



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 25, 2023 MEETING**

- Members Present:** Charlie Davidson, Fred Newberry, Joe Blakaitis, William Pope, David Crownover, Pete Burkheimer, Wally Overman, Jim Kenny
- Members Absent:** George Henderson
- Also Attending:** Robert Hobbs, Hornthal, Riley, Ellis & Maland; Stacy Ambrose, Airport Director; Margaret Stauffer, Finance Officer & Clerk to the Board; John Massey & Steve Bright, Talbert & Bright
- Public Attending:** Brady Lozaw, OBXA

Chairman Davidson called the January 25, 2023 meeting of the Dare County Airport Authority to order at approximately 4:00 pm.

ITEM 1 - Public Comments:
No Comments submitted prior to the meeting.

ITEM 2 – Potter & Company:
Dan Potter presented via telephone. (attached)

Mr. Potter thanked the board member, Stacy Ambrose, Marge Stauffer, county finance department for is pleasure to work with and it makes their job easier. The auditors' opinion report was the best opinion able to give which was a clean.

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 b7 \$14,306,63 (net position).
- The Authority's total net position increased by \$1,774,228.
- Airport operation expenses decreased by \$57,310 or 4%
- Cemetery operation expenses increased by \$13,564

MOTION: Joe Blakaitis motioned to accept the FY 6/30/22 Financial Audit report as presented by Potter & Company.
SECOND: Fred Newberry
DISCUSSION: None
OPPOSED: None
OUTCOME: Carried

ITEM 3 - Engineer's Report:

John Massey updated on the following: (see attached)

- *City Beverage Properties* – Offers to purchase for 1099 and 1115 Driftwood Drive, Manteo have been delivered last week and waiting to hear back from the owners.
- *Approach clearing* – A work authorization has been prepared with plans and specs to prepare for bidding is coordinated with DOA. Waiting for DOA's approval to start the bidding process.

Director Ambrose stated that the Outer Bank conservationist heard that some clearing might be coming up in the near future. The airport authority had signed an agreement in 2009 when the airport purchased the land to keep a buffer and will be working together when the clearing starts.

Attorney Hobbs added in last board meetings the authority has discussed and acknowledged this agreement and to keep in mind the requirements from such agreement.

This is a very large historical oak that is located in the Scarborough Square called the Christy Oak tree. Vegetative requirement is different than the 100 foot pine trees that the authority is looking at.

ITEM 4 - Attorney's Report:

Attorney Hobbs updates on the following:

- The authority's bylaws - the process and appointments of officers is a little unclear expect the Oath of Office which is issued by the Clerk of Courts. Mr. Hobbs is asking the board's okay to redraft this language to help simplify the appointments. He suggested that maybe the terms all expire on June 30th and someone resigns then their replacement would then just finish the current term.

The members were in agreement to review the wording in the bylaws.

- Grave relocation project – Johnny Hallow and Stacy Ambrose meet the 2 members of the state archeology staff out at the grave site. Their main role is this process if there are any unmarked, un-identifiable graves or reminds, then those remains are to be sent to the state's office in Raleigh for possible identification. This is part of the process to follow.

There are 3 contractors will be a part of this process.

- (1) Archeological and Genealogical firm does the due-diligence for the airport. They will determine who is buried there and probe what is there, legal advertising and notification next-of-kin that is required.

- (2) A Contractor that removes the topsoil, removal and reinternment of the remains.
- (3) Funeral Home to direct and oversee the removal and reinternment of the remains.

MOTION: Wally Overman motioned to authorize the airport attorney and airport director to develop a Resolution for the county to approve the grave relocation project; (1) to authorize the airport to handle all work related to project (2) authorize the airport director to select the professionals required to administer and handle the project.

SECOND: Pete Burkheimer

DISCUSSION: Pete Burkheimer stated that he is in favor to have the airport director handle the selection of the company qualified for the project.

OPPOSED: None

OUTCOME: Carried

TEM 5 – Chair’s Report:

Chairman Davidson started by Welcoming the new airport authority board member.

Chairman informed the members of a document online called NC Dept. of Aviation airports handbook. He found it very useful and interesting to help simplify the grants and different types of grants. Suggest that the members look into it for reading material.

Wally Overman added that the Martin Grover with the county has deals with grants if we need another reference contact.

