



Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Financial Report

June 30, 2024

Chesapeake Airport Authority

Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	5

Financial Statements

Statement of Net Position.....	11
Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Cash Flows.....	13
Notes to Financial Statements	14

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 <i>Government Auditing Standards</i>	22
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards.....	25
Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	26
Summary of Compliance Matters	29
Schedule of Findings and Questioned Costs.....	30

Other Information

Pledged Revenue Coverage	31
--------------------------------	----

Independent Auditor's Report

To the Board of Directors of
Chesapeake Airport Authority
Chesapeake, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Chesapeake Airport Authority, a component unit of the City of Chesapeake, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Chesapeake Airport 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 the Chesapeake 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 and 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 Chesapeake 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 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 Chesapeake 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.

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 Chesapeake 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 the Chesapeake 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Chesapeake Airport Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the pledged revenue coverage schedule but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 7, 2024, on our consideration of the Chesapeake 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 the Chesapeake 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 the Chesapeake Airport Authority's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 7, 2024

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Management's Discussion and Analysis

June 30, 2024

Mission Statement

Provide safe, maximum access to the National Airspace System by offering diverse, superior support benefiting City of Chesapeake's aviation activities in a balanced manner between business and individual users. (Adopted September 11, 2019).

Vision Statement

Be an airport with the finest, fully developed facilities and services to meet Chesapeake's business and individual aviation activities. (Adopted September 11, 2019).

Authority Operations

The Chesapeake Airport Authority (CAA) operates the Chesapeake Regional Airport at 2800 Airport Drive, Chesapeake Virginia. The airport has five employees at this time to include the Airport Manager, Accounting Manager, Maintenance Facilities Supervisor, and two seasonal employees. The Authority maintains the airport and its wastewater treatment facility that services the airport and 10 civilian customers in the area.

Financial Highlights

This section of the Chesapeake Airport Authority's (CAA, Authority or Airport) annual financial report presents our discussion and analysis of the Authority's financial performance for the years ended June 30, 2024 and 2023, (FY2024 and FY2023). Please read it in conjunction with the financial statements that follow this section. The following table summarizes the financial condition and operations of the Authority for FY2024 and provides a comparison to FY2023 and FY2022:

Condensed Statements of Net Position

	June 30, 2024	June 30, 2023	% of Change	June 30, 2022, as restated	% of Change
Assets:					
Current assets	\$ 1,738,387	\$ 1,232,045	41.10%	\$ 1,171,883	5.13%
Other assets	489,398	260,412	87.93%	218,253	19.32%
Capital assets, net	15,773,249	8,953,055	76.18%	9,010,725	-0.64%
	<u>\$ 18,001,034</u>	<u>\$ 10,445,512</u>		<u>\$ 10,400,861</u>	
Liabilities and net position:					
Current liabilities	\$ 1,690,148	\$ 226,542	646.06%	\$ 613,136	-63.05%
Noncurrent liabilities	3,855,500	370,462	940.73%	367,578	0.78%
Net position	12,455,386	9,848,508	26.47%	9,420,147	4.55%
	<u>\$ 18,001,034</u>	<u>\$ 10,445,512</u>		<u>\$ 10,400,861</u>	
Net position:					
Net investment in capital assets	\$ 10,400,863	\$ 8,472,593	22.76%	\$ 8,477,047	-0.05%
Restricted	489,398	260,412	87.93%	218,253	19.32%
Unrestricted	1,565,125	1,115,503	40.31%	724,847	53.89%
	<u>\$ 12,455,386</u>	<u>\$ 9,848,508</u>	26.47%	<u>\$ 9,420,147</u>	4.55%

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Management's Discussion and Analysis

June 30, 2024

Assets

Assets increased significantly in FY2024 due to significant additions of construction in progress and land easements and remained consistent in FY2023.

Liabilities

Current liabilities increased in FY2024 by 646.06% from FY2023 and decreased -63.05% in FY2023. The increase in FY2024 is primarily due to project/maintenance costs that also used state and federal grant funds to mitigate those costs. The decrease in FY2023 is due to paying off the city note. Noncurrent liabilities increased by 940.73% in FY2024 and increased by 0.78% in FY2023. The increase in both years was due to an increase in bond draws related to the Series 2022 bond.

