



FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024

STAFFORD REGIONAL AIRPORT AUTHORITY

JUNE 30, 2024

MEMBERS

Chris Hornung, Chairman

Robin Dreeke, Vice Chairman

Charles Kirkland, Treasurer

Dave Ellis, Secretary

Samer Shalaby

Roderick Hall

Henry Scharpenberg

STAFFORD REGIONAL AIRPORT AUTHORITY

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**To the Members of the Stafford Regional Airport Authority
Stafford, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Stafford Regional Airport Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the 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 business-type activities of Stafford Regional Airport Authority, as of June 30, 2024, and the changes in financial position, and 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 the *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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stafford Regional Airport 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 the 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 Stafford Regional Airport 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.

Auditors' 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 auditors' 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, 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 Stafford Regional 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 Stafford Regional 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Report on Summarized Comparative Information

We have previously audited the Stafford Regional Airport Authority's 2023 financial statements and expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2025, on our consideration of Stafford Regional 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 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 Stafford Regional Airport 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 Stafford Regional Airport Authority's internal control over financial reporting and compliance.

Robinson Taven Cox Associates

Charlottesville, Virginia

April 25, 2025

**STAFFORD REGIONAL AIRPORT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS**

As the management of the Stafford Regional Airport Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Stafford Regional Airport for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the additional information presented in the financial statements and notes to the financial statements.

Overview of the Financial Statements

The Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when incurred, not when paid. Capital assets are capitalized and are depreciated (except land and construction in progress) over their useful lives. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Following the Management's Discussion and Analysis are the basic financial statement of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The Statement of Net Position presents information on all the Authority's assets and liabilities, with the difference between the two reported as a net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

Financial Highlights

- Current assets decreased from \$5,572,120 to \$5,512,719. Although leases receivable decreased (\$340,400) due to a new lease payments received, cash increased by \$310,426 and inventory decreased by \$20,980.
- Long-term liabilities decreased from \$2,527,935 to \$2,264,528 in 2024, a decrease of \$263,407. The primary driver for this decrease is repayment of debt.
- Operating revenues increased by \$214,267 in 2024, while capital grant contributions decreased from \$5,492,842 to \$65,205 in 2024. This decrease is attributed to a significant amount of state and federal revenue received in 2023.

Financial Highlights: (Continued)

The following represents the Authority's financial position for the years ended June 30, 2024 and June 30, 2023:

Summary of Net Position
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Current and Other Assets	\$ 1,134,544	\$ 917,835
Capital Assets	49,018,016	50,430,920
Total assets	<u>\$ 50,152,560</u>	<u>\$ 51,348,755</u>
Long-term liabilities outstanding	\$ 2,264,528	\$ 2,527,935
Other liabilities	1,509,186	1,510,526
Total liabilities	<u>\$ 3,773,714</u>	<u>\$ 4,038,461</u>
Deferred Inflows of Resources	\$ 4,435,810	\$ 4,853,807
Net Position		
Net investment in capital assets	\$ 45,369,819	\$ 46,508,745
Unrestricted	951,392	602,027
Total net position	<u>\$ 46,321,211</u>	<u>\$ 47,110,772</u>

Summary of Changes in Net Position
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>Percent of Total</u>	<u>2023</u>	<u>Percent of Total</u>
Operating Revenues				
Fuel sales, net	\$ 532,605	52.5%	\$ 421,333	52.7%
Rent	394,186	38.9%	359,930	45.0%
Other revenues	87,521	8.6%	18,782	2.3%
Total operating revenues	<u>\$ 1,014,312</u>	<u>100.0%</u>	<u>\$ 800,045</u>	<u>100.0%</u>
Operating Expenses				
Personnel	\$ 311,408	49.5%	\$ 361,615	57.5%
Purchased services	146,587	23.3%	123,605	19.7%
Supplies and materials	43,885	7.0%	30,285	4.8%
Promotion and business development	17,175	2.7%	4,844	0.8%
Utilities	62,552	9.9%	89,817	14.3%
Insurance	41,110	6.5%	51,864	8.2%
Other	6,172	1.0%	(1,030)	-0.2%
Total operating expenses before depreciation	<u>\$ 628,889</u>	<u>100.0%</u>	<u>\$ 661,000</u>	<u>105.1%</u>
Operating income (loss) before depreciation	<u>\$ 385,423</u>		<u>\$ 139,045</u>	
Less depreciation and amortization	<u>\$ 1,515,795</u>		<u>\$ 1,423,051</u>	
Operating income (loss)	<u>\$ (1,130,372)</u>		<u>\$ (1,284,006)</u>	
Nonoperating revenues (expenses)	\$ 275,606		\$ 265,696	
Capital contributions and grants	<u>65,205</u>		<u>5,492,842</u>	
Change in net position	<u>\$ (789,561)</u>		<u>\$ 4,474,532</u>	
Net Position, beginning	<u>47,110,772</u>		<u>42,636,240</u>	
Net Position, ending	<u>\$ 46,321,211</u>		<u>\$ 47,110,772</u>	

Capital Asset and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2024 amounted to \$49,018,016. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment. The investment in capital assets decreased by \$1,412,904 during the year. Depreciation amounted to \$1,515,795.