ITEM 6 - Director’s Report

- Tower windows – windows were tinted and completed.
- Candy Bomber event – The candy bomber plane did not make it this year, however the pilots, Santa, Karin still made the event happen. Successful event.
- Rental house – the house is getting painted, and replacing the carpet for vinyl flooring. We have a tenant and is ready to move in by February 1st
- Titan Fuels gave the airport the ok to use the donated 500 gallons of fuel for another fly-in event this year.
- Old EMS hangar – a current hangar tenant is interested in the old EMS hangar and the county might be want to look at the tenants hangar as it is bigger than the old EMS hangar.
- Mausoleum – Photo with 2 new chairs. (photo attached)
- Operators Agreement – would like to add in 2024 the use of ADSB unit if someone wants to fly and operate out of the Dare County Airport.
Attorney Hobbs replied that added this requirement to the rules and regulations. The leases and commercial operators states that the operators have to follow the rules and regulations.
- Apron pavement repairs – the patch work should start next week.
- Skid-Fire Unit – Received a few quotes so far. This unit will fit in the back of a truck
The fire truck the airport currently has is a 1980 old fire truck. At the time the airport had scheduled flight services and it was a requirement to have such a large fire truck.
Cannot find parts or find someone able to work on the current truck.
New skid unit will have 200’ of hose, 200 gallon of water and easy to operator. The price is between \$15 - \$20,000.

- Engineering Services RFQ – The five year mark is up to send out RFQ for engineering services at the airport.
- Operation Technician position – The job has been posting for about a month now and only have 7 applicants. Plan to start the interview process in a few weeks.
- Tower Contract – the contract has been reviewed by the facilities committee and airport attorney and has been sent out to the contractor for signature. Tracking the numbers this year will help determine if there will be tower the following year, as the numbers keep going down.

MOTION: Joe Blakaitis motioned to approve the proposed contract from Airboss, Inc. for Air Traffic Control Tower for the summer of 2023 as presented, subject to Airport Attorney review.

SECOND: Pete Burkheimer

DISCUSSION: Director Ambrose added the contract is the same as last year: 110 days \$184,000 and they provide housing.

OPPOSED: None

OUTCOME: Carried

ITEM 7 – Consent Agenda

Review/Approve DCAA minutes for December 5, 2022 as presented.

MOTION: Joe Blakaitis motioned to approve the Consent Agenda minutes for the December 5, 2022 as presented.

SECOND: Wally Overman

DISCUSSION: None

OPPOSED: None

OUTCOME: Carried

ITEM 8 - Committee Reports:

No reports

ITEM 9 - Comments from the Authority Members:

Pete Burkheimer -

The facilities committee did resolve the tower services contract. Discussed scope of work, length of time, housing, price in much detailed. Suggested that the next years tower services needs to be looked at earlier

Do we need to vote on the engineering services contract today and has their contract expired?

Director Ambrose replied that we have to review all possible companies interested in bidding. Then a motion would need to be made.

Fred Newberry - Welcomed Jim Kenny to the board and happy to see him.

ITEM 10 - Adjourn

MOTION: Pete Burkhimer motioned to adjourn.
SECOND: Wally Overman
DISCUSSION: None
OPPOSED: None
OUTCOME: Carried

The meeting was adjourned at 6:30 PM ET

Margaret Stauffer, Clerk to the Board
Dare County Airport Authority

**DARE COUNTY AIRPORT AUTHORITY
410 AIRPORT ROAD, MANTEO, NC
Wednesday, January 25, 2023
AGENDA**

4:00 PM CONVENE AUTHORITY FOR MONTHLY MEETING

ITEM 1 PUBLIC COMMENTS

ITEM 2 POTTER & COMPANY

a. Audit Presentation FY 6/30/22

ITEM 3 ENGINEER'S REPORT

ITEM 4 ATTORNEY'S REPORT

ITEM 5 CHAIR'S REPORT

ITEM 6 DIRECTOR'S REPORT

ITEM 7 CONSENT AGENDA

a. December 5, 2022

ITEM 8 COMMITTEE REPORT

ITEM 9 COMMENTS FROM THE AUTHORITY MEMBERS

ITEM 10 ADJOURN

GUEST SIGN-IN SHEET

D.C.A.A. MEETING

January 25, 2023

NAME & ADDRESS

REPRESENTING

Brady

OBXA

The	Governing Board Board of Commissioners
of	Primary Government Unit Dare County Airport Authority
and	Discretely Presented Component Unit (DPCU) (if applicable) N/A

Primary Government Unit, together with DPCU (if applicable), hereinafter referred to as Governmental Unit(s)

and	Auditor Name Potter & Company, P.A.
	Auditor Address 106 Welton Way, Mooresville, N. C. 28117

Hereinafter referred to as Auditor

for	Fiscal Year Ending 06/30/23	Date Audit Will Be Submitted to LGC 10/31/23
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Must be within four months of FYE

hereby agree as follows:

