



## DARE COUNTY AIRPORT AUTHORITY



### Dare County Regional Airport

P.O. Box 429 ~ 410 Airport Road  
Manteo, NC 27954  
(252) 475-5570 ~ Fax (252) 473-1196

### DARE COUNTY AIRPORT AUTHORITY MINUTES of the January 7, 2019 Meeting

Acting Chair Charlie Davidson called the January 7, 2019 meeting of the Dare County Airport Authority to order at approximately 6:00 pm. and lead in the Pledge of Allegiance.

**Members Present:** Charles Davidson, George Wood, Wally Overman, Joe Blakaitis, Fred Newberry, Bill Pope and George Henderson

**Members Absent:** David Twiddy and Jack Shea,

**Also Attending:** Airport Attorney Robert Hobbs, Hornthal, Riley, Ellis & Maland, LLP; Airport Director, David Daniels, Airport Finance Officer, Marge Stauffer and Crystal Bateman Clerk to the Board.

**Members of the Public in the Audience:** Dave Clawson, Dare County Finance Director, Robert Taylor, CPA, Potter & Company, CPA; Greg Clark, reporter for the Coastland Times.

#### Comments from the public:

No Comments

#### Audit Report:

Robert Taylor, Representative for Potter & Company, CPA presented the results of the June 30 2018 for review and acceptance. See attached

**MOTION:** George Wood motioned to accept the June 30 2018 Audit.  
**SECOND:** Bill Pope  
**DISCUSSION:** None  
**OPPOSED:** None  
**OUTCOME:** Carried

#### Economic Impact Study:

Charlie Davidson updated the board on the status of the Economic Impact Study.

Bill Pope, Public Relations Committee Chair has been working with Mr. Brent Lane to prepare an Economic Impact Study for the airport.

Mr. Pope reported that Mr. Lane has prepared assessments for other municipalities and airports in terms of economic impact studies.

After meeting with Mr. Lane and reviewing his proposal, the Board at its last meeting recommended asking Mr. Lane to clarify some details on his initial proposal. Mr. Lane came down on December 15 and met with the Public Relations Committee and expanded on the initial proposal and answered some of the concerns the committee.

Bill Pope reviewed the revised proposal with the Board. Mr. Pope stated that when he met with Deputy Secretary White and Deputy Director Arnold and discussed modernizing the airport, Mr. Lane had come highly recommended. Wood and Newberry said they still had concerns with the revised proposal. Wood suggested the report should be further revised to consider (1) the recent ITRE study data, (2) competitive advantages and disadvantages with any recommendations to be made, (3) flight information, (4) value of the Airport as a disaster responder, and (5) specifics as to methodology.

Pope commented that Mr. Lane is ready to start working on the study for the Airport and would like to have the study done by early to mid-March. The money has already been budgeted for this report, but if the Board chooses to wait on the study, Pope said Mr. Lane would first begin work on other projects involving the General Assembly which means the Airport's study could possibly be postponed until next year.

IN response to a question from Airport Attorney Hobbs, Airport Director Daniels confirmed the money for the study was budgeted/. Hobbs commented if that is the case, the Finance Officer should add and sign a pre-audit certificate to the contract if the Board approves the contract.

Wally Overman asked if the Board needed to do an RFQ before the Board approved Mr. Lane's proposal. Airport Attorney Hobbs said that this type of service contract is not subject to competitive bidding laws, so it was entirely up to the Board whether or not to solicit bids.

Wood stated that while he recognizes that Mr. Lane comes highly qualified, he wanted to make sure his proposal clearly articulates what we hope to get from the report. There was a discussion on whether there was a need to have another meeting with Mr. Lane for members to address their concerns before a decision is made. There was also a discussion about the need to move forward with the study as soon as possible due to its importance.

Airport Attorney Hobbs suggested a motion be made to approve the contract with Mr. Brent Lane for the Economic Impact Study in concept, including the cost quoted by Mr. Lane, to authorize the funding and to appoint a committee to work out the final wording of the contract as long as the basic terms of the contract remain the same, i.e. the price, time frames the type of product delivered, or have another special called meeting of the Board after talking with Mr. Lane.

Acting Chair Davidson appointed George Wood, Fred Newberry and Bill Pope to the Economic Impact Study Committee.

**MOTION:** Bill Pope motioned to approve the contract with Mr. Brent Lane for the Economic Impact Study for the cost presented in the proposal from Mr. Lane, including the basic terms and the cost, and to authorize the Economic Impact Study to discuss possible final clarifications of the contract with the consultant and delegate to the committee to approve the final wording of the contract to incorporate any such clarifications.

**SECOND:** George Wood  
**DISCUSSION:** The board further discussed the importance of the methodology and integration of data. The committee will meet on Thursday, January 10<sup>th</sup> upstairs in the airport terminal building for a conference call with Mr. Lane to discuss the details of the Economic Impact Study such as methodology and integration of data.

**OPPOSED:** None  
**OUTCOME:** Carried

**Adjourn:**

**MOTION:** Bill Pope motioned to adjourn  
**SECOND:** George Wood  
**DISCUSSION:** None  
**OPPOSED:** None  
**OUTCOME:** Carried

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Crystal Bateman, Clerk to the Board  
Dare County Airport Authority

**Dare County Airport Authority**  
(A component unit of Dare County)

Financial Statements

June 30, 2018

**Dare County Airport Authority**  
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**POTTER & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
**Dare County Airport Authority**  
Manteo, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the **Dare County Airport Authority** (a component of Dare County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Dare County Airport Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility 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; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express opinion on these financial statements based on our audit. 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 Governmental Auditing Standards, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Dare County Airport Authority, as of June 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-11, the Other Postemployment Benefits' Schedule of Changes in the total OPEB Liability and Related Ratios on pages 34, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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 and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Dare County Airport Authority. The budgetary schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 by us. In our opinion, based on our audit, the procedures performed as described above, the comparative and individual fund statements and budgetary schedules are fairly stated, in all material respect, 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 November 19, 2018 on our consideration of the Dare County 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 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 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 its internal control over financial reporting and compliance.

*Potter & Company, PA*

Certified Public Accountants

Mooresville, North Carolina

November 19, 2018



**Management's Discussion and Analysis**  
**Dare County Airport Authority Community Center Authority**  
**For Fiscal Year Ended June 30, 2018**

As management of the Dare County Airport Authority, we offer readers of the Dare County Airport Authority's financial statements this narrative overview and analysis of the financial activities of the Dare County Airport Authority for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

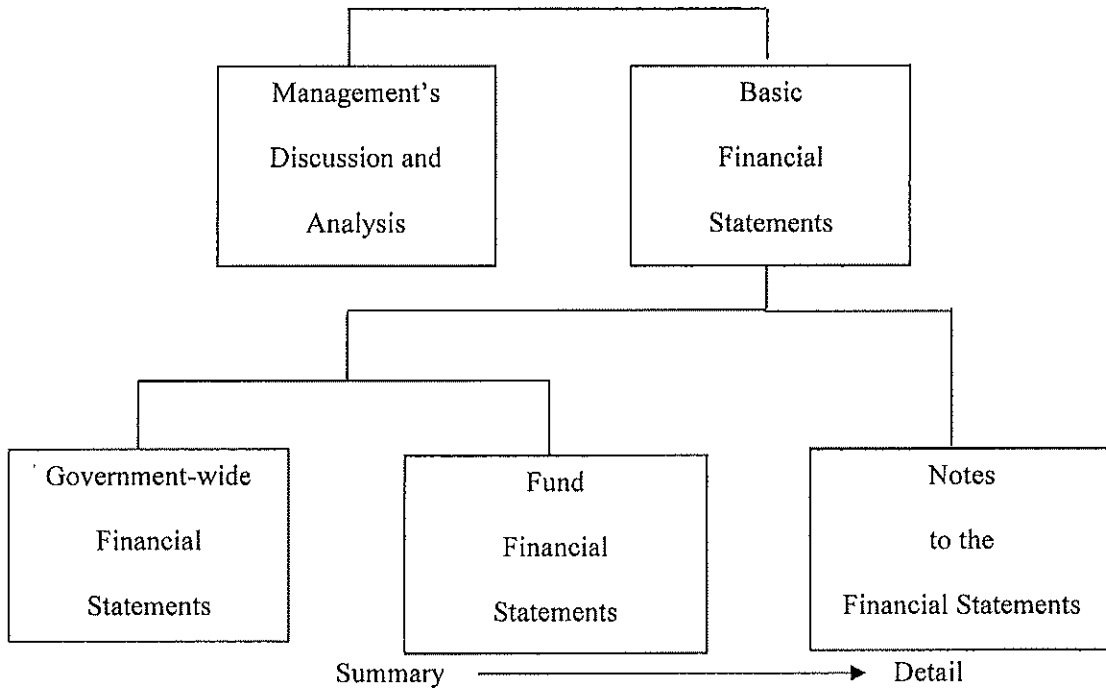
**Financial highlights**

- The assets and deferred outflows of resources of the Dare County Airport Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,735,421 (net position).
- The Authority's total net position increased by \$140,457.
- The Authority's long-term debt decreased by \$130,000 for payments on hangar debt.
- Airport operations expenses increased by \$31,043 or 3%.
- Cementary operation expenses decreased by \$4,685.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Dare County Airport Authority's basic financial statements. The Authority's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see figure 1). The basic financial statements present two different views of the Authority through the use of government-wide statements and fund financial statements combined on one statement due to special treatment allowed under GASB 34. See Note 2. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Authority.

