

CUMBERLANDS AIRPORT COMMISSION

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

**Cumberlands Airport Commission
Financial Report
For the Year Ended June 30, 2024**

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FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**To the Honorable Members of
Cumberlands Airport Commission
Wise, Virginia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Cumberlands Airport Commission, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Cumberlands Airport Commission'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 respective financial position of the governmental activities and the major fund of Cumberlands Airport Commission, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Cumberlands Airport Commission, 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 opinions.

Change in Accounting Principles

As described in Note 8 to the financial statements, in 2024, the Commission adopted new accounting guidance, GASB Statement No. 100, *Accounting Changes and Error Corrections*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 9 to the financial statements, in 2024, the Commission corrected an error for an unrecorded grant receivable for FY2023.

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 Cumberlands Airport Commission'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 opinions. 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 Cumberland's Airport Commission'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 Cumberland's Airport Commission'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 budgetary comparison information 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cumberland's Airport Commission'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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2025, on our consideration of Cumberland's Airport Commission'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 Cumberland's Airport Commission'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 Cumberland's Airport Commission's internal control over financial reporting and compliance.



Blacksburg, Virginia
February 19, 2025

Basic Financial Statements

Cumberlands Airport Commission
Statement of Net Position
June 30, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 248,570
Accounts receivable	5,341
Due from other governmental units	84,299
Inventory	46,631
Prepaid items	6,046
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Land	\$ 927,247
Construction in progress	4,395,151
Machinery and equipment	13,283
Buildings and improvements	97,904
Infrastructure	5,734,133
Total capital assets (net of accumulated depreciation)	\$ <u>11,167,718</u>
Total assets	\$ <u>11,558,605</u>
LIABILITIES	
Accounts payable	\$ 2,569
Accounts payable - construction projects	86,020
Accrued wages and taxes payable	<u>3,704</u>
Total liabilities	\$ <u>92,293</u>
NET POSITION	
Net investment in capital assets	\$ 11,081,698
Unrestricted	<u>384,614</u>
Total net position	\$ <u><u>11,466,312</u></u>

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

Cumberland's Airport Commission
Statement of Activities
For the Year Ended June 30, 2024

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services (net)	Operating Grants and Contributions	Capital Grants and Contributions	Airport Commission	Governmental Activities
Functions/Programs						
Governmental activities:						
Parks, recreation, and cultural	\$ 472,502 \$	45,533 \$	264,016 \$	2,162,240 \$		1,999,287
Total governmental activities	\$ 472,502 \$	45,533 \$	264,016 \$	2,162,240 \$		1,999,287
Total Airport Commission	\$ 472,502 \$	45,533 \$	264,016 \$	2,162,240 \$		1,999,287
Change in net position					\$	1,999,287
Net position - beginning, as previously reported						9,445,025
Restatement						22,000
Net position - beginning, as restated						9,467,025
Net position - ending					\$	11,466,312

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

Cumberlands Airport Commission
Balance Sheet
Governmental Fund
June 30, 2024

	<u>General</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 248,570
Accounts receivable	5,341
Due from other governmental units	84,299
Prepaid items	6,046
Inventory	<u>46,631</u>
Total assets	\$ <u><u>390,887</u></u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 2,569
Accounts payable - construction projects	86,020
Accrued wages and taxes payable	<u>3,704</u>
Total liabilities	\$ <u>92,293</u>
 FUND BALANCES	
Nonspendable	\$ 52,677
Unassigned	<u>245,917</u>
Total fund balances	\$ <u>298,594</u>
Total liabilities and fund balances	\$ <u><u>390,887</u></u>

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

Cumberlands Airport Commission
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2024

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance per Exhibit 3 - Balance Sheet - Governmental Fund	\$ 298,594
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>11,167,718</u>
Net position of governmental activities	\$ <u><u>11,466,312</u></u>

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

Cumberlands Airport Commission
Statement of Revenues, Expenditures and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2024