Additional information on the Authority's capital assets can be found in Note 3 of this report.

Long-term Debt

At the end of the current fiscal year the Authority had total long-term debt obligations of \$3,046,404 outstanding.

2004 Bond

On April 14, 2004, the Stafford Regional Airport Authority borrowed \$743,719 through the Virginia Resource Authority (VRA) to be used for the construction of a hangar and fuel storage facilities. Monthly payments are \$3,892 and the bond matures April 2029.

2005 Bond

On March 9, 2005, the Stafford Regional Airport Authority borrowed \$1,075,000 through the VRA, which was used to construct two hangars. Monthly payments are \$6,506 and the bond matures March 2025.

2007 Bond

On March 21, 2007, the Stafford Regional Airport Authority borrowed \$1,601,000 through the VRA, which was used to construct improvements to the Airport including utilities and hangar facilities. Monthly payments are \$9,657 and the bond matures July 2027.

VARF-DL-19 Loan

In November 2020, the VRA granted funding to the Authority for the construction of a hangar in the amount of \$790,000. The loan included a covenant requirement stating that the Authority will establish rates and fees charged to customers pertaining to this project at levels that will provide for annual net revenues to be equal at least 100% of the debt service on the loan and existing parity debt obligations.

Construction began in fiscal year 2022 and was completed in fiscal year 2023. Monthly payments are \$4,066. Revenues of the Authority have been pledged to secure VRA bonds and loans, and the City of Fredericksburg, Prince William County and Stafford County have approved their moral obligation regarding the debt.

Notes Payable

On September 6, 2005, Stafford County approved a loan for \$526,120 to the Authority for the construction of water and sewer service on the Airport property with the understanding that the Authority is to repay the County as revenues allow. There have been no current payments made on this loan or demand for payment.

On July 17, 2012, Stafford County approved an interest free loan not to exceed \$1,400,000 to be used for construction of a terminal building. The amount borrowed was \$1,316,228. The loan will be repaid from 55% of the revenue derived from new commercial clients.

Capital Asset and Debt Administration (Continued)

Line of Credit

The Authority has a line of credit with Atlantic Union Bank. The line of credit has a credit limit of \$125,000, is unsecured and renewable annually. There is no outstanding balance on this line of credit.

Additional information on the Authority's long-term liabilities can be found in Note 9 of this report.

Economic Factors

The Fredericksburg Region continues to be one of the fastest growing regions in Virginia. Since opening, the Airport has experienced a slow but steady increase in the number of based aircraft. Fuel sales have been steady over the last ten years and the airport was not significantly affected by the pandemic. Hangar rentals have been at nearly 100% over the last nine years and the Airport maintains an active wait list.

Increases in the costs of construction, energy costs and a substantial increase in interest rates have effectively halted construction projects, especially the potential construction of corporate hangars and an additional T-Hangar.

Request for Information

This financial statement is designed to provide a general overview of the Stafford Regional Airport Authority's finances for those with an interest in them. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chairman, Stafford Regional Airport Authority, 95 Aviation Way, Fredericksburg, VA 22406.

Charles Kirkland
Treasurer
Stafford Regional Airport Authority

Basic Financial Statements

STAFFORD REGIONAL AIRPORT AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2024

(With Comparative Totals for the Prior Year)