1. The Auditor shall audit all statements and disclosures required by U.S. generally accepted auditing standards (GAAS) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit(s). The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion shall be rendered in relation to (as applicable) the governmental activities, the business- type activities, the aggregate DPCUs, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types). The basic financial statements shall include budgetary comparison information in a budgetary comparison statement, rather than as RSI, for the General Fund and any annually budgeted Special Revenue funds.
2. At a minimum, the Auditor shall conduct the audit and render the report in accordance with GAAS. The Auditor shall perform the audit in accordance with *Government Auditing Standards (GAGAS)* if the Governmental Unit expended \$100,000 or more in combined Federal and State financial assistance during the reporting period. The auditor shall perform a Single Audit if required by Title 2 US Code of Federal Regulations Part 200 *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F (Uniform Guidance)* or the State Single Audit Implementation Act. This audit and all associated audit documentation may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit requires a federal single audit in accordance with the Uniform Guidance (§200.501), it is recommended that the Auditor and Governmental Unit(s) jointly agree, in advance of the execution of this contract, which party is responsible for submission of the audit and the accompanying data collection form to the Federal Audit Clearinghouse as required under the Uniform Guidance (§200.512).

Effective for audits of fiscal years beginning after June 30, 2023, the LGC will allow auditors to consider whether a unit qualifies as a State low-risk auditee based upon federal criteria in the Uniform Guidance §200.520(a), and (b) through (e) as it applies to State awards. In addition to the federal criteria in the Uniform Guidance, audits must have been submitted timely to the LGC. If in the reporting year, or in either of the two previous years, the unit reported a Financial Performance Indicator of Concern that the audit was late, then

the report was not submitted timely for State low-risk auditee status. Please refer to "Discussion of Single Audits in North Carolina" on the LGC's website for more information.

If the audit and Auditor communication are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC State Board).

3. If an entity is determined to be a component of another government as defined by the group audit standards, the entity's auditor shall make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-6 §600.41 - §600.42.
4. This contract contemplates an unmodified opinion being rendered. If during the process of conducting the audit, the Auditor determines that it will not be possible to render an unmodified opinion on the financial statements of the unit, the Auditor shall contact the LGC Staff to discuss the circumstances leading to that conclusion as soon as is practical and before the final report is issued. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.
5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2018 revision, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he/she has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of the most recent peer review report to the Governmental Unit(s) and the Secretary of the LGC prior to the execution of an audit contract. Subsequent submissions of the report are required only upon report expiration or upon auditor's receipt of an updated peer review report. If the audit firm received a peer review rating other than pass, the Auditor shall not contract with the Governmental Unit(s) without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.
If the audit engagement is not subject to *Government Auditing Standards* or if financial statements are not prepared in accordance with U.S. generally accepted accounting principles (GAAP) and fail to include all disclosures required by GAAP, the Auditor shall provide an explanation as to why in an attachment to this contract or in an amendment.
6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to LGC Staff within four months of fiscal year end. If it becomes necessary to amend the audit fee or the date that the audit report will be submitted to the LGC, an amended contract along with a written explanation of the change shall be submitted to the Secretary of the LGC for approval.
7. It is agreed that GAAS include a review of the Governmental Unit's (Units') systems of internal control and accounting as same relate to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor shall make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his/her findings, together with his recommendations for improvement. That written report shall include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.

For GAAS or *Government Auditing Standards* audits, if an auditor issues an AU-C §260 report, commonly referred to as "Governance Letter," LGC staff does not require the report to be submitted unless the auditor cites significant findings or issues from the audit, as defined in AU-C §260.12 - .14. This would include issues such as difficulties encountered during the audit, significant or unusual transactions, uncorrected misstatements, matters that are difficult or contentious reviewed with those charged with governance, and other significant matters.

8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. Approval is also required for the Alternative Compliance Examination Engagement for auditing the Coronavirus State and Local Fiscal Recovery Funds expenditures as allowed by US Treasury. Approval is not required on audit contracts and invoices for system improvements and similar services of a non-auditing nature.
9. Invoices for services rendered under these contracts shall not be paid by the Governmental Unit(s) until the invoice has been approved by the Secretary of the LGC. This also includes any progress billings [G.S. 159-34 and 115C-447]. All invoices for audit work shall be submitted in PDF format to the Secretary of the LGC for approval. The invoice marked 'approved' with approval date shall be returned to the Auditor to present to the Governmental Unit(s) for payment. This paragraph is not applicable to contracts for audits of hospitals.
10. In consideration of the satisfactory performance of the provisions of this contract, the Governmental Unit(s) shall pay to the Auditor, upon approval by the Secretary of the LGC if required, the fee, which includes any costs the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (federal and state grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts. This does not include fees for any pre-issuance reviews that may be required by the NC Association of CPAs (NCACPA) Peer Review Committee or NC State Board of CPA Examiners (see Item 13).
11. If the Governmental Unit(s) has/have outstanding revenue bonds, the Auditor shall submit to LGC Staff, either in the notes to the audited financial statements or as a separate report, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the Auditor shall submit to LGC Staff simultaneously with the Governmental Unit's (Units') audited financial statements any other bond compliance statements or additional reports required by the authorizing bond documents, unless otherwise specified in the bond documents.
12. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include, but not be limited to, the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the Governmental Unit(s) and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the Governmental Unit(s) or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board upon completion.
13. If the audit firm is required by the NC State Board, the NCACPA Peer Review Committee, or the Secretary of the LGC to have a pre-issuance review of its audit work, there shall be a statement in the engagement letter indicating the pre-issuance review requirement. There also shall be a statement that the Governmental Unit(s) shall not be billed for the pre-issuance review. The pre-issuance review shall be performed prior to the completed audit being submitted to LGC Staff. The pre-issuance review report shall accompany the audit report upon submission to LGC Staff.