Revenues:		General
Sales--fuel, oil and other merchandise	\$	164,322
Less cost of goods sold		(145,333)
Gross profit on sales	\$	18,989
Other Revenues:		
Rental accounts	\$	26,544
Intergovernmental Revenues:		
Contributions from participating localities	\$	251,360
Revenue from Commonwealth		189,165
Revenue from federal government		1,985,731
Total intergovernmental revenues	\$	2,426,256
Total revenues	\$	2,471,789
Expenditures:		
Salaries and fringes	\$	174,617
Professional services		16,370
Repair and maintenance		53,723
Utilities		27,285
Mileage		230
Office expenses		7,037
Other operating expenses		2,605
Project costs		2,206,368
Total expenditures	\$	2,488,235
Excess (deficiency) of revenues over (under) expenditures	\$	(16,446)
Net change in fund balance	\$	(16,446)
Fund balance, beginning of year, as previously reported		293,040
Restatement		22,000
Fund balance, beginning of year, as restated		315,040
Fund balance, end of year	\$	298,594

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

Cumberlands Airport Commission
Reconciliation of Statement of Revenues,
Expenditures and Change in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2024

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance - governmental fund	\$ (16,446)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details of items supporting this adjustment include:

Capital outlays	\$ 2,206,475	
Depreciation expense	<u>(190,742)</u>	<u>2,015,733</u>

Change in net position of governmental activities	\$ <u><u>1,999,287</u></u>
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The notes to the financial statements are an integral part of this statement.

Cumberlands Airport Commission
Notes to the Financial Statements
June 30, 2024

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Cumberlands Airport Commission (the Commission) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Cumberlands Airport Commission was created pursuant to Chapter 439 of the Acts of Assembly of 1958. The Commission was organized for the purpose of acquiring, constructing, reconstructing, maintaining, repairing, and operating an airport to serve the needs of the counties of Wise, Dickenson, Lee and Russell, the city of Norton, and the town of Appalachia, Big Stone Gap, Wise, Pound, Coeburn, St. Paul, Clintwood, Haysi, Jonesville, Pennington Gap, Ewing, Rose Hill and Lebanon. The Airport was created in accordance with Chapter 3 of Title 5.1 of the *Code of Virginia*, 1950 as amended (Code). The Code provides that the Commission is authorized to issue revenue bonds for any of its purposes payable solely from the tolls and revenues pledged for their payment; to fix and revise from time to time and charge and collect tolls, rates, fees, rentals and other charges for the use of the Airport; to make and enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under the Code and to do all acts and things necessary and convenient to carry out the powers expressly granted in the Code.

The Commission is a legally separate organization. Since none of the participating localities can impose their will on the Commission, and since there is no potential financial benefit or burden relationship, and the participating localities are not financially accountable for the Commission, the Commission is not considered a component unit of any of the participating localities.

B. Financial Statement Presentation

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the Commission's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission. For the most part, effects of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the Commission. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Cumberlands Airport Commission
Notes to the Financial Statements (Continued)
June 30, 2024

Note 1-Summary of Significant Accounting Policies: (continued)

B. Financial Statement Presentation (continued)

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the current reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

The government-wide financial statements are reported using the *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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Cumberlands Airport Commission
Notes to the Financial Statements (Continued)
June 30, 2024

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents:

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Inventory:

Inventory is valued at cost using the first in/first out (FIFO) method.

3. Amounts Due from Patrons:

Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. The Commission does not record a receivable for amounts due from patrons as such receivables are immaterial to the financial statements.

4. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Prepaid Items:

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

6. Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in progress are not depreciated. Property, plant, and equipment of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and improvements	40
Machinery and equipment	5-30
Infrastructure	20-40

Cumberlands Airport Commission
Notes to the Financial Statements (Continued)
June 30, 2024

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. Net Position:

The Statement of Net Position reports the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as net position.

The Commission's net position is classified as follows:

Net investment in capital assets - This category represents the net value of capital assets (property, plant, and equipment and infrastructure less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted - This category includes resources for which the Commission is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the Commission and may be used at the Commission's discretion to meet current expenses for any lawful purposes.

8. Net Position Flow Assumption:

Sometimes the Commission will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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Cumberlands Airport Commission
Notes to the Financial Statements (Continued)
June 30, 2024

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

9. Fund Balance:

The Commission reports fund balance in accordance with current financial reporting standards. Cumberlands Airport Commission uses the following classifications to segregate fund balance. These classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the Commission;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Commission's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Cumberlands Airport Commission establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The Commission has \$52,677 in nonspendable fund balance at June 30, 2024 which consists of \$46,631 in inventory and \$6,046 in prepaids.

