:

We recommend that all Financial Disclosure Statements be completed in full, to include the signature of the Board member.

Current Status:

This is still a finding in the current year; see 2022-002.