14. The Auditor shall submit the report of audit in PDF format to LGC Staff. For audits of units other than hospitals, the audit report should be submitted when (or prior to) submitting the final invoice for services rendered. The report of audit, as filed with the Secretary of the LGC, becomes a matter of public record for inspection, review and copy in the offices of the LGC by any interested parties. Any subsequent revisions to these reports shall be sent to the Secretary of the LGC. These audited financial statements, excluding the Auditors' opinion, may be used in the preparation of official statements for debt offerings by municipal bond rating services to fulfill secondary market disclosure requirements of the Securities and Exchange Commission and for other lawful purposes of the Governmental Unit(s) without requiring consent of the Auditor. If the LGC Staff determines that corrections need to be made to the Governmental Unit's (Units') financial statements and/or the compliance section, those corrections shall be provided within three business days of notification unless another deadline is agreed to by LGC Staff.
15. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Secretary of the LGC, this contract may be modified or amended to include the increased time, compensation, or both as may be agreed upon by the Governing Board and the Auditor.
16. If an approved contract needs to be modified or amended for any reason, the change shall be made in writing and pre-audited if the change includes a change in audit fee (pre-audit requirement does not apply to hospitals). This amended contract shall be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract. It shall then be submitted to the Secretary of the LGC for approval. No change to the audit contract shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.
17. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit(s), shall be attached to this contract, and except for fees, work, and terms not related to audit services, shall be incorporated by reference as if fully set forth herein as part of this contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence. Engagement letter terms that conflict with the contract are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item 30 of this contract. Engagement letters containing indemnification clauses shall not be accepted by LGC Staff.
18. Special provisions should be limited. Please list any special provisions in an attachment.
19. A separate contract should not be made for each division to be audited or report to be submitted. If a DPCU is subject to the audit requirements detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not to be issued and the DPCU is included in the primary government audit, the DPCU shall be named along with the primary government on this audit contract. DPCU Board approval date, signatures from the DPCU Board chairman and finance officer also shall be included on this contract.
20. The contract shall be executed, pre-audited (pre-audit requirement does not apply to hospitals), and physically signed by all parties including Governmental Unit(s) and the Auditor, then submitted in PDF format to the Secretary of the LGC.
21. The contract is not valid until it is approved by the Secretary of the LGC. The staff of the LGC shall notify the Governmental Unit and Auditor of contract approval by email. The audit should not be started before the contract is approved.
22. Retention of Client Records: Auditors are subject to the NC State Board of CPA Examiners' Retention of Client Records Rule 21 NCAC 08N .0305 as it relates to the provision of audit and other attest services, as well as non-attest services. Clients and former clients should be familiar with the requirements of this rule prior to requesting the return of records.

23. This contract may be terminated at any time by mutual consent and agreement of the Governmental Unit(s) and the Auditor, provided that (a) the consent to terminate is in writing and signed by both parties, (b) the parties have agreed on the fee amount which shall be paid to the Auditor (if applicable), and (c) no termination shall be effective until approved in writing by the Secretary of the LGC.

24. The Governmental Unit's (Units') failure or forbearance to enforce, or waiver of, any right or an event of breach or default on one occasion or instance shall not constitute the waiver of such right, breach or default on any subsequent occasion or instance.

25. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the LGC.

26. E-Verify. Auditor shall comply with the requirements of NCGS Chapter 64 Article 2. Further, if Auditor utilizes any subcontractor(s), Auditor shall require such subcontractor(s) to comply with the requirements of NCGS Chapter 64, Article 2.

27. **Applicable to audits with fiscal year ends of June 30, 2020 and later.** For all non-attest services, the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and *Government Auditing Standards, 2018 Revision* (as applicable). Financial statement preparation assistance shall be deemed a "significant threat" requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. If the Auditor cannot reduce the threats to an acceptable level, the Auditor cannot complete the audit. If the Auditor is able to reduce the threats to an acceptable level, the documentation of this determination, including the safeguards applied, must be included in the audit workpapers.