**Required Components of Annual Financial Report**  
**Figure 1**



Dare County Airport Authority  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2017**

**Basic Financial Statements**

The first two statements (exhibits 1 and 2) in the basic financial statements are the combined **Government-wide Financial and Fund Statements**. Under Governmental Accounting Standards Board Statement Number 34, certain governmental entities are permitted to combine the government-wide and fund financial statements. The Authority qualifies for this type of financial statement treatment. The fund financial statements are presented along with a reconciliation to the government-wide financial statements.

Several adjustments are required to convert the balance sheet to the statement of net position. The fund-based balance sheet does not provide information on long-term assets and liabilities. The Authority's total fixed assets, net of accumulated depreciation, must be included in the statement of net position. Other funds are not reported on the statement of net position.

Depreciation is not recorded on the fund-based financial statements but it must be included on the statement of activities. Expenditures for capital assets are recognized on the fund-based statements; these expenditures are capitalized for government-wide statements and are not included in the statement of activities.

The **Government-wide Statements** provide both short and long-term information about the Authority's financial status.

The **Fund Financial Statements** focus on the activities of the individual parts of the Authority. This statement provides more detail than the government-wide statement. There are two parts to the fund financial statements: 1) the Governmental Fund Statement and 2) the Budgetary Comparison Statement.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Authority's finances, similar in format to a financial statement of a private sector business. The government-wide statements provide short and long-term information about the Authority's financial status as a whole.

The government wide statement reports the Authority's net position and how it has changed. Net position is the difference between the Authority's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Authority's financial condition.

The government-wide statement contains one category, governmental activity. The governmental activity includes the Authority's basic services such as general administration.

The government-wide financial and fund financial statements are on Exhibits 1 and 2 of this report.

Dare County Airport Authority  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2018**

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the Authority's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Dare County Airport Authority, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes. The Authority only has one governmental fund.

**Governmental Funds** - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Authority's basic services are accounted for in the governmental fund. This fund focuses on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Authority's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statements of Activities) and governmental funds is described in an adjustments column with a note to explain differences referenced.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statement.

**Government-Wide Financial Analysis**

Dare County Airport Authority  
**Net Position**

**Exhibit 1**

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 4,324,596	\$ 3,592,324
Capital assets	10,102,777	10,377,417
Deferred outflows of resources	<u>210,677</u>	<u>104,383</u>
<b>Total assets</b>	<b><u>\$ 14,638,050</u></b>	<b><u>\$ 14,074,124</u></b>
Current liabilities	\$ 147,812	\$ 198,482
Noncurrent liabilities	2,544,140	1,572,312
Deferred inflows of resources	2,380	4,153
<b>Total liabilities</b>	<b>\$ 2,694,332</b>	<b>\$ 1,774,947</b>
<b>Net position:</b>		
Net investment in capital assets	\$ 10,102,777	\$ 10,247,417
Restricted	1,840,941	2,342,111
<b>Total net position</b>	<b><u>\$ 11,943,718</u></b>	<b><u>\$ 12,589,528</u></b>

Dare County Airport Authority  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2018**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Dare County Airport Authority exceeded liabilities by \$11,943,718 as of June 30, 2018. The Authority's net position increased by \$140,457 for the fiscal year ended June 30, 2018. This reflects the Dare County Airport Authority's conservative budgeting outlook as a governmental entity. Maintaining adequate reserves is necessary because there is no parent unit of government to support ongoing expenses during periods of State economic crisis. Capital assets are 86% of net position. The Dare County Airport Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Dare County Airport Authority  
**Changes in Net Position**  
**Exhibit 2**

	2018	2017
<b>Revenues</b>		
Program revenues		
Charges for fuel (net of cost of sales)	\$ 315,534	\$ 288,737
Charges for auto rentals (net cost of sales)	27,903	32,250
Other charges for services	473,558	476,998
Cementary revenues	24,425	24,704
Capital grants and contributions	257,840	18,749
Contribution from primary government	763,061	716,532
General Revenues		
Investment Earnings	43,327	22,768
Total Revenues	1,905,648	1,580,738
<b>Expenses</b>		
Airport operations	1,199,221	1,168,178
Cementary operations	415	5,100
Depreciation	563,403	568,584
Interest Expense	2,152	4,306
Total expenses	1,765,191	1,746,168
<b>Decrease in net position</b>	140,457	(165,430)
Net position July 1	11,803,261	12,754,958
Net position, June 30	\$ 11,943,718	\$ 12,589,528

Charges for fuel (net of costs) increased by 26,797 or 10% as a result of increased gallons sold.

Airport operating expenses increased by \$31,043 or 3%. Expense among categories were relatively the same across the fund, the increase in repairs and maintenance to rentals and runways of \$71,989 makes up the increase.

Cemetery operations expenses decreased by \$4,685 due less maintenance and repairs needed on rental homes in the current year.

**Financial Analysis of the Authority's Funds**

As noted earlier, the Dare County Airport Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Dare County Airport Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Dare County Airport Authority's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Dare County Airport Authority. At the end of the current fiscal year, fund balance available in the General Fund was \$11,629,357, while total fund balance was \$11,943,718. As a measure of the general fund's liquidity, it may be useful to compare both fund balance available and total fund balance to total fund expenditures

At June 30, 2018, the governmental funds of Dare County Airport Authority reported a combined fund balance of \$11,943,718, a 1.2% increase from last year.

**Capital Asset and Debt Administration**

**Capital assets.** The Dare County Airport Authority's investment in capital assets for its governmental activities as of June 30, 2018, totals \$10,102,777 (net of accumulated depreciation). These assets include land, buildings, and equipment.

Dare County Airport Authority  
**Capital Assets**

**Figure 3**  
**(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 5,444,538	\$ 5,444,538
Buildings and improvements	1,729,374	1,610,606
Equipment	123,468	162,611
Construction in process	53,832	20,831
Runway Improvements	2,610,065	2,974,324
Vehicles	31,525	41,078
Land improvements	<u>109,972</u>	<u>123,426</u>
Total	<u>\$ 10,102,777</u>	<u>\$ 10,377,417</u>

Additional information on the Dare County Airport Authority's capital assets can be found in the notes of the Basic Financial Statements.

***Economic Factors and Next Year's Budgets and Rates***

The following key economic indicators reflect the growth and prosperity of the Dare County Airport Authority.

- The Authority continues to enter into contracts with tenants to contribute to growth which will foster increased revenues from office and hangar leases and increased fuel sales.

***Budget Highlights for the Fiscal Year Ending June 30, 2019***

Business-type Activities: The airport's operating budget for 2018-2019 anticipates expenditures of \$2,525,691 (net of cost of sales).

***Requests for Information***

This report is designed to provide an overview of the Dare County Airport Authority finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Airport Director, Dare County Airport Authority, PO Box 429, Manteo, NC 27954.