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 591,155	\$ 280,729
Accounts receivable	3,526	18,543
Capital contributions and grant receivable	164,364	159,102
Leases receivable, current portion	313,764	378,054
Inventory	53,535	74,515
Prepaid items	8,200	6,892
Total current assets	<u>\$ 1,134,544</u>	<u>\$ 917,835</u>
Noncurrent Assets		
Leases receivable, net of current portion	\$ 4,378,175	\$ 4,654,285
Capital Assets		
Capital assets, net of accumulated depreciation and amortization where applicable:		
Land	\$ 8,266,903	\$ 8,266,903
Construction in progress	10,020,825	9,981,835
Land and airport improvements	52,658,509	52,655,529
Machinery and equipment	272,403	211,482
Furniture and fixtures	96,499	96,499
Less accumulated depreciation and amortization	(22,297,123)	(20,781,328)
Total capital assets	<u>\$ 49,018,016</u>	<u>\$ 50,430,920</u>
Total noncurrent assets	<u>\$ 53,396,191</u>	<u>\$ 55,085,205</u>
Total assets	<u>\$ 54,530,735</u>	<u>\$ 56,003,040</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 80,305	\$ 64,434
Capital improvements payable	601,793	602,409
Current portion of accrued compensated absences	4,459	8,585
Security deposits	27,705	24,600
Current portion of long-term debt	786,335	800,417
Other liabilities	8,589	10,081
Total current liabilities	<u>\$ 1,509,186</u>	<u>\$ 1,510,526</u>
Noncurrent Liabilities		
Long-term debt, less current portion	\$ 2,260,069	\$ 2,519,349
Long-term accrued compensated absences, less current portion	4,459	8,586
Total noncurrent liabilities	<u>\$ 2,264,528</u>	<u>\$ 2,527,935</u>
Total liabilities	<u>\$ 3,773,714</u>	<u>\$ 4,038,461</u>
DEFERRED INFLOWS OF RESOURCES		
Lease related	\$ 4,435,810	\$ 4,853,807
Total deferred inflows of resources	<u>\$ 4,435,810</u>	<u>\$ 4,853,807</u>
NET POSITION		
Net Investment in Capital Assets	\$ 45,369,819	\$ 46,508,745
Unrestricted	951,392	602,027
Total net position	<u>\$ 46,321,211</u>	<u>\$ 47,110,772</u>

The accompanying notes to financial statements are an integral part of this statement.

STAFFORD REGIONAL AIRPORT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2024
(With Comparative Totals for the Prior Year)

	2024	2023
Operating Revenues		
Fuel sales, net	\$ 532,605	\$ 421,333
Airfield revenue	394,186	359,930
Other revenues	87,521	18,782
Total operating revenues	\$ 1,014,312	\$ 800,045
Operating Expenses		
Personnel	\$ 311,408	\$ 361,615
Purchased services	146,587	123,605
Supplies and materials	43,885	30,285
Promotion and business development	17,175	4,844
Utilities	62,552	89,817
Insurance	41,110	51,864
Other	6,172	(1,030)
Total operating expenses before depreciation and amortization	\$ 628,889	\$ 661,000
Operating income (loss) before depreciation and amortization	\$ 385,423	\$ 139,045
Depreciation and amortization	\$ 1,515,795	\$ 1,423,051
Operating income (loss)	\$ (1,130,372)	\$ (1,284,006)
Nonoperating Revenues (Expenses)		
Interest income	\$ 118,212	\$ 122,200
Interest expense on loans	(29,923)	(31,510)
Intergovernmental revenue	38,552	25,005
Local government assessments	150,001	150,001
Loss on cancellation of lease	(1,236)	-
Total nonoperating revenues (expenses)	\$ 275,606	\$ 265,696
Loss before capital contributions	\$ (854,766)	\$ (1,018,310)
Capital Grant Contributions	\$ 65,205	\$ 5,492,842
Change in net position	\$ (789,561)	\$ 4,474,532
Net Position, beginning	47,110,772	42,636,240
Net Position, ending	\$ 46,321,211	\$ 47,110,772

The accompanying notes to financial statements are an integral part of this statement.

STAFFORD REGIONAL AIRPORT AUTHORITY

STATEMENT OF CASH FLOWS

JUNE 30, 2024

(With Comparative Totals for the Prior Year)

	2024	2023
Cash Flows from Operating Activities:		
Cash received from customers and tenants	\$ 953,601	\$ 713,856
Payments to employees for services	(319,661)	(369,383)
Payments to suppliers for goods and services	(282,978)	(303,917)
Net cash provided by (used in) operating activities	\$ 350,962	\$ 40,556
Cash Flows from Noncapital Financing Activities:		
Intergovernmental revenue	\$ 38,552	\$ 25,005
Assessments from participating governments	150,001	150,001
Net cash provided by (used in) noncapital financing activities	\$ 188,553	\$ 175,006
Cash Flows from Capital and Related Financing Activities:		
Interest income	\$ 118,212	\$ 122,200
Capital grant contributions	59,943	5,975,365
Acquisition and construction of capital assets	(103,507)	(6,497,685)
Interest on paid debt	(30,375)	(31,393)
Principal payments on debt	(273,362)	(274,381)
Draws on VARF-DL-19 loan	-	308,325
Cancellation of lease	-	-
Net cash provided by (used in) capital and related financing activities	\$ (229,089)	\$ (397,569)
Net change in cash and cash equivalents	\$ 310,426	\$ (182,007)
Cash and Cash Equivalents, beginning of year	280,729	462,736
Cash and Cash Equivalents, end of year	\$ 591,155	\$ 280,729
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Operating loss	\$ (1,130,372)	\$ (1,284,006)
Depreciation and amortization	1,515,795	1,423,051
Cancellation of lease		
(Increase) decrease in assets:	(1,236)	-
Accounts receivable	15,017	4,567
Inventory	20,980	(168)
Prepaid items	(1,308)	9,608
Leases receivable	340,400	(701,231)
(Increase) decrease in liabilities and deferrals:		
Accounts payable	15,871	(7,015)
Accrued compensated absences	(8,253)	(7,768)
Security deposits	3,105	3,425
Other liabilities	(1,040)	(6,957)
Deferred inflows - lease related	(417,997)	607,050
Net cash flows provided by (used in) operating activities	\$ 350,962	\$ 40,556
Schedule of non-cash capital and related financing activities:		
Grant receivables	\$ 164,364	\$ 159,102
Acquisition of capital assets on account	\$ 601,793	\$ 602,409