Net Position

Net position increased in FY2024 from FY2023 an overall 26.47% due to an increase in nonoperating revenue. Net position increased in FY2023 from FY2022 an overall 4.55% due to a decrease in operating expenses.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2024	2023	% of Change	2022, as restated	% of Change
Operating revenues	\$ 542,891	\$ 537,331	1.03%	\$ 514,326	4.47%
Operating expenses	(1,317,206)	(1,209,045)	8.95%	(1,309,000)	-7.64%
Net nonoperating revenue	3,381,193	1,100,075	207.36%	1,456,843	-24.49%
Change in net position	2,606,878	428,361	508.57%	662,169	-35.31%
Net position - end of year	<u>\$ 12,455,386</u>	<u>\$ 9,848,508</u>	26.47%	<u>\$ 9,420,147</u>	4.55%

Operating Revenues

Total operating revenue increased from \$537,331 to \$542,891 in FY2024. The increase in operating revenue is due to rent increases on hangars and sewer customers. Total operating revenue increased from \$514,326 to \$537,331 in FY2023. The increase in operating revenue is due to rent increases on hangars.

Operating Expenses

Total operating expenses increased from \$(1,209,045) to \$(1,317,206) in FY2024. The increase in operating expenses was mainly due to increases in salaries and wages, maintenance costs, and insurance costs. Total operating expenses decreased from \$(1,309,000) to \$(1,209,045) in FY2023. The decrease in operating expenses was due to fluctuations in depreciation from the previous year.

Nonoperating Revenue

Net nonoperating revenues increased from \$1,100,075 to \$3,381,193 in FY2024. The increase in nonoperating revenue in FY2024 is due to increased available grants from the city, state, and Federal Aviation Administration (FAA). Total nonoperating revenue decreased from \$1,456,843 to \$1,100,075 in FY2023. The decrease in nonoperating revenue in FY2023 is due to decreased available grants from the city, state, and Federal Aviation Administration (FAA).

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Management's Discussion and Analysis

June 30, 2024

Airport Capital Activity

On July 9, 2018 the Authority sent fair value offers aggregating \$61,278 to landowners with land adjacent to the Airport with the intent of purchasing easements eleven parcels which would enable the Authority to clear obstructions to air navigation. Since offers had neither been accepted or rejected, our counsel, Pender & Coward filed condemnation proceedings with the court on June 7, 2019 against the landowners. Just compensation trial dates were scheduled. Due to the COVID19 Pandemic, original trial dates were subsequently rescheduled. All but four parcels have now settled either through mediation or by agreement, and the title has been recorded for those seven parcels. The FAA and the Virginia Department of Aviation have begun reimbursements for the completed purchases of these seven easements. Just compensation trials for the four remaining parcels scheduled for August 2024 has been postponed. Consequently, the easement acquisition project will be carried over as an active project into FY 2025.

The Corporate hangar facilities are complete. Each hangar is a 12,000 square foot building with an attached 2000 ft. lean-to type office space. The design specifications for the buildings were developed in 2018 and include 3 phase power and bi-fold hangar doors. The Virginia Resources Authority administers the Virginia Airports Revolving Loan Fund. The rents and charges for the buildings will be used to pay the debt. Bids for the construction of the hangars were solicited and Cooper Tacia, General Contractor was the successful low bidder. Chesapeake Regional Airport continues to work with the contractor to address minor items discovered in the final phases of construction.

The snow removal equipment storage shed has been placed on hold for the time being. Under advice of the Federal Aviation Administration, Bipartisan Infrastructure Law funds are going to be utilized in the furtherance of the Easement Acquisition and Obstruction Removal project discussed above.

The Runway and Taxiway Lighting Rehabilitation project has been completed. The project is in the final closeout stages for grant reimbursement. The project was funded by a combination of agencies including the Federal Aviation Administration, the Virginia Department of Aviation and a local investment of 2% of project costs. The LED fixtures have shown a quantifiable reduction in electrical usage. The return on local investment is tangible as evidenced by the reduced energy consumption for the lighting. The project also replaced older regulators with new energy efficient units. We look forward to a 20 year service life for the new runway and taxiway lighting system.