# Basic Financial Statements

Dare County Airport Authority  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

Exhibit 1

	Business-type Activities-Enterprise Funds		
	Airport Operations (Major Fund)	Cemetery (Non- Major Fund)	Totals
<b>ASSETS</b>			
Current assets:			
Due from Dare County investment pool	\$ 3,872,053	\$ 312,797	\$ 4,184,850
Receivables	55,295	2,714	58,009
Accrued interest receivable	4,743	-	4,743
Grants receivable	17,122	-	17,122
Inventories	59,872	-	59,872
Total current assets	<u>4,009,085</u>	<u>315,511</u>	<u>4,324,596</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	5,444,538	-	5,444,538
Construction in progress	53,832	-	53,832
Buildings, equipment & infrastructure	4,604,407	-	4,604,407
Total capital assets	<u>10,102,777</u>	<u>-</u>	<u>10,102,777</u>
Total noncurrent assets	<u>10,102,777</u>	<u>-</u>	<u>10,102,777</u>
Total assets	<u>14,111,862</u>	<u>315,511</u>	<u>14,427,373</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Other postemployment benefits	143,140	-	143,140
Pension deferrals	67,537	-	67,537
Total deferred outflows	<u>210,677</u>	<u>-</u>	<u>210,677</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	118,793	50	118,843
Customer deposits	10,582	1,100	11,682
Salaries payable	17,287	-	17,287
Total current liabilities	<u>146,662</u>	<u>1,150</u>	<u>147,812</u>
Noncurrent liabilities:			
Other postemployment benefits	2,406,495	-	2,406,495
Compensated absences	53,579	-	53,579
Pension liability	84,066	-	84,066
Total noncurrent liabilities	<u>2,544,140</u>	<u>-</u>	<u>2,544,140</u>
Total liabilities	<u>2,690,802</u>	<u>1,150</u>	<u>2,691,952</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Other postemployment benefits	-	-	-
Pension deferrals	2,380	-	2,380
Total deferred inflows	<u>2,380</u>	<u>-</u>	<u>2,380</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,102,777	-	10,102,777
Unrestricted	1,526,580	314,361	1,840,941
Total net position	<u>\$ 11,629,357</u>	<u>\$ 314,361</u>	<u>\$ 11,943,718</u>

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



Dare County Airport Authority  
Statement of Revenues, Expenses & Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2018

Exhibit 2

	Business-type Activities-Enterprise Funds		
	Airport Operations (Major Fund)	Cemetery (Non- Major Fund)	Totals
<b>OPERATING REVENUES</b>			
Fuel sales (net of cost)	\$ 315,534	\$ -	\$ 315,534
Hangar & tie down fees	252,409	-	252,409
Rental commissions (net of cost)	27,903	-	27,903
Land/building rentals	180,192	18,700	198,892
Landing fees	17,195	-	17,195
Vehicle parking fees	6,030	-	6,030
Pilot supplies & oil sales	2,207	-	2,207
Sale of grave & crypt sites	-	2,253	2,253
Other income	15,525	-	15,525
Total operating revenues	<u>816,995</u>	<u>20,953</u>	<u>837,948</u>
<b>OPERATING EXPENSES</b>			
Operations	1,199,222	415	1,199,637
Depreciation	563,402	-	563,402
Total operating expenses	<u>1,762,624</u>	<u>415</u>	<u>1,763,039</u>
Operating income (loss)	<u>(945,629)</u>	<u>20,538</u>	<u>(925,091)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest earned on investments	43,327	3,472	46,799
Contribution from primary government	763,061	-	763,061
Interest expense	(2,152)	-	(2,152)
Total nonoperating revenues (expenses)	<u>804,236</u>	<u>3,472</u>	<u>807,708</u>
Income (loss) before capital contributions	(141,393)	24,010	(117,383)
Capital grant contributions	<u>257,840</u>	<u>-</u>	<u>257,840</u>
Change in net position	<u>116,447</u>	<u>24,010</u>	<u>140,457</u>
Net position-beginning as previously recorded	12,299,177	290,351	12,589,528
Restatement	(786,267)	-	(786,267)
Net Position-beginning, restated (see Note 5)	<u>11,512,910</u>	<u>290,351</u>	<u>11,803,261</u>
Total net position - ending	<u>\$ 11,629,357</u>	<u>\$ 314,361</u>	<u>\$ 11,943,718</u>

Dare County Airport Authority  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2018

Exhibit 3

	Business-type Activities-Enterprise Funds		
	Airport Operations (Major Fund)	Cemetery (Non- Major Fund)	Totals
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,628,000	\$ 21,464	\$ 1,649,464
Cash paid for goods & services	(1,497,452)	(415)	(1,497,867)
Cash paid to employees for services	(398,575)	-	(398,575)
Net cash provided (Used) by operating activities	<u>(268,027)</u>	<u>21,049</u>	<u>(246,978)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers (to) from Dare County investment pool	(375,293)	(24,521)	(399,814)
Transfer from primary government	763,061	-	763,061
Net cash provided (used) by noncapital financing activities	<u>387,768</u>	<u>(24,521)</u>	<u>363,247</u>
<b>Cash flows from capital &amp; related financing activities:</b>			
Principal paid on long-term debt	(130,000)	-	(130,000)
Interest paid on long-term debt	(2,152)	-	(2,152)
State and federal grants	257,840	-	257,840
Acquisition & construction of capital assets	(288,756)	-	(288,756)
Net cash provided (used) by capital & related financing activities	<u>(163,068)</u>	<u>-</u>	<u>(163,068)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	43,327	3,472	46,799
Net cash provided from investing activities	<u>43,327</u>	<u>3,472</u>	<u>46,799</u>
Net increase (decrease) in cash	-	-	-
Cash & cash equivalents, July 1	-	-	-
Cash & cash equivalents, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (945,629)	\$ 20,538	\$ (925,091)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	563,403	-	563,403
(Increase) decrease in assets & deferred outflows:			
Accounts receivable	(26,329)	486	(25,843)
Inventory	(15,139)	-	(15,139)
Deferred outflows or resources-pension	(143,140)	-	(143,140)
Increase (decrease) in liabilities & deferred inflows:			
Deferred inflows of resources-pension	35,073	-	35,073
Operating accounts payable	79,119	25	79,144
Compensated absences	389	-	389
Salaries payable	(946)	-	(946)
Pension liability	(34,439)	-	(34,439)
Net OPEB obligation	219,611	-	219,611
Total adjustments	<u>677,602</u>	<u>511</u>	<u>678,113</u>
Net cash provided (used) by operating activities	<u>\$ (268,027)</u>	<u>\$ 21,049</u>	<u>\$ (246,978)</u>

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Dare County Airport Authority (Airport Authority) conform to generally accepted accounting principles (GAAP) as applicable to governments. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The Dare County Airport Authority is a public authority created under the General Statutes of North Carolina. The Authority was created for the purpose of maintaining and operating a public airport for Dare County.

Organization of the Dare County Airport Authority

The nine-member Board of the Dare County Airport Authority is appointed to four-year terms by Dare County and the County has the ability to remove the appointed board members without cause. The Airport Authority designates its own management and approves its own budget. The Dare County finance department provides accounting oversight. The County and Airport Authority have joint input regarding the hiring of employees. All personnel working for the Airport Authority are Dare County employees. The County provides an annual appropriation for the Airport Authority that pays all payroll and related costs, as well as other approved costs and expenditures. The County is not, however, obligated for the Airport Authority's debts or entitled to any surpluses of the Airport Authority. Dare County is accountable for the Airport Authority because it appoints the Airport Authority's governing board and because the County has the ability to exercise influence over the Authority's budget. Therefore, the Airport Authority is reported as a component unit of Dare County using the discrete presentation in Dare County's financial statements.

**B. Basis of Presentation**

The accounts of Dare County Airport Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

The Authority accounts for its operations as enterprise funds. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

The Authority reports the following major enterprise fund:

**Airport Operations Fund.** This fund is used to account for the operation of the airport. The airport capital project fund is consolidated with the operation fund for financial reporting purposes.

The Authority reports the following non-major enterprise fund:

**Cemetery Fund.** This fund is used to account for the operation of Roanoke Island Memorial Gardens cemetery operated by the airport.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, and all liabilities associated with the operation of this fund are included on the statement of net position. Net position is the result of deducting all the liabilities and deferred inflows of resources from all the assets and deferred outflows of resources. Total net position is segregated into three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. All funds of the Authority are maintained on the modified accrual basis during the year; however, the financial statements for the Authority have been reported on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting from the modified accrual basis to the full accrual basis, the changes required may include adjustments for unpaid interest, depreciation, prepaid tenant rents, payments of principal on outstanding debt, and capital outlay.

**D. Budgetary Data**

The Authority's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system in recording transactions. Budgetary control is exercised in all funds. Expenditures may not legally exceed appropriations at the line-item level for all annually budgeted funds and at the object level for the multi-year funds. The Authority Manager is authorized by the budget ordinance to transfer appropriations between line-item areas within a fund up to \$20,000; however, any revisions that alter the line-items by more than \$20,000 must be approved by the governing board. The budget was prepared on the modified accrual basis of accounting. The budget presented in these statements is the budget ordinance as amended through June 30, 2018.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity**

**1. Deposits and Investments**

All deposits and investments of the Authority are invested in Dare County investment pool as part of an agreement with Dare County who provides accounting and investment services. Amounts invested in this pool are shown on the statement of net position as "Due from Dare County investment pool."