The accompanying notes to financial statements are an integral part of this statement.

STAFFORD REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1–Nature of Operations and Summary of Significant Accounting Policies:

A. Reporting Entity

Stafford Regional Airport Authority (Authority) is an independent, special purpose political subdivision of the Commonwealth of Virginia. The Stafford Regional Airport Authority was created on August 16, 1990, pursuant to the provisions of Title 5.1 Chapter 3, Sections 15.1-31, et. seq., *Code of Virginia* (1950) as amended. As a political subdivision, the Authority is distinct from, and is not, an agency of the Commonwealth of Virginia or any other local governmental unit.

The governing board for the Authority is jointly appointed by the Counties of Stafford and Prince William and the City of Fredericksburg. Four members are appointed by Stafford County, two by Prince William County and one by the City of Fredericksburg. The participating localities provide financial support to the Airport's operations.

The Authority is authorized to acquire, construct, maintain and operate an airport in order to provide economic development and improve the transportation alternatives available to the residents of the participating localities.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The Authority's operations are presented as a single enterprise fund. Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Revenues from fuel sales, rentals and other fees are reported as operating revenues. Transactions, which are capital, financing or investing related, are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies, and other expenses are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

C. Assets, Liabilities, and Net Position

Deposits and Investments

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include cash on hand and cash on deposit and temporary investments with original maturities of three months or less.

Note 1–Nature of Operations and Summary of Significant Accounting Policies: (Continued)

C. Assets, Liabilities, and Net Position (Continued)

Accounts Receivable

Accounts receivable are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history and current information regarding the creditworthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected. There were no material amounts deemed uncollectible at June 30, 2024 and 2023; however, \$6,275 of old receivables were written off in fiscal year 2024.

Inventories

Inventories, consisting of stored fuel, are stated at the lower of cost or market. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method.

Capital Assets

Capital assets are stated at historical cost or estimated historical cost and include expenses which substantially increase the useful lives of existing assets. The Authority's policy is to capitalize assets with a cost of at least \$500 for equipment and \$5,000 for improvements. Routine maintenance and repairs are expensed as incurred. Donated capital assets are recorded at acquisition value at the date of donation. There are no impaired capital assets or right-to-use lease assets.

Depreciation of property and equipment is computed under the straight-line method at various rates considered adequate to allocate the cost over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

Land and airport improvements	5-50 years
Machinery and equipment	5-15 years
Furniture and fixtures	5-7 years

Accrued Compensated Absences

The Authority has policies to allow the accumulation and vesting of limited amounts of paid leave and sick leave until termination or retirement. Amounts of such absences are accrued when incurred. A liability for these amounts is reported in the accompanying financial statements.

Note 1–Nature of Operations and Summary of Significant Accounting Policies: (Continued)

C. Assets, Liabilities, and Net Position (Continued)

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from actual debt proceeds, are expensed.

Deferred inflows of resources

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category, that being deferred amounts related to leases. See Note 11 for more info regarding this item.

Leases

Lessor: The Authority has hangar and tie-down rentals based upon monthly lease rates consisting of 60 tie-down spaces, 47 T-hangars and 4 jet pad hangars. The Authority is a lessor for noncancellable leases of these hangars, as well as seven other pieces of real estate at the airport. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of the lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Authority determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The Authority uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

STAFFORD REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 1–Nature of Operations and Summary of Significant Accounting Policies: (Continued)

D. Operating Revenues and Expenses

Operating revenues consist of airfield, general aviation, terminal, and other revenues. Operating expenses include salaries and fringe benefit costs, other operating expenses and depreciation. All other revenues and expenses, with the exception of capital grants, are classified as nonoperating revenues and expenses.