In 2016, the Virginia Department of Aviation completed a comprehensive survey of pavement conditions at all airports in the Commonwealth. The results of the study updated the existing Virginia Statewide Airside Pavement Management Program and identified pavement conditions and needs at all airports. Chesapeake Regional Airport was given a detailed condition report and a forecast of future conditions specific to Chesapeake. Those results were used to develop a long-term rehabilitation and maintenance plan. The T-Hangar Taxilane and Ramp Rehabilitation project was put in place in accordance with the findings of the study. The airside pavements are in the final year of a multi-year rehabilitation effort. Phase 3 (construction) portion of the plan is substantially complete. The rehabilitation involved milling existing blacktop, reclaiming and reinforcing the subgrade, paving, repair of a failed storm water conveyance pipe and reestablishing design elevations. The Ramp Rehabilitation Project phase 3 (construction) was funded by an 80% state and 20% local match.

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Management's Discussion and Analysis

June 30, 2024

Other Airport Activity

Two common indicators of airport activity at non-towered general aviation airports are (1) based aircraft and (2) annual fuel sales. Based aircraft decreased by 6.56% and fuel sales increased by 66.90% since last year. In FY2023, based aircraft increased by 5.38% and fuel sales decreased by 43.43%.

A report of based aircraft is provided to the Virginia Department of Aviation (DOAV) annually as of January 1, which is the midpoint of our fiscal year, thus providing a representative snapshot of based aircraft for the fiscal year.*

Annual fuel sales are determined from annual fuel flowage fees paid by the FBO. **

	2024	2023	2023
Annual Fuel Flowage (gallons) **	163,098	97,720	172,755
Based Aircraft *	128	137	130

Bond and Note Discussion

Issuance of Series 2011 Refunding Bond

Through the execution of a financing agreement with the Virginia Resources Authority (VRA) dated November 1, 2011, the Authority issued a \$1,220,000 Series 2011 Bond at an interest rate of 2.74% which fully matures on August 1, 2024. The proceeds of this bond were used (in concert with the existing funds in the then existing Series 1999 Debt Service Account and the Debt Service Reserve Account) to (1) pay in full the outstanding principal balance of the Series 1999 Bonds, (2) establish a debt service account for the Series 2011 Bond and (3) pay all expenses pursuant to the issuance of the Series 2011 Bond. The debt service due in FY2024 and FY2023 (principal \$110,000 and \$105,000, respectively, and interest \$4,521 and \$7,467, respectively) was paid in full.

Issuance of Series 2022 Airport Revenue Bond

Through the execution of a financing agreement with the Virginia Resources Authority (VRA) dated June 21, 2022, the Authority issued a \$4,500,000 Series 2022 Airport Revenue Bond at an interest rate of 3.66% which fully matures on July 1, 2044. The proceeds of this bond will be used to build two corporate hangars and a new FBO/Flight School Building. There are no debt service principal payments due as of June 30, 2024 and bond proceeds are being drawn down as costs are incurred. Interest accrued on the bond was paid on January 1, 2024, for \$25,040. Accrued interest at June 30, 2024 related to the next interest payment due on January 1, 2025 is \$70,857.

Grants

State Grants

The Airport received grant funds totaling \$1,510,509 from the State (DOAV) in FY2024.

The Commonwealth of Virginia provided grants through the Virginia Department of Aviation (DOAV) in two major categories: Capital Development (\$1,501,465) and Airport Maintenance (\$9,044). The \$9,044 of maintenance grants funded miscellaneous maintenance activities including Automatic Weather Observation System (AWOS), Navigational Aid (NAVAID), generator major maintenance, taxiway lights equipment, lamps and windsocks, and fuel system piping repair.

The Airport received grant funds totaling \$258,481 from the State (DOAV) in FY2023.

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Management's Discussion and Analysis

June 30, 2024

The Commonwealth of Virginia provided grants through the Virginia Department of Aviation (DOAV) in two major categories: Capital Development (\$224,902) and Airport Maintenance (\$33,579). The \$33,579 of maintenance grants funded miscellaneous maintenance activities including Automatic Weather Observation System (AWOS), NAVAID, generator major maintenance, taxiway lights equipment, lamps and windsocks, and fuel system piping repair.

The State (DOAV) funding increased from \$258,481 to \$1,510,509 in FY2024. The increase in state funding is due to the Airport doing a few more large-scale projects in FY2024. The State (DOAV) funding decreased from \$791,690 to \$258,481 FY2023. The decrease in state funding is due to the Airport finishing up the larger-scale capital projects in FY2023.

Federal Grants

The Airport received grant funds totaling \$1,263,360 from the Federal Aviation Administration (FAA) in FY2024.

The funds were for the continuation of the Airfield Lighting Project (\$1,263,360).