**2. Accounts Receivable**

Accounts receivable recorded in the enterprise fund are due from customers for the purchases of gas, oil and supplies, and for tie down and hanger fees. The Airport Authority uses the direct write-off method to account for bad debts, which does not result in a material difference from the allowance method.

**3. Inventories**

Inventories are maintained for all enterprise fund gas and fuel. They are valued at the lower of cost (first-in, first out) or market.

**4. Capital Assets**

Enterprise fund capital assets are recorded at original cost at the time of acquisition. Assets donated to the enterprise fund are recorded at the estimated fair market value at the date of donation. The original costs of certain items acquired before July 1, 1987, are recorded at estimated original cost. Assets of the Authority are depreciated on a class life basis over the following years:

	<u>Estimated Useful Life</u>
Buildings and improvement	5-40 years
Vehicles	5 years
Equipment	5-10 years
Runways and other improvements	5-20 years

**5. Long-Term Debt**

Long-term debt is reported as a liability in the Enterprise Fund.

**6. Net Position**

Net position in proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**7. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Airport has one item that meets this criterion, contributions made to the pension plan in the 2018 fiscal year.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Airport has one item that meets the criterion for this category – deferrals of pension expense that result from the implementation of GASB Statement 68.

**8. Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position has been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Dare County Airport Authority's employer contributions are recognized when due and the Dare County Airport Authority has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**F. Revenues and Expenses**

It is the Airport Authority's policy to allow for overtime compensation to be provided in the form of compensatory time off earned at time and one half (for hours worked over 40 hours per week) which can be accumulated up to a total of 240 hours. Accumulate overtime compensation in excess of 240 hours is paid.

Regular employees earn vacation leave from the beginning of employment at the rate of one day per month (12 days per year). Employees with five or more years of service but less than 15 years of service earn vacation leave at the rate of one and one quarter days per month (15 days per year). Employees with 15 or more years of service earn vacation leave at the rate of one and two-thirds days per month (20 days per year). Vacation leave may accumulate up to 30 days.

Employees accumulate sick leave at the rate of one day per month and can accrue an unlimited number of days. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the authority has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Accrued vacation pay includes accumulated unpaid vacation leave and overtime compensation totaling \$53,579 at June 30, 2018. The current portion of accumulated vacation leaves and overtime compensation are not considered to be material and, therefore, no provision for this has been made in the accompanying financial statements.

DARE COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS**

**A. ASSETS**

**1. Deposits and Investments**

The Authority does not have any deposits or investments in its name as the Authority has an agreement with Dare County to provide accounting and investment services. As a part of this agreement Dare County maintains the Authority's specifically identifiable deposits and investments as a part of the Dare County investment pool where the County pools money from several funds to facilitate disbursement and investment and to maximize investment income. The portion of these funds allocable to the Dare County Airport Authority at June 30, 2018 in the amount of \$4,184,850 are reported on the Statement of Net Position as "Due from Dare County Investment Pool." Dare County's CAFR includes additional information regarding deposit and investment activity of Dare County. That report may be obtained by writing the Dare County Finance Department, PO Box 1000, Manteo, NC 27954.

**2. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$5,444,538	\$ -	\$ -	\$ 5,444,538
Construction in progress	20,831	33,001	-	53,832
	<u>5,465,369</u>	<u>33,001</u>	<u>-</u>	<u>5,498,370</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	4,106,454	255,761	-	4,362,215
Equipment	673,707	-	-	673,707
Runway improvements	10,316,410	-	-	10,316,410
Land improvements	335,832	-	-	335,832
Vehicles	109,183	-	-	109,183
Total capital assets being depreciated	<u>15,541,585</u>	<u>255,761</u>	<u>-</u>	<u>15,797,347</u>
Less accumulated depreciation for:				
Buildings and improvements	2,495,847	136,993	-	2,632,840
Equipment	511,096	39,142	-	550,238
Runway improvements	7,342,086	364,257	-	7,706,343
Land improvements	212,403	13,457	-	225,806
Vehicles	68,105	9,554	-	77,659
Total accumulated depreciation	<u>10,629,537</u>	<u>563,403</u>	<u>-</u>	<u>11,192,940</u>
Total capital assets being depreciated, net	<u>4,912,048</u>	<u>(307,642)</u>	<u>-</u>	<u>4,604,407</u>
Business-type capital assets, net	<u>\$10,377,417</u>	<u>\$ (274,641)</u>	<u>\$ -</u>	<u>\$10,102,777</u>

**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type activities:

Airport operations	<u>\$563,403</u>
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**B. LIABILITIES**

**1. Pension Plan and Post-Employment Obligations**

All personnel working for The Dare County Airport Authority and Dare County employees and are eligible for the same retirement and benefits afforded all Dare County employees. The following are details of those amounts paid on behalf of those employees at the Dare County Airport Authority based on the Airport's proportionate share of Dare County's total expense.

**a. North Carolina Local Governmental Employees' Retirement System**

*Plan Description.* Dare County (Airport) is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officia members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 707-0500, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service



**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)**

for firefighters and rescue squad members who are filled in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide or automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Dare County Airport Authority employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Dare County's (for Airport) contractually required contribution rate for the year ended June 30, 2018, was 7.50%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Dare County (for Airport) were \$28,626 for the year ended June 30, 2018.

*Refunds of Contributions.* Dare County (Airport) employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

DARE COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2018, Dare County (Airport) reported net pension liabilities of \$84,066 for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. Dare County's (Airport) long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, Dare County's (Airport) proportion was 0.0055%, which was a decrease of 0.00008% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Dare County (Airport) recognized pension expense of \$29,259. At June 30, 2018, Dare County (Airport) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,843	\$2,380
Changes of assumption	12,006	-
Net difference between projected and actual earnings on pension plan investments	20,411	-
Changes in proportion and differences between Dare County (Airport) contributions and proportionate share of contributions Dare County (Airport) contributions subsequent to the measurement date	1,651	-
	<u>28,626</u>	<u>-</u>
Total	<u>\$67,537</u>	<u>\$2,380</u>

\$28,626 reported as deferred outflows of resources related to pensions resulting from Dare County (Airport) contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 5,350
2020	24,997
2021	12,417
2022	(6,232)
Thereafter	-

**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)**

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

DARE COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	Long-Term Expected <u>Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of Dare County's (Airport) proportionate share of the net pension asset to changes at the discount rate.* The following presents Dare County's (Airport) proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Airport's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Dare County's (Airport) proportionate share of the net pension liability (asset)	\$252,368	\$84,066	\$(56,413)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)**

**b. Supplemental Retirement Income Plan**

**Plan Description.** Dare County (Airport) contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to those employees employed by Dare County (Airport). Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to North Carolina General Assembly.

**Funding Policy.** For the year ended June 30, 2018 Dare County (Airport) made a contribution of 0%. All amounts are vested immediately. Employees may make voluntary contributions to the plan. Dare County's (Airport) contributions for the year ended June 30, 2018, were \$1,300, which consisted of \$0 from Dare County (Airport) and \$1,300 from employees.

**c. Other Post-Employment Benefit-Healthcare Benefits**

**Plan Description.** Under the terms of the Dare County healthcare policy, Dare County administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan) and the Dare County Airport employees participate in this plan. The plan provides post-employment healthcare benefits to retirees of the Airport, provided they participate in the North Carolina Local Government Retirement System (System) and have at least five years of creditable service with the County. The County pays a portion of these costs dependent upon years of service with the County. Additionally, the County's employees can purchase coverage for their dependents at the County's group rates. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Benefits Provided.** The HCB Plan provides healthcare benefits for retirees. The County pays a percentage of the cost of coverage for employees' benefits through private insurers. Employees hired on or after July 1, 2007 are required to participate in a Retirement Health Savings Plan (RHSP) which provides a means for employees to save money for future withdrawals to pay qualified health care expenses.

