

**Report to the  
Board of Directors**

# **CHESAPEAKE AIRPORT AUTHORITY**

**June 30, 2019**

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## CONTACTS

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## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 4, 2019

Board of Directors  
Chesapeake Airport Authority

We have audited the financial statements of Chesapeake Airport Authority (the “Authority”) for the year ended June 30, 2019, and have issued our report thereon dated September 4, 2019. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management’s knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management’s estimate of useful lives of property and equipment.

We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no disclosures that appear to be particularly sensitive in the year under audit.

The financial statement disclosures are neutral, consistent and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit. We would like to thank Mary Cover for preparation of the needed workpapers and financial statements and assisting with confirmations. We wish to thank Charles Schrantz for his assistance in answering questions and ensuring the audit went smoothly. It was a pleasure working with them.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements to the financial statements. Audit adjustments posted are included in Appendix B.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is defined as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter included in Appendix A.

### **Management Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- We noted there is a lack of segregation of duties within the Authority which could potentially lead to management override of controls. This is typical of an organization the size of the Authority in relation to internal controls. It appears this lack of segregation of duties has been mitigated by the direct involvement of the Board in the operational oversight of the Authority. Please continue this involvement as this is critical to maintaining the overall control environment of the Authority.

**Other Matters**

We applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Restrictions on Use**

This information is intended solely for the use of the Board of Directors and management of Chesapeake Airport Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia

## **Appendix A**

### **Management Representation Letter**



September 4, 2019

Brown Edwards & Company, LLP  
701 Town Center Drive, Suite 700, Suite 700  
Newport News, Virginia 23606

This representation letter is provided in connection with your audit of the financial statements of Chesapeake Airport Authority (the "Authority"), which comprise the respective financial position of the business-type activities, as of June 30, 2019 and the respective changes in net position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

***Financial Statements***

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 4, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the required supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related-party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.



8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Authority's accounts. Further, we are not aware of any uncorrected misstatements or omitted disclosures discovered during your audit.
9. Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclose.
10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

### ***Information Provided***

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud affecting the Authority involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Service organizations used by the Authority, or
  - d. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. The Authority is not currently involved in any pending lawsuits or civil actions and we have not consulted with an attorney concerning litigations, claims, or assessments during or subsequent to the fiscal year ended June 30, 2019, except as has been disclosed to you regarding easements on land surrounding the airport and runways.
18. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

### **Government-specific**

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

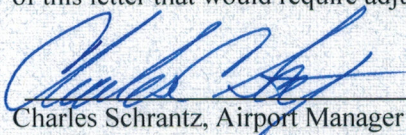


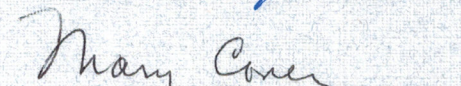
20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. We have provided our views on recommendations.
22. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position.
23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
28. As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
29. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
30. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
31. The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
32. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
33. Investments and derivative instruments are properly valued.



34. Provisions for uncollectible receivables have been properly identified and recorded.
35. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
36. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
37. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
38. Special and extraordinary items are appropriately classified and reported, if applicable.
39. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
40. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
41. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
42. We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board (GASBS) Statements that are not yet effective, as discussed in the notes to financial statements. The Authority is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.
43. We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
45. Expenditures of federal awards were below the \$750,000 threshold in the audit period, and we were not required to have an audit in accordance with the Uniform Guidance.
46. We reaffirm the representations made to the previous auditors' in their letter dated September 4, 2018 with respect to the financial statements as of and for the year ended June 30, 2018.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

  
Charles Schrantz, Airport Manager

  
Mary Cover, Assistant Airport Manager



## **Appendix B**

### **Adjusting Journal Entries**



Client: **1615500.000 - Chesapeake Airport Authority**  
Engagement: **2019 Audit - CHESAPEAKE AIRPORT AUTHORITY**  
Trial Balance: **3005 - TBD**  
Workpaper: **3705 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
		<b>4630</b>		
To remove easements from PP&E & A/P as CAA does not have the deed to these as of 6.30.2019.				
2002	2000 -+ Airport Payables:2002 -+ Accounts Payable Capital		61,276.00	
1770	1750 -+ Land and Easements:Easement Acq Svces East			61,276.00
<b>Total</b>			<b>61,276.00</b>	<b>61,276.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
		<b>PBC</b>		
To record PBC entry for additional payroll expenses.				
2209	Total Benefits and Salaries:2200 -+ Employee Benefits:2209 -		29.00	
2301	Total Benefits and Salaries:2300 -+ Salaries & Wages:2301 -		379.00	
2003	2000 -+ Airport Payables:City Payroll Payable			408.00
<b>Total</b>			<b>408.00</b>	<b>408.00</b>