The Airport received grant funds totaling \$529,387 from the FAA in FY2023.

The Airport was offered and accepted \$59,000 from the FAA ACRGP CARES Act program due to the COVID-19 pandemic to cover expenses during the pandemic that were incurred beginning January 20, 2020, through the current year. The additional funds were for the Airfield Lighting Project (\$73,442), Easement Acquisition (\$395,412) and Obstruction Marking Project (\$1,533).

Capital Development

Corporate Hangar Site Design

The Federal Aviation Administration has established the goal for all airports to be financially self-sustaining. A key component of achieving a positive cash flow for a General Aviation airport is hangar leases. General Aviation Manufacturer Association metrics show a year over year growth in corporate aircraft sales while smaller, personal aircraft sales have been declining. To position Chesapeake Regional Airport for continued patronage and relevance, the Authority has completed two 12,000 square foot hangars large enough to suit the demands of mid-sized corporate aircraft. The construction of the site was funded through a grant by the Virginia Department of Aviation. Construction of hangars with attached office amenities are funded through issuance of bond debt with a maturity date of July 1, 2044.

Easement Acquisition Services

In order to ensure compliance with federally defined dimensions of unobstructed airspace, Chesapeake Airport Authority has purchased easements over seven adjacent parcels to date allowing the airport to maintain unobstructed airspace. The current phase of the project involves easement acquisition administrative services working towards the eventual purchase of the remaining four aviation easements over adjacent parcels. The services include title research, land surveys and legal documentation. The remaining land owners have been presented with offer letters for fair market value as documented by certified appraisal firms. All residential parcels and three agricultural parcels have reached settlement. Four parcels remaining are under one management entity and the just compensation trial scheduled for August 2024 was postponed.

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Management's Discussion and Analysis

June 30, 2024

Easement Acquisition

On July 9, 2018 the Authority sent fair value offers aggregating \$61,278 to landowners with land adjacent to the Airport with the intent of purchasing easements above 11 parcels which would enable the Authority to maintain clear and unobstructed air navigation. Since offers had neither been accepted or rejected, our counsel, Pender & Coward filed condemnation proceedings with the court on June 7, 2019 against the landowners. Just compensation trial dates were scheduled. Due to the COVID19 Pandemic, original trial dates were subsequently rescheduled. All but four parcels controlled by one manager have now settled either through mediation or by agreement. The Federal Aviation Administration along with the Virginia Department of Aviation has reimbursed seven easement acquisition purchases. Parcels 004, 005, 006 and 007 comprise one case for which the Just Compensation trial date was set for August 2024 but has since been postponed.

Taxiway and Runway Lighting Rehab/Construction

The Federal Aviation Administration has funded the design and bidding of the taxiway and runway lighting rehabilitation project under the non-primary entitlement Airport Improvement Program funds. Construction contracts were signed, and grant offer received in November 2022. The FAA is funding the rehabilitation construction phase at 90%. The Virginia Department of Aviation will contribute 8% of the cost to construct and the local investment by the City of Chesapeake will amount to 2%.

Maintenance Equipment Storage Shed

The Virginia Department of Aviation funded the environmental coordination and design of a maintenance equipment storage shed. The remainder of the construction is being put on hold pending the outcome of the just compensation trial which was scheduled for August 2024 but has since been postponed.

Contacting the Authority's Financial Management

The financial report is to provide federal, state and local grantors, citizens, taxpayers, customers and creditors with a general overview of the Authority'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 2800 Airport Drive, Chesapeake, Virginia 23323, phone (757) 432-8110.



Financial Statements

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Statement of Net Position

June 30, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 3)	\$ 285,355
Grants receivable	1,052,490
Accounts receivable, other	400,542
Total current assets	<u>1,738,387</u>

RESTRICTED ASSETS

Bond escrows, cash and cash equivalents (Note 3)	<u>489,398</u>
--	----------------

CAPITAL ASSETS (Note 4)

Improvements	25,076,417
Land and easements	2,930,504
Construction in progress	7,145,105
Equipment	296,874
	<u>35,448,900</u>
Accumulated depreciation	<u>(19,675,651)</u>
Total capital assets	<u>15,773,249</u>
	<u>\$ 18,001,034</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 1,427,395
Accrued payroll	49,037
Hangar security deposits	26,239
Office space security deposits	200
Accrued interest	72,857
Unearned revenue	4,420
Current portion of bonds payable (Note 5)	110,000
Total current liabilities	<u>1,690,148</u>