Membership of the HCB Plan consisted of the following at December 31, 2017, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	4
Terminated plan members entitled to but no yet receiving benefits	-
Active plan members	7
Total	<u>11</u>

**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)**

**Total OPEB Liability**

The Authority's total OPEB liability of \$2,406,495 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.13 percent
Healthcare cost trend rates	Medical 7.5%
	Prescription 7.25%
	Admin Expenses 3.00%

The S&P Municipal Bond 20 Year High Grade rate as of June 30, 2018 was 2.98 percent.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1/2017</b>	<u>\$2,219,933</u>
<b>Changes for the year</b>	
Service cost	51,148
Interest	68,967
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	99,496
Benefit payments	(33,049)
<b>Net changes</b>	<u>186,562</u>
<b>Balance at 6/30/2018</b>	<u><u>\$2,406,495</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.18% to 3.13%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)**

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	<u>\$2,821,430</u>	<u>\$2,406,495</u>	<u>\$2,074,930</u>

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (Medical – 6.5%, Prescription – 6.25%, Admin 2.00%)	Discount Rate (Medical – 7.5%, Prescription – 7.25%, Admin 3.00%)	1% Increase (Medical – 8.5%, Prescription – 8.25%, Admin 4.00%)
Total OPEB Liability	<u>\$2,047,119</u>	<u>\$2,406,495</u>	<u>\$(56,413)</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$120,115. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	99,496	-
Benefit payments and administrative costs made subsequent to the measurement date	43,644	-
Total	<u>\$ 143,140</u>	<u>\$ -</u>

\$43,644 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)**

Year Ended June 30:	
2019	\$25,643
2020	25,643
2021	22,567
2022	-
2023	-
Thereafter	-

**Summary of Significant Accounting Policies.** Postemployment expenditures are made from the Operations Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

**2. Other Employment Benefit**

**Death Benefit Plan.** Dare County (Airport) has elected to provide death benefits to employees through the Death Benefit Retirement Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State administered, cost-sharing plan funded on a one year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made by the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Dare County (Airport) considers these contributions to be immaterial.

**3. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources consists of:

Contributions to pension plan in the current fiscal year	
Pension deferrals	\$ 28,626
Deferred inflows of resources at year-end consists of:	\$ 39,384
Pension deferrals	\$ 2,380



**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)**

**4. Risk Management**

The Airport Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Airport Authority participates with Dare County in its insurance program, which includes two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, Dare County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$149.2 million for any one occurrence; general, auto, professional, and employment practices liability coverage of \$2 million per occurrence; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants and the audited financial statements are available to the County upon request. The pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, and auto physical damage. For workers compensation there is a per occurrence retention of \$750,000.

The County carries building and contents flood insurance for all facilities located within a Special Flood Hazard Area (SFHA) through the National Flood Insurance Plan (NFIP). Additional information regarding flood insurance coverage can be found in Dare County's CARF.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Airport carries a bond on its finance officer for \$50,000. Employees that have access to \$100 or more are bonded under a blanket bond of \$250,000.

The Airport Authority participates with Dare County in its health insurance benefits program. The County provides health insurance benefits with a self-insurance plan administered by Blue Cross Blue Shield of North Carolina (BCBS). Specific stop loss insurance is maintained at \$100,000 per participant per year with an unlimited lifetime maximum. Additional information regarding health insurance can be found in Dare County's CAFR.

The Airport carries its own aviation liability and commercial auto policies.

**5. Long-Term Debt**  
**Installment Financing Contract**

In April, 2001, the Airport Authority became liable to Dare County for its portion of the certificates of participation that were issued for the purpose of hangar construction and related improvements. The face amount of the debt was \$1,730,000. In March, 2012 this debt was

DARE COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 2 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTS GROUPS (cont'd)**

refinanced when the principal balance owed was \$885,000. Repayment was made over 7 years at a true interest cost of 1.656%, and fully paid off in June 2018. A deed of trust on certain Airport property secured the debt.

The following table summarizes the changes in long-term liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018	Current Portion
Compensated absences	\$ 53,190	\$ 389	\$ -	\$ 53,579	\$ -
Net OPEB obligation	2,219,933	222,702	36,140	2,406,495	-
Installment finance contract	130,000	-	130,000	-	-
Net pension liability (LGRS)	118,505	-	34,439	84,066	-
<b>Totals</b>	<u>\$2,521,628</u>	<u>\$223,091</u>	<u>\$200,579</u>	<u>\$2,544,140</u>	<u>\$ -</u>

**6. Claims, Judgments and Contingent Liabilities**

At June 30, 2018, in the opinion of the Airport's management and Attorney the Airport was not involved in any claims, judgments or contingent liabilities.

**C. REVENUES AND COST OF SALES**

Fuel sales and automobile rental commissions are reported in the Statement of Revenues, Expenses and Changes in Net Position, net of cost of sales as follows:

	Fuel Sales	Automobile Rental Commissions
Gross sales	\$1,111,040	\$ 74,229
Cost of sales	<u>(795,506)</u>	<u>(46,326)</u>
<b>Gross profit</b>	<u>\$ 315,534</u>	<u>\$ 27,903</u>

DARE COUNTY AIRPORT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**NOTE 4 - RELATED PARTY TRANSACTIONS**

Dare County provides a budget supplement to support the operations of the Airport.

The following summarizes the transactions with Dare County during the year ended June 30, 2018:

Dare County general appropriation	<u>Operations</u> \$763,061
Expenditures:	
Salaries and benefits	\$614,597
Indirect costs allocated	100,044
Other expenses	48,420
	<u>\$763,061</u>

**NOTE 5 - RESTATEMENTS - CHANGE IN ACCOUNTING PRINCIPLE**

The Airport implemented Governmental Accounting Standards Board (GASB) No. Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the Airport to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Authority related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for airport operations decreased \$786,267.

**NOTE 6 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 19, 2018, the date on which the financial statements were available to be issued.

## Supplementary Information

Dare County Airport Authority  
 Schedule of Changes in the Total OPEB Liability & Related Ratios  
 June 30, 2018

		<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$	51,148
Interest		68,967
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		99,496
Benefit payments		(33,049)
<b>Net change in total OPEB liability</b>		<u>186,562</u>
<b>Total OPEB liability - beginning</b>		<u>2,219,933</u>
<b>Total OPEB liability - ending</b>	<b>\$</b>	<b><u>2,406,495</u></b>
Covered payroll	\$	393,260
Total OPEB liability as a percentage of covered payroll		611.93%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.13%

Dare County Airport Authority  
Dare County Airport Authority's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Five Fiscal Years\*  
Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Dare County Airport Authority's proportion of the net pension liability (asset) (%)	0.52%	0.52%	0.52%	-0.51%	0.52%
Dare County Airport Authority's proportion of the netpension liability (asset) (\$)	\$ 84,066	\$ 118,505	\$ 25,953	\$ (33,852)	\$ 71,235
Dare County Airport Authority's covered-employee payroll	\$ 386,846	\$ 371,860	\$ 352,220	\$ 327,270	\$ 380,391
Dare County Airport Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	21.73%	31.87%	7.37%	-10.34%	18.73%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30

Dare County Airport Authority  
Dare County Airport Authority's Contributions  
Required Supplementary Information  
Last Five  
Fiscal Years  
Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 28,626	\$ 26,153	\$ 25,162	\$ 24,902	\$ 23,138
Contributions in relation to the contractually required contribution	<u>28,626</u>	<u>26,153</u>	<u>25,162</u>	<u>24,902</u>	<u>23,138</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dare County Airport Authority's covered-employee payroll	\$ 393,260	\$ 386,846	\$ 371,860	\$ 352,220	\$ 327,270
Contributions as a percentage of covered-employee payroll	7.28%	6.67%	6.67%	7.07%	7.07%

Dare County Airport Authority  
 Airport Operations Fund  
 Schedule of Revenues & Expenditures  
 Budget & Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2018  
 With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Fuel sales	\$ 1,062,300	\$ 1,111,040	\$ 48,740	\$ 1,029,133
Hanger rentals	235,000	250,749	15,749	244,690
Tie down fees	2,000	1,660	(340)	1,510
Rental commissions	82,000	74,229	(7,771)	81,385
Land/building rentals	185,000	180,192	(4,808)	180,462
Landing fees	18,000	17,195	(805)	16,800
Vehicle parking fees	8,000	6,030	(1,970)	6,790
Pilot supplies and oil sales	3,100	2,207	(893)	1,920
Vending income	300	150	(150)	450
Other income	14,300	15,375	1,075	24,376
	<u>1,610,000</u>	<u>1,658,827</u>	<u>48,827</u>	<u>1,587,516</u>
<b>Other revenues:</b>				
Interest earned on investments	18,000	43,327	25,327	25,886
Net unrealized change investments	-	-	-	(4,852)
	<u>18,000</u>	<u>43,327</u>	<u>25,327</u>	<u>21,034</u>
<b>Total revenues</b>	<u>1,628,000</u>	<u>1,702,154</u>	<u>74,154</u>	<u>1,608,550</u>
<b>Expenditures:</b>				
<b>Operations:</b>				
Cost of goods sold-fuel	846,802	795,506	51,296	740,396
Cost of goods sold-rentals	50,000	46,326	3,674	49,135
Pilot supplies and oil	2,500	2,733	(233)	1,168
Souvenirs	2,000	1,583	417	1,946
Professional fees	30,000	13,660	16,340	56,130
Authority meeting fees	-	-	-	4,475
Utilities	30,000	27,134	2,866	27,613
Repairs and maintenance				
Equipment	25,000	18,555	6,445	9,328
Vehicles	6,000	5,554	446	4,743
Building and grounds	77,000	73,687	3,313	19,128
Rentals	65,360	54,876	10,484	38,790
Museum operation	500	-	500	-
Computer software	1,000	828	172	828
Equipment leases	2,000	-	2,000	1,017
Salaries and wages	401,333	398,575	2,758	372,839
FICA taxes	30,000	29,315	685	27,792
Group insurance	138,238	156,530	(18,292)	155,073
Retirement	30,052	30,177	(125)	27,659
Longevity	9,500	9,500	-	-
Uniforms	2,000	1,455	545	2,500
Automotive supplies	6,851	7,001	(150)	4,067
Other supplies	9,500	7,410	2,090	6,363