All non-attest service(s) being performed by the Auditor that are necessary to perform the audit must be identified and included in this contract. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the services and accept responsibility for the results of the services performed. If the Auditor is able to identify an individual with the appropriate SKE, s/he must document and include in the audit workpapers how he/she reached that conclusion. If the Auditor determines that an individual with the appropriate SKE cannot be identified, the Auditor cannot perform both the non-attest service(s) and the audit. See "Fees for Audit Services" page of this contract to disclose the person identified as having the appropriate SKE for the Governmental Unit.

28. **Applicable to audits with fiscal year ends of June 30, 2021 and later.** The auditor shall present the audited financial statements including any compliance reports to the government unit's governing body or audit committee in an official meeting in open session as soon as the audited financial statements are available but not later than 45 days after the submission of the audit report to the Secretary. The auditor's presentation to the government unit's governing body or audit committee shall include:

- a) the description of each finding, including all material weaknesses and significant deficiencies, as found by the auditor, and any other issues related to the internal controls or fiscal health of the government unit as disclosed in the management letter, the Single Audit or Yellow Book reports, or any other communications from the auditor regarding internal controls as required by current auditing standards set by the Accounting Standards Board or its successor;
- b) the status of the prior year audit findings;
- c) the values of Financial Performance Indicators based on information presented in the audited financial statements; and
- d) notification to the governing body that the governing body shall develop a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters," if required under 20 NCAC 03 .0508.

29. Information based on the audited financial statements shall be submitted to the Secretary for the purpose of identifying Financial Performance Indicators and Financial Performance Indicators of Concern. See 20 NCAC 03 .0502(c)(6).

30. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted (See Item 17 for clarification).
31. The process for submitting contracts, audit reports and invoices is subject to change. Auditors and units should use the submission process and instructions in effect at the time of submission. Refer to the N.C. Department of State Treasurer website at <https://www.nctreasurer.com/state-and-local-government-finance-division/local-government-commission/submitting-your-audit>
32. All communications regarding audit contract requests for modification or official approvals will be sent to the email addresses provided on the signature pages that follow.
33. Modifications to the language and terms contained in this contract form (LGC-205) are not allowed.

FEEES FOR AUDIT SERVICES

1. For all non-attest services, the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct (as applicable) and *Government Auditing Standards, 2018 Revision*. Refer to Item 27 of this contract for specific requirements. The following information must be provided by the Auditor; contracts presented to the LGC without this information will be not be approved.

Financial statements were prepared by: Auditor Governmental Unit Third Party

If applicable: Individual at Governmental Unit designated to have the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the non-attest services and accept responsibility for the results of these services:

Name: Sally Defosse, CPA	Title and Unit / Company: CPA, Asst. FO, Dare County	Email Address: sallyd@darenc.com
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OR Not Applicable (Identification of SKE Individual on the LGC-205 Contract is not applicable for GAAS-only audits or audits with FYEs prior to June 30, 2020.)

2. Fees may not be included in this contract for work performed on Annual Financial Information Reports (AFIRs), Form 990s, or other services not associated with audit fees and costs. Such fees may be included in the engagement letter but may not be included in this contract or in any invoices requiring approval of the LGC. See Items 8 and 13 for details on other allowable and excluded fees.

3. The audit fee information included in the table below for both the Primary Government Fees and the DPCU Fees (if applicable) should be reported as a specific dollar amount of audit fees for the year under this contract. If any language other than an amount is included here, the contract will be returned to the audit form for correction.

4. Prior to the submission of the completed audited financial report and applicable compliance reports subject to this contract, or to an amendment to this contract (if required) the Auditor may submit Interim Invoices for approval for services rendered under this contract to the Secretary of the LGC, not to exceed 75% of the billings for the unit's last annual audit that was submitted to the Secretary of the LGC. All invoices for services rendered in an audit engagement as defined in 20 NCAC .0503 shall be submitted to the Commission for approval before any payment is made. Payment before approval is a violation of law. (This paragraph not applicable to contracts and invoices associated with audits of hospitals).