NONCURRENT LIABILITIES

Bonds payable, less current portion (Note 5)	<u>3,855,500</u>
--	------------------

NET POSITION

Net investment in capital assets	10,400,863
Restricted	489,398
Unrestricted	1,565,125
Total net position	<u>12,455,386</u>
	<u>\$ 18,001,034</u>

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024

OPERATING REVENUES

Rental income	\$ 479,532
Reimbursements and fees collected	63,359
Total operating revenues	<u>542,891</u>

OPERATING EXPENSES

Salaries and wages	202,779
Maintenance	139,874
Storm water management fees	102,806
Payroll taxes and employee benefits	90,522
Utilities	57,742
Insurance	49,692
Waste disposal costs	49,660
Professional fees	34,772
Supplies	21,631
Telephone	10,725
Advertising	7,123
Conference and meetings	3,667
Other expenses	200
Total operating expenses	<u>771,193</u>
Operating loss before depreciation	(228,302)

DEPRECIATION

Operating loss	<u>(774,315)</u>
----------------	------------------

NONOPERATING REVENUES (EXPENSES)

City appropriations (Note 7)	730,874
Grant revenue	2,773,869
Interest income	15,129
Other income	1,950
Other expense	(333)
Grant expense	(47,096)
Interest expense	(93,200)
Total nonoperating revenues	<u>3,381,193</u>
Change in net position	2,606,878

NET POSITION

Beginning of year	9,848,508
End of year	<u><u>\$ 12,455,386</u></u>

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Statement of Cash Flows

Year Ended June 30, 2024

OPERATING ACTIVITIES

Cash receipts from customers	\$ 205,986
Cash payments to employees for services	(187,978)
Cash payments for other operating expenses	(592,233)
Net cash used by operating activities	<u>(574,225)</u>

NONCAPITAL FINANCING ACTIVITIES

City appropriations	730,874
Interest income	15,129
Other income and expense	1,617
Grant expense	(47,096)
Net cash provided by noncapital financing activities	<u>700,524</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Repayment of bonds payable	(110,000)
Acquisition of property and equipment	(2,364,283)
Grant revenue	1,760,831
Interest expense	(28,863)
Net cash used by capital and related financing activities	(742,315)
Net decrease in cash and cash equivalents	(616,016)

CASH AND CASH EQUIVALENTS

Beginning of year	1,390,769
End of year	<u><u>\$ 774,753</u></u>

**CASH AND CASH EQUIVALENTS, AS SHOWN ON
THE STATEMENT OF NET POSITION**

Cash and cash equivalents, current assets	\$ 285,355
Cash and cash equivalents, restricted assets	489,398
	<u><u>\$ 774,753</u></u>

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (774,315)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	546,013
Change in current assets and liabilities:	
Accounts receivable, other	(338,306)
Accounts payable	(24,708)
Accrued payroll	14,801
Hangar and office space security deposits	889
Unearned revenue	1,401
Net cash used by operating activities	<u><u>\$ (574,225)</u></u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Accounts payable - acquisition of property and equipment	<u><u>\$ 1,406,886</u></u>
Acquisition of property and equipment - financed with bond proceeds	<u><u>\$ 3,595,038</u></u>

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2024

Note 1 – Organization and Nature of Business

Chesapeake Airport Authority (the “Authority” or “CAA”) was created on March 10, 1966, by Chapter 133 of the Acts of Assembly of 1966 of the Commonwealth of Virginia to construct, operate, and maintain an airport to serve the needs of the City of Chesapeake (the “City”).

Note 2 – Summary of Significant Accounting Policies

Reporting Authority

The Authority is considered a component unit of the City for governmental accounting standards purposes. The criteria for including the Authority within the City’s reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement No. 14 and Statement No. 61 (which amends 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. Specifically, the Authority is considered a component unit because of the City Council’s ability to appoint the Board members and the Authority’s financial dependency on the City; this gives the City the potential to impose its will on 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 Authority-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 nonoperating 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 - results when constraints placed on net position use are either externally imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - consists of net position which does not meet the definition of the two preceding categories.

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2024

Cash and Cash Equivalents

For the 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.