Dare County Airport Authority  
 Airport Operations Fund  
 Schedule of Revenues & Expenditures  
 Budget & Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
Contract services	65,000	46,545	18,455	46,693
Shop overhead	8,371	8,371	-	6,625
Credit card discounts	35,000	32,938	2,062	32,799
Dues and subscriptions	2,000	1,717	283	1,719
Employees training	5,000	92	4,908	1,000
Telephone and postage	5,200	4,128	1,072	3,980
Insurance	86,211	76,967	9,244	75,420
Travel	9,000	9,128	(128)	6,929
Marketing and advertising	8,000	2,804	5,196	1,784
Youth Aviation Day	6,000	809	5,191	1,138
Contingency	115,808	-	115,808	-
Indirect costs allocated	100,044	100,044	-	85,222
Total	<u>2,211,270</u>	<u>1,963,948</u>	<u>247,322</u>	<u>1,814,299</u>
Revenues over expenditures	<u>(583,270)</u>	<u>(261,794)</u>	<u>(173,168)</u>	<u>(205,749)</u>
Other financing sources and (uses):				
Transfer from primary government	752,410	763,061	10,651	716,532
Debt service:				
Principal retirement	(130,000)	(130,000)	-	(130,000)
Interest expense	(4,500)	(2,152)	2,348	(4,306)
Capital outlay	(35,000)	-	35,000	(50,191)
Transfer to capital project fund	-	-	-	(24,893)
Appropriated fund balance	360	-	(360)	-
Total other financing sources & uses	<u>583,270</u>	<u>630,909</u>	<u>47,639</u>	<u>507,142</u>
Revenues over expenditures & other uses	<u>\$ -</u>	<u>\$ 369,115</u>	<u>\$ (125,529)</u>	<u>\$ 301,393</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items (operations fund):				
Increase in accrued OPEB liability		(219,611)		(86,466)
Increase (decrease) in deferred outflows of resources-pensions		143,140		-
Depreciation		(563,403)		(568,584)
Increase (decrease) in deferred outflows of resources-pensions		(36,846)		76,463
Decrease in deferred inflows of resources-pensions		1,773		9,337
(Increase) decrease in net pension liability		34,439		(92,552)
Principal paid on debt		130,000		130,000
Reconciling items (capital projects fund):				
Transfer from general fund		-		24,893
Capital outlays		-		-
Grants		257,840		18,749
Total reconciling items		<u>(252,668)</u>		<u>(488,160)</u>
Change in net position		<u>\$ 116,447</u>		<u>\$ (186,767)</u>

Dare County Airport Authority  
 Capital Projects Fund  
 Schedule of Revenues & Expenditures-Budget & Actual (Non-GAAP)  
 From Inception & for the Fiscal Year Ended June 30, 2018

	Project Author- ization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
Revenues-State Aid to Airports Restricted					
Intergovernmental:					
Terminal improvements	\$ 230,242	\$ 18,749	\$ 211,493	\$ 230,242	\$ -
Storm Drain Improvements	266,768	-	46,347	46,347	(220,421)
Total Revenues	<u>497,010</u>	<u>18,749</u>	<u>257,840</u>	<u>276,589</u>	<u>(220,421)</u>
Expenditures:					
Terminal Improvements (14.2)	255,825	20,832	234,929	255,761	(64)
Storm Drain Improvements	296,409	-	53,832	53,832	(242,577)
Total Expenditures	<u>552,234</u>	<u>20,832</u>	<u>288,761</u>	<u>309,593</u>	<u>(242,641)</u>
Revenues over (under) expenditures	<u>(55,224)</u>	<u>(2,083)</u>	<u>(30,921)</u>	<u>(33,004)</u>	<u>22,220</u>
Other Financing Sources:					
Operating transfer	55,224	24,893	-	24,893	(30,331)
Total Other Financing Sources	<u>55,224</u>	<u>24,893</u>	<u>-</u>	<u>24,893</u>	<u>(30,331)</u>
Revenues & other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 22,810</u>	<u>\$ (30,921)</u>	<u>\$ (8,111)</u>	<u>\$ (8,111)</u>

Dare County Airport Authority  
Cemetery Fund  
Schedule of Revenue & Expenditures  
Budget & Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2018  
With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Grave sites	\$ 2,000	\$ 2,252	\$ 252	\$ 3,052
Mausoleum crypts/nitch	4,000	-	(4,000)	3,526
Rental income	20,400	18,700	(1,700)	18,100
Miscellaneous income	100	-	(100)	26
Total	<u>26,500</u>	<u>20,952</u>	<u>(5,548)</u>	<u>24,704</u>
Nonoperating revenues:				
Interest earned on investments	2,000	3,473	1,473	2,134
Net unrealized loss on investments	-	-	-	(400)
	<u>2,000</u>	<u>3,473</u>	<u>1,473</u>	<u>1,734</u>
Total revenues	<u>28,500</u>	<u>24,425</u>	<u>(4,075)</u>	<u>26,438</u>
<b>Expenditures:</b>				
Operations:				
Maintenance and repair	18,000	9	17,991	4,997
Other supplies	10,500	406	10,094	104
Total	<u>28,500</u>	<u>415</u>	<u>28,085</u>	<u>5,101</u>
Revenues over expenditures	<u>-</u>	<u>24,010</u>	<u>24,010</u>	<u>21,337</u>
<b>Other Financing Sources:</b>				
Appropriated fund balance				-
Revenues & other financing sources over expenditures	<u>\$ -</u>	<u>\$ 24,010</u>	<u>\$ 24,010</u>	<u>\$ 21,337</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
Reconciling items:				
None		-		-
Change in net position		<u>\$ 24,010</u>		<u>\$ 21,337</u>

# COMPLIANCE SECTION



**POTTER & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**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**

**Independent Auditor's Report**

To the Board of Directors  
**Dare County Airport Authority**  
Manteo, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Dare County Airport Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Dare County Airport Authority's basic financial statements, and have issued our report thereon dated November 19, 2018. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Dare County Airport Authority's internal control over financial reporting (internal control) to determine 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 the Dare County Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control 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 material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dogwood'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters<sup>6</sup> that are required to be reported under Government Auditing Standards.

#### 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.

*Potter & Company, P.A.*

November 19, 2018

Mooresville, North Carolina

## **Updated Dare County Airport Economic Impact Assessment proposal**

**By Edward Brent Lane**

**December 15 2018**

### **Introduction**

The economic well-being of Dare County citizens depends on a solid foundation of essential services and resources. But assuring Dare County's future prosperity requires the support of assets that both sustain the current economy and can be capitalized upon for future growth.

The Dare County Regional Airport is such an asset. Its past and current operations have long made significant and distinctive contributions to the economy of Dare County and to the well-being of its citizens. Meanwhile advances in aviation technology and air transportation are creating new economic opportunities for the unique global connectivity the airport provides to Dare County citizens.

The Dare County Airport Authority's planned expansion of the airport will require support from local public and private sectors leaders as well as Dare County citizens. That support will depend on an appreciation of the airport's current and future economic benefits. But the public and their elected officials are often rightly skeptical of projects claiming big economic impacts. Therefore, it necessary to engage with the local leaders and constituencies whose support is critical in order persuasively communicate the benefits most relevant to their priorities.

### **Our Proposal**

This proposed Economic Impact Assessment (EIA) is designed to identify and inform the key stakeholder groups of Dare County Airport's current economic importance and of the even greater future economic contributions offered by the Authority's planned expansion. It will achieve this by describing the Airport's current economic impact on Dare County and how its expansion will create more jobs and income for its citizens, expand opportunities for current and new local businesses, and enhance revenues for local government.