PRIMARY GOVERNMENT FEES

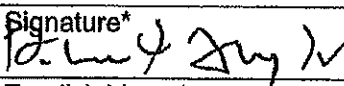
Primary Government Unit	Dare County Airport Authority
Audit Fee	\$ 18100
Additional Fees Not Included in Audit Fee:	
Fee per Major Program	\$ N/A
Writing Financial Statements	\$ 2500
All Other Non-Attest Services	\$ See Engagement Letter

DPCU FEES (if applicable)

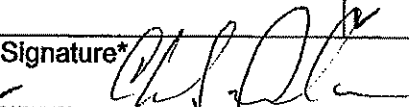
Discretely Presented Component Unit	N/A
Audit Fee	\$
Additional Fees Not Included in Audit Fee:	
Fee per Major Program	\$
Writing Financial Statements	\$
All Other Non-Attest Services	\$

SIGNATURE PAGE

AUDIT FIRM

Audit Firm* Potter & Company, P.A.	
Authorized Firm Representative (typed or printed)* Robert W. Taylor	Signature* 
Date* 01/24/23	Email Address* btaylor@gotopotter.com

GOVERNMENTAL UNIT

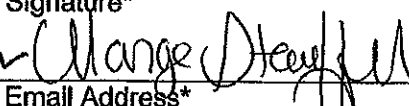
Governmental Unit* Dare County Airport Authority	
Date Primary Government Unit Governing Board Approved Audit Contract* (G.S.159-34(a) or G.S.115C-447(a))	
Mayor/Chairperson (typed or printed)* ✓ CHARLES DAVIDSON	Signature* ✓ 
Date ✓ 01/25/2023	Email Address ✓ AIRMAX103@GMAIL.COM

Chair of Audit Committee (typed or printed, or "NA") N/A	Signature N/A
Date N/A	Email Address N/A

GOVERNMENTAL UNIT – PRE-AUDIT CERTIFICATE

Required by G.S. 159-28(a1) or G.S. 115C-441(a1).
Not applicable to hospital contracts.

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act.

Primary Governmental Unit Finance Officer* (typed or printed) ✓ Marge Stauffer	Signature* ✓ 
Date of Pre-Audit Certificate* ✓ 1/25/2023	Email Address* ✓ marge.stauffer@darenc.gov

**SIGNATURE PAGE – DPCU
(complete only if applicable)**

DISCRETELY PRESENTED COMPONENT UNIT

DPCU*	
N/A	
Date DPCU Governing Board Approved Audit Contract* (Ref: G.S. 159-34(a) or G.S. 115C-447(a))	
DPCU Chairperson (typed or printed)*	Signature*
Date*	Email Address*

Chair of Audit Committee (typed or printed, or "NA")	Signature
Date	Email Address

DPCU – PRE-AUDIT CERTIFICATE

Required by G.S. 159-28(a1) or G.S. 115C-441(a1).
Not applicable to hospital contracts.

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act.

DPCU Finance Officer (typed or printed)*	Signature*
N/A	
Date of Pre-Audit Certificate*	Email Address*

Remember to print this form, and obtain all required signatures prior to submission.

PRINT



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

January 23, 2023

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

We are pleased to confirm our understanding of the services we are to provide the Dare County Airport Authority for the year ended June 30, 2023.

Audit Scope and Objectives

We will audit the financial statements of the Dare County Airport Authority which comprise of the statement of net position as of June 30, 2023, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Dare County Airport Authority's 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. As part of our engagement, we will apply certain limited procedures to the Dare County Airport Authority's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis.
2. GASB required supplementary pension, LEOSA and OPEB reporting.

We have also been engaged to report on supplementary information other than RSI that accompanies the Dare County Airport Authority's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditors' report on the financial statements.

1. Schedule of revenues and expenditures – budget to actual

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditors' report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Auditors' Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of your accounting records of the Dare County Airport Authority and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgement and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Audit Procedures – Internal Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are

material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Dare County Airport Authority's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The auditors' procedures do not include testing compliance with laws and regulations in any jurisdiction related to Medicare and Medicaid antifraud and abuse. It is the responsibility of management of the government, with the oversight of those charged with governance, to ensure that the government's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provision of laws and regulations that determine the reported amounts and disclosures in the government's financial statements. Therefore, management's responsibilities for compliance with laws and regulations applicable to its operations, include, but are not limited to, those related to Medicare and Medicaid antifraud and abuse statutes.

Other Services

We will also assist in preparing the financial statements and related notes of the Dare County Airport Authority in conformity with accounting principles generally accepted in the United States of America based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside the general and subsidiary ledgers). You are also responsible for providing us with 1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; 2) additional information that we may request for the purpose of the audit; and 3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving 1) management, 2) employees who have significant roles in internal control, and 3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, and agreements and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that 1) you are responsible for presentation of the supplementary information in accordance with GAAP; 2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; 3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reason for such changes); and 4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's view on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior

management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Dare County Airport Authority; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Potter & Company, PA, and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a Cognizant or Oversight Agency or its designee, a federal agency providing direct or indirect funding. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Potter & Company, PA's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Cognizant or Oversight Agency. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Dan Morrow, CPA, is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit in September 2023 and to issue our reports no later than October 31, 2023.