Restricted Cash - Bond Escrows

Upon the issuance of the Series 1999 Bonds, and pursuant to the Master Indenture to those bonds, the Authority and the bond trustee established (1) a Debt Service Account for the monthly accumulation of funds for the annual payment of the principal amount and the semi-annual payment of the interest amount of the annual debt service of the bonds and (2) a Debt Service Reserve Account in which the Authority is required to deposit amounts sufficient to maintain the Debt Service Reserve in an amount equal to the annual Debt Service Requirement. This requirement is equal to the maximum amount of required payments for principal and interest on the Series 1999 Bonds including mandatory sinking fund redemptions with respect to the Bonds, scheduled to come due in any year.

With the refunding of the Series 1999 Bonds, this requirement of the Master Indenture continues to apply to the Series 2011 and 2022 Bonds. As of June 30, 2024, the Authority was in compliance with the above requirements.

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:

Improvements	5 – 40 years
Equipment	5 – 10 years

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

Advertising

The Authority expenses advertising costs as they are incurred. Advertising expense was \$7,123 for 2024.

Grants Receivable

Grants receivable represent the amount of allowable expenditures incurred for which funding has been approved but not yet been received. Since this balance consists of amounts owed by the federal and state governments, it is considered fully collectible at year end, and as such, no allowance has been recorded.

Operating and nonoperating classification

The Authority's policy is to report as operating revenues and expenses activity 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 nonoperating revenues and expenses.

Chesapeake Airport Authority

(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2024

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.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. Deductibles and coverage limits at June 30, 2024, are as follows:

	<u>Deductibles</u>
Property:	
Blanket building, each building	\$ 1,000
Blanket personal property	1,000
Uninsured motorist property damage	200
Airport operator's liability:	
Each occurrence or offense deductible	as endorsed
Aggregate deductible	as endorsed
Hangarkeepers limit any one aircraft	1,000
Hangarkeepers limit any one occurrence	1,000
Worker's compensation	None
	<u>Liability Coverage Limits</u>
Property:	
Blanket building	\$ 15,408,480
Blanket personal property	811,250
Airport operator's liability:	
Bodily injury	5,000,000
Products-completed operations	5,000,000
Malpractice	5,000,000
Fire damage	50,000
Medical expense	1,000
Hangarkeepers limit any one aircraft	5,000,000
Hangarkeepers limit any one occurrence	5,000,000
Non-owned aircraft liability	5,000,000
Automobile:	
Liability	1,000,000
Uninsured motorist	1,000,000
Worker's compensation	Statutory

There have been no significant reductions in insurance coverage from the prior year, and any settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2024

Note 3 – Cash, Cash Equivalents, 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 and also insured under 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. The carrying amount of the Authority's deposits was \$267,490 at June 30, 2024, and the associated bank balance was \$596,742. Of this amount, \$346,742 was in excess of FDIC limits but is covered by the Act at June 30, 2024. The differences between the Authority's carrying value of deposits and the bank balance were due to outstanding checks, deposits in transit and other reconciling items. The Authority also had bond escrow funds on deposit of \$489,398 at June 30, 2024.

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, 2024, the Authority had an investment of \$17,865 in Virginia's LGIP money market funds and are included in cash and cash equivalents on the statements of net position.

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.

Interest Rate Risk

The Authority is exposed to little interest rate risk since all investments had maturities of less than one year at June 30, 2024.

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2024

Note 4 – Capital Assets

A summary of changes in capital assets for the Authority follows:

	<u>June 30, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2024</u>
Capital assets not being depreciated:				
Construction in progress	\$ 371,724	\$ 7,307,091	\$ (533,710)	\$ 7,145,105
Land and easements	2,885,208	45,296	-	2,930,504
Total capital assets not being depreciated	<u>\$ 3,256,932</u>	<u>\$ 7,352,387</u>	<u>\$ (533,710)</u>	<u>\$ 10,075,609</u>
Other capital assets:				
Equipment	283,054	13,820	-	296,874
Improvements	24,542,707	533,710	-	25,076,417
Total other capital assets at historical cost	<u>24,825,761</u>	<u>547,530</u>	<u>-</u>	<u>25,373,291</u>
Less accumulated depreciation:				
Equipment	(223,281)	(14,677)	-	(237,958)
Improvements	(18,906,357)	(531,336)	-	(19,437,693)
Total accumulated depreciation	<u>(19,129,638)</u>	<u>(546,013)</u>	<u>-</u>	<u>(19,675,651)</u>
Total capital assets being depreciated, net	<u>5,696,123</u>	<u>1,517</u>	<u>-</u>	<u>5,697,640</u>
Capital assets, net	<u>\$ 8,953,055</u>	<u>\$ 7,353,904</u>	<u>\$ (533,710)</u>	<u>\$ 15,773,249</u>