E. Use of Estimates

Management of the Authority has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from those estimates.

Note 2–Deposits and Investments:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), Section 2.2-4400 et., seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize the Authority 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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). At June 30, 2024, the Authority held no investments.

STAFFORD REGIONAL AIRPORT AUTHORITY**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2024**Note 3—Capital Assets:**

The change in capital assets for the year ended June 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated or amortized:					
Land	\$ 8,266,903	\$ -	\$ -	\$ -	\$ 8,266,903
Construction in progress	9,981,835	38,990	-	-	10,020,825
Total	<u>\$ 18,248,738</u>	<u>\$ 38,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,287,728</u>
Capital assets being depreciated or amortized:					
Land and airport improvements	\$ 52,655,529	\$ 2,980	\$ -	\$ -	\$ 52,658,509
Machinery and equipment	211,482	60,921	-	-	272,403
Furniture and fixtures	96,499	-	-	-	96,499
Total	<u>\$ 52,963,510</u>	<u>\$ 63,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,027,411</u>
Less accumulated depreciation and amortization:					
Land and airport improvements	\$ 20,486,000	\$ 1,506,265	\$ -	\$ -	\$ 21,992,265
Machinery and equipment	198,829	9,530	-	-	208,359
Furniture and fixtures	96,499	-	-	-	96,499
Total	<u>\$ 20,781,328</u>	<u>1,515,795</u>	<u>-</u>	<u>-</u>	<u>22,297,123</u>
Total capital assets being depreciated or amortized, net	<u>\$ 50,430,920</u>	<u>\$ (1,412,904)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,018,016</u>

Note 4—Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria have been met, but which revenue recognition criteria have not been met. Unearned revenue is comprised of rent collected from customers in advance in the amount of \$-0- and \$-0- as of June 30, 2024 and 2023, respectively. The amounts, when applicable, are reported as other liabilities.

Note 5—Line of Credit

The Authority has a line of credit with Atlantic Union Bank. The line of credit has a limit of \$125,000 and is unsecured. The line of credit is renewable annually. The interest rate is five percent and payable monthly. There was no activity or outstanding balance on the line of credit as of June 30, 2024 or June 30, 2023.

STAFFORD REGIONAL AIRPORT AUTHORITY**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2024**Note 6—Long-term Debt**

Changes in long-term liabilities consisted of the following for the year ended June 30, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Accrued compensated absences	\$ 17,171	\$ 11,899	\$ 20,152	\$ 8,918	\$ 4,459
VRA bonds and loan	1,572,121	-	259,200	1,312,921	245,118
Notes payable	1,747,645	-	14,162	1,733,483	541,217
Total	<u>\$ 3,336,937</u>	<u>\$ 11,899</u>	<u>\$ 293,514</u>	<u>\$ 3,055,322</u>	<u>\$ 790,794</u>

Details of long-term obligations are as follows:

Virginia Resource Authority (VRA) Bonds and Loans2004 Bond

On April 1, 2004, the Authority borrowed \$743,719 which was used to construct new hangar and fuel storage facilities. The Authority refinanced the bond with VRA in fiscal year 2016 resulting in a reduction of the interest rate and monthly payment. Beginning in October 2015, the monthly payment was reduced to \$3,892 with interest at 2.95 percent. The bond matures April 2029.

2005 Bond

On March 9, 2005, the Authority borrowed \$1,075,000 which was used to construct two hangars. The Authority refinanced the bond with VRA in fiscal year 2016 resulting in a reduction of the interest rate and monthly payment. Beginning in October 2015, the monthly payment was reduced to \$6,506 with interest at 2.76 percent. The bond matures March 2025.

2007 Bond

On March 21, 2007, the Authority borrowed \$1,601,000 which was used to construct improvements to the Airport to include utilities and hangar facilities. The bond carried interest at 5.08 percent with monthly payments in the amount of \$11,030 until refinanced during fiscal year 2021. The bond is currently payable in monthly payments of \$9,657 with interest at 1.31 percent. The bond matures July 2027 with no modification of the original terms and conditions of the bond.

VARF-DL-19 Loan

On November 1, 2020, the Virginia Airports Revolving Fund (VARF) granted funding to the Authority to assist in financing the construction of a hangar facility. The project funding was granted for a loan up to \$790,000. The loan includes a covenant requirement stating that the Authority will establish rates and fees charged to customers pertaining to this project at levels that will provide for annual net revenues to equal at least 100 percent of the annual debt service on the loan and existing parity debt obligations. The Authority is required to report annually its conformance to the annual net revenue coverage of the debt service.