Our fee for these services will be \$20,600. The fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary for other audit procedures not anticipated, procedures of a bookkeeping nature, preparation of schedules or reconciliations for the audit, including adjusting journal entries or fixed asset reconciliations, we will discuss these procedures with Management and bill you at the following discounted hourly rates:

	<u>Discounted Hourly Rates</u>
Partner	\$275
Manager	195
Other Team Members	140
Clerical	55

Reporting

We will issue a written report upon completion of our audit of the Dare County Airport Authority's financial statements. Our report will be addressed to the Board of Directors of the Dare County Airport Authority. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditors' report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in

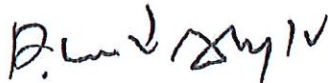
advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state 1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the government's internal control on compliance, and 2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Dare County Airport Authority is subject to an audit requirement that is not encompassed in the terms of this engagements, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to the Dare County Airport Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy, and return it to us.

Very truly yours,

POTTER & COMPANY, P.A.



Robert W. Taylor, CPA/PFS

RESPONSE: This letter correctly sets forth the understanding of the Dare County Airport Authority.

By: ✓ Margaret Stauffer
Title: ✓ Sr. Acct. Tech
Date: ✓ 1/25/23



Report on the Firm's System of Quality Control

June 27, 2022

To the Owners of Potter & Company, P.A. and the Coastal Peer Review Committee:

We have reviewed the system of quality control for the accounting and auditing practice of Potter & Company, P.A., ("the firm") in effect for the year ended December 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants ("Standards").

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review, as described in the Standards, may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of, and compliance with, the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Page 2

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Potter & Company, P.A., in effect for the year ended December 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Potter & Company, P.A. has received a peer review rating of *pass*.

DMOPS PLLC

Certified Public Accountants
Greensboro, North Carolina

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

Financial Statements

June 30, 2022

Dare County Airport Authority
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POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinion

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, 2022, 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.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **Dare County Airport Authority**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management's for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the **Dare County Airport Authority's** ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that , individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, and *Governmental Auditing Standards*, we

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Dare County Airport Authority's** internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Dare County Airport Authority's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-11, the Other Postemployment Benefits Schedule of Changes in the total OPEB Liability and Related Ratios on pages 34, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) on page 35 and Schedule of Contributions on page 36, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Dare County Airport Authority's** basic financial statements. The combining and individual fund financial statements, budgetary schedules and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was 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. In our opinion, based on our audit, and the procedures performed as described above, the other supplementary information section and the Schedule of Expenditures of Federal and State Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022 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 the effectiveness of **Dare County Airport Authority's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Dare County Airport Authority's** internal control over financial reporting and compliance.

Potter & Company, PA

Certified Public Accountants
Mooresville, North Carolina
November 18, 2022

**Management's Discussion and Analysis
Dare County Airport Authority
For Fiscal Year Ended June 30, 2022**

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, 2022. 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

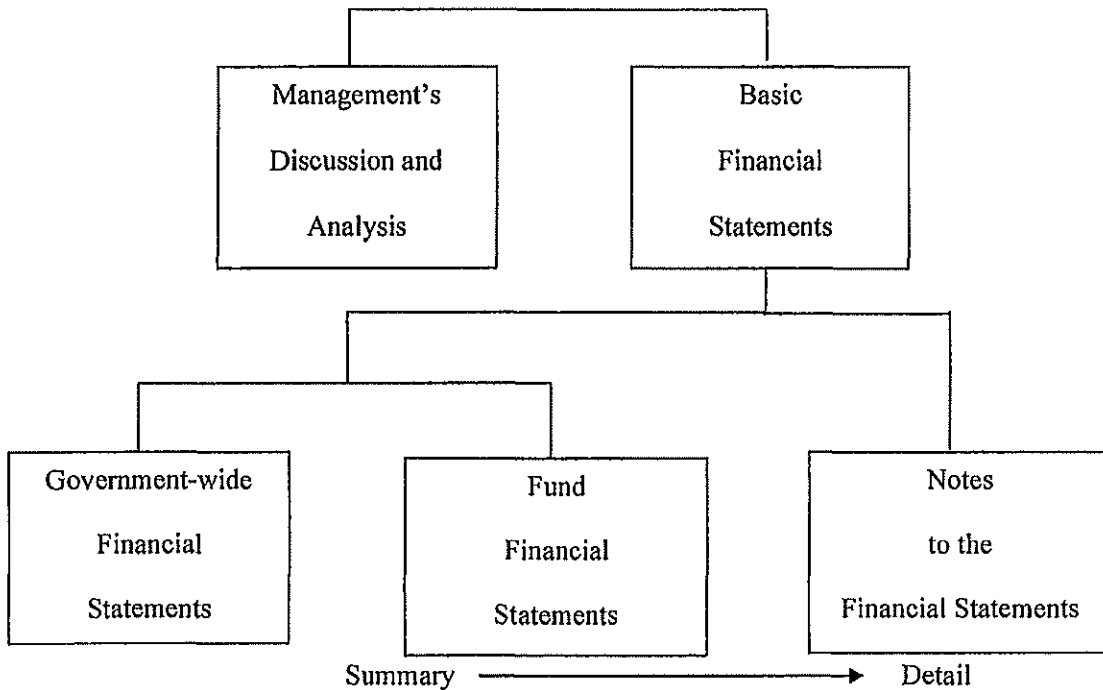
- The assets and deferred outflows of resources of the Dare County Airport Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,306,463 (net position).
- The Authority's total net position increased by \$1,774,228.
- Airport operations expenses decreased by \$57,310 or 4%.
- Cemetery operation expenses increased by \$13,564.