Note 5 – Bonds Payable

The Authority issued Airport Revenue Bonds dated January 1, 1999, in the amount of \$2,500,000. The bonds were to finance the costs incurred in connection with the acquisition and equipping of airplane hangars and related facilities at the Chesapeake Municipal Airport. Interest payments, of 2.74% per annum, were due semiannually beginning August 1, 1999, and principal payments were due annually beginning December 1, 2000. The bonds were collateralized by the net operating revenues of the Authority and the bond escrows. To take advantage of historically low interest rates, the Authority refunded the Series 1999 Bond through the issuance of a Series 2011 Bond which matures August 2024. The Series 1999 Bond was retired on November 30, 2011.

The Authority issued a Series 2022 Airport Revenue Bond in June 2022 in the amount of \$4,500,000. The purpose of the bond is to finance the construction and equipping of airplane hangars and related facilities for administrative and flight school purposes at the Chesapeake Municipal Airport. Interest payments only, of 3.66% per annum, are due annually in January 2024 and 2025 and semiannual principal and interest payments are due beginning July 2025. The bond is collateralized by the net operating revenues of the Authority and the bond escrow and matures July 2044.

Activity in Series 2011 and 2022 bonds payable for fiscal year 2024 is as follows:

	Balance			Balance	Amount Due
Description	June 30, 2023	Issued	Retired	June 30, 2024	Within One Year
Total bonds outstanding	<u>\$ 480,462</u>	<u>\$ 3,595,038</u>	<u>\$ 110,000</u>	<u>\$ 3,965,500</u>	<u>\$ 110,000</u>

Series 2011 debt service for the year ending June 30, 2025 is a total of \$111,507 of which \$110,000 is principal and \$1,507 is interest.

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2024

The Authority is drawing down bond proceeds on the Series 2022 bond as construction proceeds. As such, future minimum payments and interest cannot be calculated.

Note 6 – Regulated Leases

The Authority has one land lease agreement with a business who owns the structure located on the land and uses the location to serve as Flight Based Operators (FBO) and Specialized Aeronautical Services Operators (SASO) that offer flight training, aircraft maintenance, and other aviation services.

Total regulated lease-related inflows of resources were \$3,371 for the year ended June 30, 2024, and are included in rental income on the statement of revenues, expenses, and changes in net position. Total variable payments were \$4,250 for the year ended June 30, 2024, and are included in reimbursements and fees collected on the statement of revenues, expenses, and changes in net position.

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

Year Ending	
2025	\$ 3,371
2026	3,371
2027	3,371
2028	3,371
2029	3,371
2030 - 2034	16,855
2035 - 2039	16,855
2040	2,247
	<u>\$ 52,812</u>

Note 7 – Related Party Transactions

The Airport receives direct financial support from the City of Chesapeake in the form of annual appropriated funds for the following purposes for years ended June 30, as follows:

Payroll and benefits for Airport personnel	\$ 300,764
Operating expenses	72,505
Local share for capital projects	357,605
	<u>\$ 730,874</u>

Note 8 – Contingencies

State and Federal Grants

In connection with various grants awarded by the Commonwealth of Virginia and the Federal Aviation Administration (FAA), the Authority is required to operate an airport facility in the public interest for a period of 20 years commencing on the execution date of such grants. Should the Authority terminate the agreement, the State (or Federal government) shall be entitled to reimbursement of a proportionate share of the original grant. Management has no intentions of terminating this agreement and, accordingly, no liability has been established at June 30, 2024.

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2024

Note 9 – Commitments

Land Easements

On July 9, 2018, the Authority sent fair value offers aggregating \$61,278 to property landowners with land adjacent to the Airport with the intent of purchasing easements above eleven parcels which would enable the Authority to clear obstructions to air navigation. The FAA will reimburse the Authority subsequent to each purchase. Since offers had neither been accepted nor rejected, the Authority's counsel, Pender & Coward filed condemnation proceedings with the court on June 7, 2019, against the landowners. During 2022, \$248,000 was paid by the Authority to acquire four easements. Due to the COVID-19 pandemic, original trial dates have been delayed considerably. As of June 30, 2024, all easements with the exception of four have been acquired through either mediation or accepted settlement. Compensation trial for the four remaining easements that was set for August 2024 has been postponed.