## **Proposed Tasks**

The Economic Impact Assessment will include the performance of three primary tasks:

### **Task One: Critical Constituents Engagement**

We will work with the Authority to develop a list of key stakeholders with whom to discuss the Airport's role in the Dare County economy community and to identify their priorities for the airport's potential future economic contributions. Interviews will be conducted with 30 local officials, business leaders and community opinion leaders to assess their ideas of how Airport expansion could benefit themselves and the community at large.

These are expected to include:

- Airport and Authority members
- Local elected and administrative officials
- Other regional airport managers and state aviation officials
- Local, regional and state-level economic developers
- Current and prospective business airport users
- Pilots and aircraft owner customers of Dare County Airport

Interview comments will be compiled to characterize both common and differentiated Airport economic outcomes as valued by the different stakeholder segments. This will enable the targeted communication of the most relevant economic benefits for the various constituencies to enhance their support of the Authority's expansion plans.

### **Task Two: Current and Expansion Economic Impact Assessments**

Economic Impact Assessments will be conducted to measure the Airport's current and potential contributions to Dare County's economic activity, employment and income. The Airport's total economic impact will be calculated as the sum of three effects:



**Direct Effects** result from the spending by the Airport for employee salaries, supplies, and operating expenses

**Indirect Effects** result from the Airport's suppliers' purchases from other local businesses

**Induced Effects** result from the spending of residents' income produced the Airport's direct and indirect effects

Additional economic impacts will be identified through the business activities enabled by the Airport's facilities and services, such businesses that use the Airport to serve regional customers, attract new customers, provide new forms of aviation services, or for logistical access to supplies.

### **Scenarios to be Assessed**

We will perform economic impact assessments on four scenarios that collectively will describe the Airport's current and future potential economic benefits to Dare County:

- 1) **Current Airport Operations**: Current and recent Dare County Airport budgetary, operational, employment and revenue information will be assessed to calculate the economic impacts of existing Airport operations and flight activity levels
- 2) **Opportunity Costs**: The potential economic benefits to Dare County being lost to other regional airports due to current airport limitations will be estimated
- 3) **Planned Airport Expansion Construction**: The economic impact of the planned expansion's construction cost and employment effects will be assessed to calculate the returns to local support from the economic benefits of leveraged state and federal funding
- 4) **Expanded Airport Operations**: Forecasted post-expansion Airport budgetary, operational, employment and revenue information will be assessed to calculate the economic impacts of future Airport operations and flight activity levels

### **Assessment Outcomes**

Our assessment will produce analyses of the direct, indirect, induced and total economic impacts for each of the four Airport scenarios that calculate and describe:

- **Employment Growth**: The current and projected increase in number of jobs resulting from the Airport's current operations and planned expansion
- **Economic Growth**: The current and projected increase in economic activity in Dare County economy attributable to the Airport's current operations and planned expansion
- **Income Growth**: The current and projected increase in Dare residents' employment and investment income created by the Airport's current operations and planned expansion
- **Tax Revenue Growth**: The current and projected increase in state and local tax revenues generated by the Airport's current operations and planned expansion

### **Task Three: Dare Airport Economic Impact Assessment Communication**

The assessments and interview outcomes will be compiled and synthesized in written and audiovisual formats for multimedia communication to specific and general public audiences. A final report of assessment findings will be delivered to the Airport Authority in three formats:

1. Compiled in a written/electronic form document
2. Oral presentation to an Airport Authority-organized meeting
3. Short-form (5 to 10 minute) audiovisual description of economic impacts suitable for public and social media distribution

### **Assessment Consultant Team**

The project will be led by Consultant Team Members Edward Brent Lane and Deborah Theresa Watts who together possess over three decades of economic development experience specifically suited to the Dare County Airport Economic Impact Assessment.

## **Edward Brent Lane**

Mr. Lane uses a professional skillset honed by diverse experience in speculative investment, entrepreneurial development and applied economic scholarship to design market-validated economic development strategies that maximize economic benefits from distinct regional advantages. He has designed and led the performance of over 50 economic impact assessments and economic development strategies for a variety of regional and state-wide clients across North Carolina and the United States.

Much of this work involved clients in coastal and/or aviation economies who, like the Dare County Airport Authority, needed to verify economic value to generate community and stakeholder support, including:

- Carteret County Marine Science Economic Impact Assessment (2018)
- Smith Reynolds Airport Aero-Economic Development Strategies (2017)
- Currituck Economic Development Opportunity Assessment (2016)
- Lost Colony Theater Economic Impact Assessment (2014)
- Hatteras Island Economic Impact Assessment (2013)
- NC General Assembly Fair Tax Act Impact Analysis (2013)
- USS North Carolina Economic Impact Assessment (2012)

Mr. Lane's economic development research benefits from his public and private sector economic development experience. Prior to becoming Director of the University of North Carolina's Center for Competitive Economies in 2007 he had served for 10 years as a director of innovative economic and entrepreneurial development programs with the North Carolina Department of Commerce in Raleigh. He led efforts to develop the state's industries in boatbuilding, aquaculture and marine sciences, and aviation entrepreneurship. Those efforts culminated in his creation and leadership of the renowned First Flight Venture Center business incubator in the Research Triangle Park.

Mr. Lane's combination of applied scholarship and practical experiences has made him a frequently sought after non-partisan advisor on economic policy issues to the North Carolina General Assembly. A native of North Carolina he earned masters' degrees in public

administration at George Washington University and in business administration from the University of North Carolina at Chapel Hill, along with undergraduate degrees in both the social and physical sciences.

**Deborah Theresa Watts**

As senior partner at Technology Development Group, a consultancy practice specializing in technology-led economic development, Ms. Watts has accumulated more than 30 years of successful experience on a state, national and international level related to public and private sector science policy and technology-based economic development. Ms. Watts specializes in working across diverse constituencies to design, fund and implement innovative approaches to advance economic and community development through the strategic use of leading-edge technologies. In this capacity, Ms. Watts had primary responsibility for securing more than \$40 million funding from international, federal, state and private funding agencies for research and innovative programmatic initiatives. Ms. Watts has served as program and grant evaluator for federal investments in technology infrastructure and for several federal and state economic and community development grant programs.

Experience with a broad span of projects, clients and funders has given Ms. Watts an unusual breadth of expertise and a deep understanding of the theory and practice of economic and community development. Ms. Watts has a working knowledge in ag-biotech, aquaculture, coastal management, biomedicine, e-government, entrepreneurial development, environmental technologies, information technology, innovation, nutraceuticals, plastics and sustainable development. Beyond understanding these subjects Ms. Watts is able to effectively communicate with audiences at all levels, from highly technical research proposals to broad outreach instruments targeting the general public on the unique environments and challenges facing coastal communities.

Ms. Watts has undergraduate and graduate degrees in molecular biology from NC State University and Emory University respectively, and at the UNC-Chapel Hill has completed an MBA degree.

**Assessment Schedule and Budget**

The proposed assessment is to be completed in ten weeks at a budget of \$17,000 in consulting services and \$2,500 in performance expenses for a total all inclusive cost of \$19,500. The project is proposed to begin in early January 2019 and be completed by the mid-March 2019.

<b>Dare County Airport Economic Impact Assessment Budget</b>	
<b>Personnel</b>	<b>\$17,000</b>
Edward Lane	\$7,000
Deborah Watts	\$7,000
Research Associate(s)	\$1,000
Media Development	\$2,000
<b>Expenses</b>	<b>\$2,500</b>
Lodging	\$800
Subsistence	\$700
Transportation	\$1,000
<b>TOTAL</b>	<b>\$19,500</b>

Payment shall be made to the Consultant via check or direct deposit to a designated account:

1. \$7,000 within 10 calendar days of the Contract start date
2. \$5,000 due on February 15 2019 upon delivery of interim report
3. \$7,500 due within 10 calendar days upon receipt of final project deliverables

END

### Consulting Contract

This Consulting Contract is being entered into by the Dare County Airport Authority ("Client") and Edward Brent Lane ("Consultant") this 7<sup>th</sup> day of January 2019.

1. **Work to be Performed.** The Consultant will perform the work as described with the attached Scope of Work, subject to changes as mutually agreed upon by Client and Consultant ratified through written communications.