STAFFORD REGIONAL AIRPORT AUTHORITY**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2024**Note 6—Long-term Debt (Continued)**Virginia Resource Authority (VRA) Bonds and Loans (Continued)VARF-DL-19 Loan (Continued)

The project construction began in fiscal year 2021 with the Authority making draws on the loan totaling \$272,932 as of June 30, 2021. An additional \$208,742 was borrowed during fiscal year 2022 and the remaining \$308,325 was drawn down during fiscal year 2023. The loan is scheduled for a 20-year term with monthly payments of \$4,066 and interest at 2.15 percent. Interest only was charged at the start of project draws. The loan is secured by a pledge of the Authority's revenues derived from general airport operations in addition to the moral obligation pledge of the City of Fredericksburg, Prince William County and Stafford County.

Revenues of the Authority have been pledged to secure the VRA bonds. Stafford County, Prince William County and the City of Fredericksburg have approved their moral obligation regarding the debt.

Notes Payable

On September 6, 2005, Stafford County approved a loan for \$526,120 to the Authority for the construction of water and sewer service on Airport property with the understanding that the Authority is to repay the County as revenues allow. There have been no current payments made on this loan or demand for payment. The entire balance is considered current.

On July 17, 2012, Stafford County approved an interest free loan not to exceed \$1,400,000. The total borrowed was \$1,316,228. The loan will be repaid from 55 percent of the revenue derived from new commercial clients. Interest is not charged.

Principal and interest for the next five years and in subsequent five-year periods as of June 30, 2024 are as follows:

Years Ending June 30,	Principal	Interest
2025	\$ 786,335	\$ 24,834
2026	205,771	20,720
2027	209,290	17,202
2028	106,070	14,191
2029	90,761	12,057
2030-2034	274,285	45,186
2035-2039	296,826	22,645
2040-2044	171,647	2,185
Thereafter	905,419	-
Total	<u>\$ 3,046,404</u>	<u>\$ 159,020</u>

STAFFORD REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2024

Note 6—Long-term Debt (Continued)

A summary of long-term liability activity for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
VRA bond - 2004	\$ 250,033	\$ -	\$ 39,869	\$ 210,164	\$ 41,061
VRA bond - 2005	133,237	-	75,347	57,890	57,890
VRA bond - 2007	460,531	-	110,517	350,014	111,974
Note payable - Stafford County	526,120	-	-	526,120	526,120
Note payable - Stafford County	1,221,525	-	14,162	1,207,363	15,097
VARF-DL-19 Loan	728,320	-	33,467	694,853	34,193
Total	<u>\$ 3,319,766</u>	<u>\$ -</u>	<u>\$ 273,362</u>	<u>\$ 3,046,404</u>	<u>\$ 786,335</u>

For the years ended June 30, 2024 and 2023, interest expense was as follows:

	<u>2024</u>	<u>2023</u>
Virginia Resource Authority Bond - 2004	\$ 6,742	\$ 7,902
Virginia Resource Authority Bond - 2005	2,556	4,608
Virginia Resource Authority Bond - 2007	5,250	6,690
VARF DL-19 Loan	<u>15,270</u>	<u>12,310</u>
Total	<u>\$ 29,818</u>	<u>\$ 31,510</u>

Note 7—Fuel Sales

Gross profit on fuel sales for the years ended June 30, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Fuel sales	\$ <u>1,152,612</u>	\$ <u>964,488</u>
Cost of sales:		
Fuel and supplies	\$ 620,007	\$ 535,279
Fuel truck rent	<u>-</u>	<u>7,876</u>
Total cost of sales	<u>\$ 620,007</u>	<u>\$ 543,155</u>
Gross profit	<u>\$ 532,605</u>	<u>\$ 421,333</u>

STAFFORD REGIONAL AIRPORT AUTHORITY**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2024

Note 8—Related Party - Local Government Assessments

Local government assessments are provided by the membership organizations as follows:

	<u>2024</u>	<u>2023</u>
County of Stafford	\$ 85,714	\$ 85,714
County of Prince William	42,857	42,857
City of Fredericksburg	<u>21,430</u>	<u>21,430</u>
Total	<u>\$ 150,001</u>	<u>\$ 150,001</u>

Note 9—Capital Grant Contributions

Capital asset purchases have been primarily funded by federal and state capital grant contributions. Additional matching requirements are met by the Authority primarily through loans obtained from the VRA. For the years ended June 30, 2024 and 2023, the Authority received capital grant contributions as follows:

	<u>2024</u>	<u>2023</u>
Federal	\$ 7,142	\$ 5,156,111
State	<u>58,063</u>	<u>336,731</u>
Total	<u>\$ 65,205</u>	<u>\$ 5,492,842</u>

Various grants are subject to audit to determine compliance with specified requirements. The Authority's management believes that if any refunds are required, the amounts will not be material to the Authority's operations and overall financial position.