Note 2-Deposits and Investments:

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. At year end, deposits totaling \$253,742 were not reported in accordance with the Act, and exceeded FDIC coverage by \$3,742.

Cumberlands Airport Commission
Notes to the Financial Statements (Continued)
June 30, 2024

Note 2-Deposits and Investments: (Continued)

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 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). As of June 30, 2024, the Commission did not have any investments.

Note 3-Due from Other Governments:

<u>Commonwealth of Virginia</u>	
Categorical aid	\$ 6,881
<u>Federal Government</u>	
Categorical aid	77,418
Total	<u>\$ 84,299</u>

Note 4-Capital Assets:

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 927,247	\$ -	\$ -	\$ 927,247
Construction in progress	2,204,126	2,191,025	-	4,395,151
Total capital assets not being depreciated	<u>\$ 3,131,373</u>	<u>\$ 2,191,025</u>	<u>\$ -</u>	<u>\$ 5,322,398</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,579,441	\$ -	\$ -	\$ 1,579,441
Machinery and equipment	34,484	15,450	-	49,934
Infrastructure	6,202,951	-	-	6,202,951
Total capital assets being depreciated	<u>\$ 7,816,876</u>	<u>\$ 15,450</u>	<u>\$ -</u>	<u>\$ 7,832,326</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,441,943)	\$ (39,594)	\$ -	\$ (1,481,537)
Machinery and equipment	(34,484)	(2,167)	-	(36,651)
Infrastructure	(319,837)	(148,981)	-	(468,818)
Total accumulated depreciation	<u>\$ (1,796,264)</u>	<u>\$ (190,742)</u>	<u>\$ -</u>	<u>\$ (1,987,006)</u>
Total capital assets being depreciated, net	<u>\$ 6,020,612</u>	<u>\$ (175,292)</u>	<u>\$ -</u>	<u>\$ 5,845,320</u>
Governmental activities capital assets, net	<u>\$ 9,151,985</u>	<u>\$ 2,015,733</u>	<u>\$ -</u>	<u>\$ 11,167,718</u>

All depreciation expense was charged to the parks, recreation, and cultural function in the Statement of Activities.

Cumberlands Airport Commission
Notes to the Financial Statements (Continued)
June 30, 2024

Note 5-Risk Management:

The Commission 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. The Commission carries commercial insurance for all risks of loss. Losses resulting from claims have not exceeded coverage in any of the prior three fiscal years.

Note 6-Litigation:

As of June 30, 2024, there were no matters of litigation involving the Commission which would materially affect the Commission's financial position should any court decisions on pending matters not be favorable.

Note 7-Commitments and Contingencies:

Federal programs in which the Commission participates were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Construction commitments at June 30, 2024 consisted of the following:

Project	Amount of Contract	Amount Outstanding	Accounts Payable	Retainage Payable
Runway Rehabilitation Phase II - Construction	\$ 4,591,625	\$ 569,162	\$ -	\$ 80,449
Runway Rehabilitation Phase II - Engineering	410,000	115,313	5,571	-
Total	\$ <u>5,001,625</u>	\$ <u>684,475</u>	\$ <u>5,571</u>	\$ <u>80,449</u>

Note 8-Adoption of Accounting Principle:

In fiscal year 2024, the Commission implemented Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Note 9-Restatement of Beginning Balance:

In fiscal year 2023, the Commission received a grant from the FAA for runway improvements. A receivable for project activity reimbursed through grant funds was not recorded in the prior year's financial statements but corrected through a beginning balance restatement.

	General Fund
Net Position, July 1, 2023, as previously stated	\$ 293,040
Restate for additional prior year grant receivable	22,000
Net Position, July 1, 2023, as restated	\$ <u>315,040</u>

Cumberlands Airport Commission
Notes to the Financial Statements (Continued)
June 30, 2024

Note 10-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 fiscal years 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.