2. **Compensation.**

Client shall pay Consultant a flat fee of \$19,500 as total compensation for the project described below. Consultant is responsible for all expenses incurred in the performance of the project, including travel and other outside expenses. Payment will be made either via check mailed to the Consultant or via direct deposit to the designated account. Payment shall be made as follows:

- a) \$7,000 within 10 calendar days of the Contract start date of January 7 2019
- b) \$5,000 due on February 15 2019 upon delivery of interim report
- c) \$7,500 due within 10 calendar days upon receipt of final project deliverables as specified in the attached Scope of Work

3. **Independent Contractor Relationship.** Consultant's relationship with Client will be that of an independent contractor, and nothing in this Agreement is intended to, or should be construed to, create a partnership, agency, joint venture, or employment relationship. No part of Consultant's compensation will be subject to withholding by Client for the payment of any social security, federal, state, or any other employee payroll taxes; however, Client will require a completed W-9 from Consultant for its own tax reporting.

4. **Ownership of Work Product.** Consultant agrees that all work product developed by his alone or in conjunction with others in connection with the performance of services pursuant to this Agreement is and shall be the sole property of Client, and Consultant shall retain no ownership, interest, or rights therein. Work product includes but is not limited to reports, graphics, memoranda, slogans, and taglines.

5. **Confidentiality.**

5.1 **Definition of Confidential Information.** "CONFIDENTIAL INFORMATION" as used in this Agreement shall mean any and all technical and non-technical information including patent, copyright, trade secret, proprietary information, computer files, and client information related to the past, current, future, and proposed services of Client and includes, without limitation, Client property, and Client's information concerning customers, research, financial information, purchasing, business forecasts, sales and merchandising, and marketing plans and information.

5.2 **Nondisclosure and Nonuse Obligations.** Consultant agrees to protect the confidentiality of all Confidential Information and, except as permitted in this section, Consultant shall neither use nor disclose the Confidential Information. Consultant may use the Confidential Information solely to perform consulting services under this Agreement for the benefit of Client.

5.3 **Exclusion from Nondisclosure and Nonuse Obligations.** Consultant's obligations under Section 5.2 ("NONDISCLOSURE AND NONUSE OBLIGATIONS") with respect to any portion of the Confidential Information shall not apply to any such portion that Consultant can demonstrate (a) was in the public domain at or subsequent to the time such portion was communicated to Consultant by Client; (b) was rightfully in Consultant's possession free of any obligation of confidence at or subsequent to the time such portion was communicated to Consultant by Client; or (c) was developed by Consultant

independently of and without reference to any information communicated to Consultant by Client. A disclosure of Confidential Information by Consultant, either (i) in response to a valid order by a court or other governmental body, (ii) otherwise required by law, or (iii) necessary to establish the rights of either party under this Agreement, shall not be considered a breach of this Agreement or a waiver of confidentiality for other purposes, provided, however, that Consultant shall provide prompt written notice thereof to Client to enable Client to seek a protective order or otherwise prevent such disclosure.

6. General Provisions.

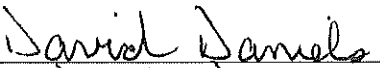
6.1 Governing Law. This Agreement shall be governed in all respects by the laws of the United States of America and by the laws of the State of North Carolina. Each of the parties irrevocably consents to the exclusive personal jurisdiction of the federal and state courts located in North Carolina, as applicable, for any matter arising out of or relating to this Agreement, except that in actions seeking to enforce any order or any judgment of such federal or state courts located in North Carolina, such personal jurisdiction shall be nonexclusive.

6.2 Severability. If any provision of this Agreement is held by a court of law to be illegal, invalid, or unenforceable, (a) that provision shall be deemed amended to achieve as nearly as possible the same economic effect as the original provision, and (b) the legality, validity, and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby.

6.3 Injunctive Relief for Breach. Consultant agrees that his obligations under this Agreement are of a unique character that gives them particular value; Consultant's breach of any of such obligations will result in irreparable and continuing damage to Client for which there will be no adequate remedy at law; and, in the event of such breach, Client will be entitled to injunctive relief and/or a decree for specific performance, and such other and further relief as may be proper, including monetary damages if appropriate and/or the withholding of scheduled payments in the event agreed upon goods are not delivered.

CLIENT

CONSULTANT

  
By: DAVID DANIELS  
Dare County Airport Authority  
410 Airport Road  
Manteo, NC 27954

\_\_\_\_\_  
Edward Brent Lane  
5004 Parkmore Drive  
Holly Springs NC 27540  
919-285-8387  
ebrentlane@gmail.com

## Attachment - SCOPE OF WORK

This Dare County Airport Economic Impact Assessment (EIA) is designed to identify and inform the key stakeholder groups of Dare County Airport's current economic importance and of the even greater future economic contributions offered by the Authority's planned expansion. It will achieve this by describing the Airport's current economic impact on Dare County and how its expansion will create more jobs and income for its citizens, expand opportunities for current and new local businesses, and enhance revenues for local government.

### Proposed Tasks

The Economic Impact Assessment will include the performance of three primary tasks:

#### **One: Critical Constituents Engagement**

We will work with the Authority to develop a list of key stakeholders with whom to discuss the Airport's role in the Dare County economy community and to identify their priorities for the airport's potential future economic contributions. Interviews will be conducted with 30 local officials, business leaders and community opinion leaders to assess their ideas of how Airport expansion could benefit themselves and the community at large.

These are expected to include:

- Airport and Authority members
- Local elected and administrative officials
- Other regional airport managers and state aviation officials
- Local, regional and state-level economic developers
- Current and prospective business airport users
- Pilots and aircraft owner customers of Dare County Airport

Interview comments will be compiled to characterize both common and differentiated Airport economic outcomes as valued by the different stakeholder segments. This will enable the targeted communication of the most relevant economic benefits for the various constituencies to enhance their support of the Authority's expansion plans.

#### **Task Two: Current and Expansion Economic Impact Assessments**

Economic Impact Assessments will be conducted to measure the Airport's current and potential contributions to Dare County's economic activity, employment and income. The Airport's total economic impact will be calculated as the sum of three effects:

- **Direct Effects** result from the spending by the Airport for employee salaries, supplies, and operating expenses
- **Indirect Effects** result from the Airport's suppliers' purchases from other local businesses



- **Induced Effects** result from the spending of residents' income produced the Airport's direct and indirect effects

Additional economic impacts will be identified through the business activities enabled by the Airport's facilities and services, such businesses that use the Airport to serve regional customers, attract new customers, provide new forms of aviation services, or for logistical access to supplies.

#### **Scenarios to be Assessed**

We will perform economic impact assessments on four scenarios that collectively will describe the Airport's current and future potential economic benefits to Dare County:

1. **Current Airport Operations**: Current and recent Dare County Airport budgetary, operational, employment and revenue information will be assessed to calculate the economic impacts of existing Airport operations and flight activity levels
2. **Opportunity Costs**: The potential economic benefits to Dare County being lost to other regional airports due to current airport limitations will be estimated
3. **Planned Airport Expansion Construction**: The economic impact of the planned expansion's construction cost and employment effects will be assessed to calculate the returns to local support from the economic benefits of leveraged state and federal funding
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#### **Assessment Products**

Our assessment will produce analyses of the direct, indirect, induced and total economic impacts for each of the four Airport scenarios that calculate and describe:

- **Employment Growth**: The current and projected increase in number of jobs resulting from the Airport's current operations and planned expansion
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- **Tax Revenue Growth**: The current and projected increase in state and local tax revenues generated by the Airport's current operations and planned expansion

### **Task Three: Dare Airport Economic Impact Assessment Deliverables**

The assessments and interview outcomes will be compiled and synthesized in written and audiovisual formats for multimedia communication to specific and general public audiences. A final report of assessment findings will be delivered to the Airport Authority in three formats:

1. Compiled in a written/electronic form document
2. Oral presentation to an Airport Authority-organized meeting
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### **Assessment Consultant Team**

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Ms. Watts has undergraduate and graduate degrees in molecular biology from NC State University and Emory University respectively, and at the UNC-Chapel Hill has completed an MBA degree.

**Assessment Schedule and Budget**

The proposed assessment is to be completed in twelve weeks at a budget of \$17,000 in consulting services and \$2,500 in performance expenses for a total all inclusive cost of \$19,500. The project is proposed to begin on January 7, 2019 and be completed by April 1, 2019.

<b>DARE COUNTY AIRPORT ECONOMIC IMPACT ASSESSMENT BUDGET ESTIMATE</b>	
<b>PERSONNEL</b>	<b>\$17,000</b>
Edward Lane	\$7,000
Deborah Watts	\$7,000
Research Associate(s)	\$1,000
Media Development	\$2,000
<b>EXPENSES</b>	<b>\$2,500</b>
Lodging	\$800
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Transportation	\$1,000
<b>TOTAL</b>	<b>\$19,500</b>

**Payment Schedule**

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1. \$7,000 within 10 calendar days of the Contract start date, defined as the date on which the Client ratifies the Contract
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END