The Authority acknowledges that various federal grant contracts have the condition of duration and applicability. The terms, conditions and assurances of the various grant agreements remain in full force and effect throughout the useful life of the facilities developed or equipment acquired for a period not to exceed twenty (20) years. There is no limit on the duration of the assurances regarding exclusive rights and Authority revenue while operating as an airport. In addition, there is no limit on the duration of the terms, conditions, and assurances with respect to real property acquired with federal funds.

Note 10—Expansion Projects

Runway Extension Project

The Runway Extension project will extend Runway 15 to better serve existing and future airport customers.

During fiscal year 2021, the Environmental, Mitigation and Runway Extension Design phase was completed. The phase cost was \$1,400,000 with federal funding of \$1,260,000 (90 percent match) and state funding of \$112,000 (eight percent match). Phase 1 construction began in fiscal year 2021 with a contracted cost of \$5,777,777. Phase 1 construction is funded entirely by a federal grant with costs of \$5,344,928 incurred and \$432,848 remaining funds were forfeited and construction has been completed.

STAFFORD REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 10–Expansion Projects (Continued)

Phase 2 construction began in fiscal year 2022 with a contracted cost of \$9,326,500 funded by federal grants in the amount of \$8,110,000 (100 percent match) and \$1,216,500 (90 percent match). As of June 2024, costs of \$9,242,977 have been incurred indicating 99.10 percent completed.

T-Hangar-Site 6, 7, 8 Project

The T-hangar project has budgeted costs of \$155,741. The Virginia Department of Aviation (DOAV) awarded a grant for T-Hangar - Site 6, 7, 8 in the amount of \$136,000 with a 20 percent match. As of June 30, 2024, the Authority received DOAV grant funds in the amount of \$119,234.

Note 11–Leases

During the current fiscal year, the Authority leased spaces in 5 hangars, including 47 T-hangars and 4 jet- pad hangars to third parties. Of these spaces, 4 hangars are expected to be leased for eight more years ending on June 30, 2032 with one hangar expected to be leased for nine more years ending on February 28, 2034. The Authority will receive monthly payments ranging from \$425 to \$900. The Authority also had seven additional agreements with third parties to lease other property at the airport. The leases are expected to be leased for three to twenty-six years. The Authority recognized \$378,054 in lease revenue and \$113,118 in interest revenue during the current fiscal year related to these leases. As of June 30, 2024, the Authority's receivable for lease payments was \$4,691,939. Also, the Authority has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2024, the balance of the deferred inflows of resources was \$4,435,810.

The public is invited to submit applications to rent rooms at the terminal based upon availability and event approval.

Total rent revenue from all sources totaled \$394,186 and \$359,930 as of June 30, 2024 and 2023, respectively.

Note 12–Concentrations

Revenue from fuel sales and rents comprise the majority of operating revenues for the Authority.

Note 13–Risk Management, Commitments and Other Matters

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; general liability claims; and natural disasters. The Authority manages these risks through the purchase of commercial insurance. From time to time, the Authority is involved in litigation in the normal course of operations. It is the opinion of the Authority's management that any adverse outcomes related to litigation would not have a material impact on the financial position, results of operations, or cash flows of the Authority as of and for the years ended June 30, 2024 and 2023.

STAFFORD REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2024

Note 13–Risk Management, Commitments and Other Matters (Continued)

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement of the grantor agencies. The Authority's management believes disallowances, if any, would be immaterial.

As of June 30, 2024 and 2023, the Authority had outstanding contractual commitments related to airport improvement projects totaling \$86,523 and \$296,545, respectively.

Note 14–Mitigation Easement Agreement

In June 2021, the Authority, as the property owner, entered into a mitigation easement agreement for the purpose of the Grantee of the agreement providing compensatory mitigation for unavoidable impacts to streams resulting from activities authorized under applicable federal and state laws. The project area of the easement is approximately 22.72 acres. The Grantee is responsible for obtaining approval by the applicable government entities, which is considered part of the Grantee's mitigation activities. The Grantee is responsible for the cost of obtaining the required approvals. The easement is granted in s modified as allowed by the agreement. The Authority received \$50,000 of monetary consideration for the easement.

Note 15–Upcoming Pronouncements

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Statement No. 102, *Certain Risk Disclosures*, provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Note 16–Subsequent Events

In September 2024, the Airport was approved for a Runway Rehabilitation (Design) grant through the Federal Aviation Administration in the amount of \$522,000. This will be used in future periods for the design of runway repaving.