Contractual Commitments

At June 30, 2024, the Authority has contractual commitments of approximately \$275,000 for work remaining to be performed under outstanding contracts for capital projects.

Note 10 – Pension Plan

Plan Description

The Authority joined the City of Chesapeake Employees' Pension Plan, an agent multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Annually, the City appropriates funding to cover the operating costs of the Authority in its entirety, including payroll and related benefits. Any unused funding is returned to the City, while deficiencies are shown as amounts due to the Authority. As part of this arrangement, the City has assumed any post-retirement liabilities of the Authority, including pensions and other post-employment benefits. While the Authority funds its portion of their participation in the City's pension plan, that expense is wholly reimbursed by the City. As a result, there are no pension or other post-employment benefits liabilities on the Authority's financial statements.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the City of Chesapeake in total and, as such, a separate report for the Authority is not provided. A copy of the City of Chesapeake's report may be obtained by writing to VRS at P.O. Box 2500, Richmond, Virginia 23218.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Authority's contribution rate was 17.01% of annual payroll for full-time employees for 2024.

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Notes to Financial Statements

June 30, 2024

Annual Pension Cost

The Authority's contributions to the VRS for 2024 was \$28,608, which equaled the required contributions for each year and are included in payroll taxes and employee benefits on the statement of revenues, expenses and changes in net position.



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 Board of Directors of
Chesapeake Airport Authority
Chesapeake, 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 the Chesapeake Airport Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Chesapeake Airport Authority's basic financial statements, and have issued our report thereon dated October 7, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chesapeake 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 Chesapeake Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Chesapeake 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. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chesapeake Airport 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 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 that are required to be reported under Government Auditing Standards.**

We noted certain other matters that we reported to the management of Chesapeake Airport Authority, in a separate letter dated October 7, 2024.

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 Chesapeake Airport Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 7, 2024

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor Program or Cluster Title	Pass-through Entity Identifying Number	Federal Assistance Listings Number	Pass-through to Subrecipients	Federal Expenditures
U.S. Department of Transportation:				
Federal Aviation Administration Airport Improvement Program	N/A	20.106	\$ -	\$ 1,270,685
Total U.S Department of Transportation			<u>\$ -</u>	<u>\$ 1,270,685</u>

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Notes to Schedule of Expenditures of Federal Awards

June 30, 2024

Note 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to a reimbursement.

There have been no indirect costs charged to the Authority's grants, therefore, the Authority did not elect the 10% de minimis indirect cost rate or any other indirect rate.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Chesapeake Airport Authority
Chesapeake, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Program

We have audited the Chesapeake Airport Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Chesapeake Airport Authority's major federal program for the year ended June 30, 2024. The Chesapeake Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Chesapeake Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Chesapeake Airport Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the Chesapeake Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Chesapeake Airport Authority's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Chesapeake Airport Authority's compliance based on our audit. 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 Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Chesapeake Airport Authority's compliance of the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, 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 Chesapeake Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Chesapeake Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Chesapeake Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 7, 2024

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Summary of Compliance Matters

June 30, 2024

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 Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Uniform Disposition of Unclaimed Property Act

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Schedule of Findings and Questioned Costs

June 30, 2024

A – Summary of Auditor’s Results

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and no material weaknesses** relating to the audit of the financial statements were 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major programs**.
7. The program tested as major was:

Name of Program	Assistance Listing Number
Federal Aviation Administration Airport Improvement Program	20.106

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Authority was **not** determined to be a **low-risk auditee**.

B – Findings – Financial Statement Audit

None noted.

C – Findings and Questioned Costs – Major Federal Award Program Audit

None noted.

D - Findings – Commonwealth of Virginia

None noted.



Other Information

Chesapeake Airport Authority
(A Component Unit of the City of Chesapeake, Virginia)

Pledged Revenue Coverage
Year Ended June 30, 2024

SERIES 2022 AIRPORT REVENUE BOND

Gross revenues	\$ 1,290,844
Less: Operating expenses	(771,193)
Net revenues available for debt service (a)	<u><u>\$ 519,651</u></u>
Debt service:	
Principal	\$ 110,000
Interest	93,200
Total debt service (b)	<u><u>\$ 203,200</u></u>
Debt service coverage (a) / (b)	256%