Required Supplementary Information

Cumberlands Airport Commission

Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund
Budget and Actual
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Sales--fuel, oil and other merchandise	\$ 195,000	\$ 195,000	\$ 164,322	\$ (30,678)
Less cost of goods sold	(134,700)	(134,700)	(145,333)	(10,633)
Gross profit on sales	\$ 60,300	\$ 60,300	\$ 18,989	\$ (41,311)
Other revenues:				
Rental accounts	\$ 36,600	\$ 36,600	\$ 26,544	\$ (10,056)
Total other revenues	\$ 36,600	\$ 36,600	\$ 26,544	\$ (10,056)
Intergovernmental revenue:				
Contributions from participating localities:				
Wise County	\$ 215,466	\$ 215,466	238,215	\$ 22,749
Dickenson County	10,000	10,000	5,000	(5,000)
Others	8,145	8,145	8,145	-
Total contributions from participating localities	\$ 233,611	\$ 233,611	\$ 251,360	\$ 17,749
Revenue from the Commonwealth:				
Categorical aid:				
Airport Construction Grants	\$ 203,865	\$ 203,865	\$ 176,509	\$ (27,356)
Airport Maintenance Grants	13,000	13,000	12,656	(344)
Total revenue from the Commonwealth	\$ 216,865	\$ 216,865	\$ 189,165	\$ (27,700)
Revenue from the federal government:				
Categorical aid:				
Airport Construction Grants	\$ 2,293,481	\$ 2,293,481	\$ 1,985,731	\$ (307,750)
Total revenue from the federal government	\$ 2,293,481	\$ 2,293,481	\$ 1,985,731	\$ (307,750)
Total intergovernmental revenue	\$ 2,743,957	\$ 2,743,957	\$ 2,426,256	\$ (317,701)
Total revenues	\$ 2,840,857	\$ 2,840,857	\$ 2,471,789	\$ (369,068)

Cumberlands Airport Commission

Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund
Budget and Actual
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Expenditures:				
Salaries and fringes	\$ 174,264	\$ 174,264	\$ 174,617	\$ (353)
Professional services	26,000	26,000	16,370	9,630
Repair and maintenance	68,500	68,500	53,723	14,777
Utilities	17,700	17,700	27,285	(9,585)
Mileage	600	600	230	370
Uniforms	500	500	-	500
Office expenses	4,650	4,650	7,037	(2,387)
Other operating expenses	330	330	2,605	(2,275)
Project costs	2,548,313	2,548,313	2,206,368	341,945
Total expenditures	\$ 2,840,857	\$ 2,840,857	\$ 2,488,235	\$ 352,622
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (16,446)	\$ (16,446)
Net change in fund balance	\$ -	\$ -	\$ (16,446)	\$ (16,446)
Fund balance, beginning, as previously reported	\$ -	\$ -	\$ 293,040	\$ 293,040
Restatement	-	-	22,000	22,000
Fund balance, beginning, as restated	\$ -	\$ -	\$ 315,040	\$ 315,040
Fund balance, end of year	\$ -	\$ -	\$ 298,594	\$ 298,594

COMPLIANCE SECTION



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 Honorable Members of
Cumberlands Airport Commission
Wise, 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 governmental activities and each major fund of Cumberlands Airport Commission as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Cumberlands Airport Commission's basic financial statements and have issued our report thereon dated February 19, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cumberlands Airport Commission's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cumberlands Airport Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Cumberlands Airport Commission'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 scheduling of findings and questioned costs, as items 2024-001, 2024-002, and 2024-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cumberlands Airport Commission'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*.

Cumberlands Airport Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Cumberlands Airport Commission's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Cumberlands Airport Commission'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.

A handwritten signature in black ink that reads "Robinson, Famer, Cox Associates". The script is cursive and fluid.

Blacksburg, Virginia
February 19, 2025



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

To the Honorable Members of
Cumberlands Airport Commission
Wise, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cumberlands Airport Commission'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 each of Cumberlands Airport Commission's major federal programs for the year ended June 30, 2024. Cumberlands Airport Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Cumberlands Airport Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Cumberlands Airport Commission and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Cumberlands Airport Commission'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 Cumberlands Airport Commission's federal programs.

Auditors' 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 Cumberlands Airport Commission'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 judgment made by a reasonable user of the report on compliance about Cumberland's Airport Commission's compliance with 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 risks 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 Cumberland's Airport Commission'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 Cumberland's Airport Commission'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 Cumberland's Airport Commission'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 a 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 Auditors' 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 were not 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.