In February 2025, the Airport accepted a grant increase from Virginia Department of Aviation for the Runway 15 Extension project. With this acceptance, the existing grant increases from \$81,000 to \$108,133. Additionally, there is a companion grant for the project that does not stem from use of FAA funds in the amount of \$77,652.

Compliance



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**Independent Auditors' 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 Stafford Regional Airport Authority
Stafford, Virginia**

We have audited, in accordance with the 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 the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Stafford Regional Airport Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Stafford Regional Airport Authority's basic financial statements and have issued our report thereon dated April 25, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stafford Regional Airport 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 Stafford Regional Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Stafford Regional Airport 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 was for the limited purpose described in the first paragraph of this section 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stafford Regional 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 financial statements. 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 are required to be reported under *Government Auditing Standards*.

Stafford Regional Airport Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Stafford Regional Airport Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Stafford Regional Airport Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 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.

Robinson Farver Cox Associates

Charlottesville, Virginia

April 25, 2025

STAFFORD REGIONAL AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2024

FINANCIAL STATEMENT FINDINGS

2024-001 Material Weakness Due to Lack of Segregation of Duties

Criteria:

There should be adequate segregation of duties relating to journal entries and bank reconciliations. The authorization of journal entries and approval of bank reconciliations should not be carried out by the same person who posts journal entries and creates bank reconciliations.

Condition:

Upon obtaining an understanding of the internal controls of the Authority, it was noted that there was no formal journal entry approval process or bank reconciliation process through April 2023. Upon contracting a consultant to assist with general ledger activity, bank reconciliations and journal entries were transitioned to the consultant. However, there are no formal review approvals documented for these activities.

Context:

The Executive Assistant (terminated in September 2023) and the accounting consultant were the only individuals who made journal entries and coded revenues and expenses in the general ledger. The Executive Assistant and consultant were also the only individuals who created the bank reconciliations. There was no formal approval process for either of these duties during the fiscal year. There were also no formal policies and procedures in place to help ensure segregation of duties for the authorization and approval of journal entries and bank reconciliations.

Cause:

There is a lack of formal review procedures in place including segregation of duties for journal entries and bank reconciliations.

Effect:

Lack of segregation of duties increases the risk that fraud or error may occur undetected.

Recommendation:

We recommend the Authority continue to implement formal policies and procedures in relation to internal controls.

Views of Responsible Officials:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

STAFFORD REGIONAL AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2024

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2024-002 Material Weakness Due to Significant Audit Adjustments and Restatements

Criteria:

The entity should have sufficient controls in place to produce financial statements in accordance with generally accepted accounting principles.

Condition:

The general ledger as presented for audit did not contain all necessary adjustments to comply with generally accepted accounting principles. As such, adjustments that were material to the financial statements were proposed during the audit.

Context:

Audit entries were required to properly reflect capital asset balances and activity, lease receivables, accounts payable, retainage payable, beginning net position, and various other accruals.

Cause:

While there has been improvement to the capital asset balances and activity in fiscal year 2024, there continued to be a lack of financial expertise to ensure all necessary reconciliation schedules were prepared and accruals were accurately recorded.

Effect:

The effect of these transactions resulted in misstatements in the prior year ending balances of capital assets, accounts payable, retainage payable, lease accounts, and current year balances of capital assets, debt balances, compensated absences and various other accruals. The necessary restatements and journal entries were material to the financial statements and were included as adjustments in order to more accurately represent the financial position of the Authority. Failure to record the items noted above is departure from generally accepted accounting principles.

Recommendation:

We recommend the Authority increase levels of due diligence in maintaining accurate account balances. We also recommend a thorough review of general ledger balances and supporting schedules prior to the audit.

Views of Responsible Officials:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

STAFFORD REGIONAL AIRPORT AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024

FINANCIAL STATEMENT FINDINGS

2023-001 Material Weakness Due to Lack of Segregation of Duties

Criteria:

There should be adequate segregation of duties relating to journal entries and bank reconciliations. The authorization of journal entries and approval of bank reconciliations should not be carried out by the same person who posts journal entries and creates bank reconciliations.

Condition:

Upon obtaining an understanding of the internal controls of the Authority, it was noted that there was no formal journal entry approval process or bank reconciliation process.

Status:

Finding 2023-001 was repeated in the current year as 2024-001.

2023-002 Material Weakness Due to Significant Audit Adjustments and Restatements

Criteria:

The year-end financial statements should be free of significant misstatements.

Condition:

The general ledger as presented for audit did not contain all necessary adjustments to comply with generally accepted accounting principles. As such, adjustments that were material to the financial statements were proposed during the audit.

Status:

Finding 2023-002 was repeated in the current year as 2024-002.