Blacksburg, Virginia
February 19, 2025

Cumberlands Airport Commission
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Direct payments:			
Airport Improvement Program	20.106	Not Applicable	\$ 1,985,731
Total Expenditures of Federal Awards			<u>\$ 1,985,731</u>

Notes to the Expenditures of Federal Awards

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Cumberlands Airport Commission 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 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 Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commission.

Note B -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The Commission did not elect to use the 10 percent de minimis indirect cost rate as it typically only requests direct costs for reimbursement.
- (4) The Commission did not have any outstanding loans at year end as described in 2 CFR section 200.502(b).

Note C -- Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the Commission's financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,985,731
Total primary government	<u>\$ 1,985,731</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,985,731</u>

Cumberlands Airport Commission

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

Assistance Listing #

Name of Federal Program or Cluster

20.106

Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

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Cumberlands Airport Commission

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024**

Section II - Financial Statement Findings

2024-001	Material weakness
Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The Commission does not have a proper segregation of duties over the accounts payable and billing and collection functions.
Cause:	The Commission lacks the funding to fully support a completely segregated finance department.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the Commission's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the billing and collection function as well as the accounts payable function lack proper segregation of duties; however, to alleviate the condition would require additional staff.
2024-002	Material weakness
Criteria:	Identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Commission's financial statements required material adjustments to ensure such statements complied with Generally Accepted Accounting Principles.
Cause:	This was the second annual audit of the Commission's financial statements, and as a result they relied on the auditors for assistance in preparing the financial statements and related adjustments.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the Commission's internal controls over financial reporting.
Recommendation:	Management should continue to work towards making all necessary entries and adjustments.
Management's Response:	The Commission staff will work with the auditors to learn how to make the necessary entries to be able to provide an adjusted trial balance at the time of the audit.

Cumberlands Airport Commission

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024**

Section II - Financial Statement Findings (Continued)

2024-003	Material weakness
Criteria:	A key concept of internal controls is maintaining proper original documentation particularly related to the accounts payable process. Further, another key concept is documenting a third-party approval on that documentation.
Condition:	During the audit process, the staff and the audit team were unable to locate multiple immaterial invoices. We also noted that most invoices do not include formal approval or a check number.
Cause:	The Commission has limited staffing and experienced turnover in administrative positions during the fiscal year and subsequent to year end.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the Commission's internal controls over financial reporting.
Recommendation:	We recommend the Airport staff begin processing invoices in QuickBooks (instead of manually writing checks), stapling a copy of the check stub to the invoice, and filing them in numerical order. Each invoice should also include the Airport Manager's approval signature prior to payment. Finally, we recommend that the Commission be provided a list of receipts and checks for review and approval at each Commission meeting.
Management's Response:	The Airport staff will consider the above recommendation and work to implement a process that achieves the goals noted.

Section III - Federal Award Findings and Questioned Costs

None

**Cumberlands Airport Commission
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024**

Findings 2023-001, 2023-002, and 2023-003 are recurring in the current year as 2024-001, 2024-002, 2024-003. Finding 2023-004 was corrected during 2024.

2023-004 - Material noncompliance

Condition: The Commission had not had an audit prior to the fiscal year 2023 audit.

Status: The Commission has hired an auditor going forward.



The Cumberlands Airport Commission

SERVING
SOUTHWEST VIRGINIA AND EASTERN KENTUCKY
6225 Airport Road
WISE, VIRGINIA 24293

Cumberlands Airport Commission
Corrective Action Plan
Fiscal Year Ending June 30, 2024

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2024-001	Management acknowledges that internal controls over the billing and collection function as well as the accounts payable function lack proper segregation of duties; however, to alleviate the condition would require additional staff.	6/30/2025	Joseph Teague, Airport Manager
2024-002	The Commission staff will work with the auditors to learn how to make the necessary entries to be able to provide an adjusted trial balance at the time of the audit.	6/30/2025	Joseph Teague, Airport Manager
2024-003	The Airport staff will consider the recommended documentation practices and work to implement a process that achieves the goals noted.	6/30/2025	Joseph Teague, Airport Manager