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



**Management's Discussion and Analysis
Dare County Airport Authority
For Fiscal Year Ended June 30, 2022**

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 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.

**Management's Discussion and Analysis
Dare County Airport Authority
For Fiscal Year Ended June 30, 2022**

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>2022</u>	<u>2021</u>
Current and other assets	\$ 4,701,716	\$ 5,910,331
Capital assets	12,478,972	9,546,526
Deferred outflows of resources	<u>484,485</u>	<u>573,195</u>
Total assets	<u>17,665,173</u>	<u>15,634,309</u>
Current liabilities	77,226	148,457
Noncurrent liabilities	2,446,671	3,153,122
Deferred inflows of resources	<u>834,813</u>	<u>196,238</u>
Total liabilities	<u>3,358,710</u>	<u>3,217,259</u>
Net position:		
Net investment in capital assets	12,478,972	9,546,526
Restricted	<u>1,827,491</u>	<u>2,985,709</u>
Total net position	<u>\$ 14,306,463</u>	<u>\$ 12,532,235</u>

Management's Discussion and Analysis
Dare County Airport Authority
For Fiscal Year Ended June 30, 2022

As noted previously, 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 \$14,306,463 as of June 30, 2022. The Authority's net position increased by \$1,774,228 for the fiscal year ended June 30, 2022. 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 88% 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

	2022	2021
Revenues		
Program revenues		
Fuel sales (net of costs)	\$ 349,752	\$ 367,995
Hanger and tie down fees	270,120	263,980
Rental commissions (net of cost)	44,891	38,649
Land/building rentals	201,693	197,101
Landing fees	26,750	23,317
Vehicles parking fees	6,825	8,345
Operation license agreements	9,100	-
Pilot supplies and sales	1,518	2,323
Sale of grave sites	2,352	6,192
Grants	-	69,000
Other income	69,862	63,162
Capital grant contributions	1,820,302	106,540
Contribution from primary government	827,138	824,398
General Revenues		
Investment Earnings	(98,673)	2,428
Total Revenues	3,531,630	1,973,390
Expenses		
Airport operations	1,371,910	1,429,220
Cemetery operations	20,122	6,558
Depreciation	365,370	418,257
Total expenses	1,757,402	1,854,035
Decrease in net position	1,774,228	119,355
Net position July 1	12,532,235	12,412,880
Net position, June 30	\$ 14,306,463	\$ 12,532,235

**Management's Discussion and Analysis
Dare County Airport Authority
For Fiscal Year Ended June 30, 2022**

Fuel sales (net of costs) decreased by \$18,243.

Airport operating expenses decreased by \$57,310 or 4%. Expense among categories were relatively the same across the fund.

Cemetery operations expenses increased by \$13,564 due to more 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 \$13,909,366, while total fund balance was \$14,306,463. 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, 2022, the governmental funds of Dare County Airport Authority reported a combined fund balance of \$14,306,463, a 14% 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, 2022, totals \$12,957,280 (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>2022</u>	<u>2021</u>
Land	\$ 5,903,912	\$ 5,784,438
Buildings and improvements	1,496,773	1,309,418
Equipment	56,334	74,824
Construction in process	3,171,720	282,308
Runway Improvements	1,534,299	1,746,179
Vehicles	-	3,253
Land improvements	315,934	346,104
Total	<u>\$ 12,957,280</u>	<u>\$ 9,546,524</u>

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

**Management's Discussion and Analysis
Dare County Airport Authority
For Fiscal Year Ended June 30, 2022**

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, 2023

Business-type Activities: The airport's operating budget for 2022-2023 anticipates revenues and expenditures of \$3,341,674.

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, 2022

Exhibit 1

	Business-type Activities-Enterprise Funds		
	Airport Operations (Major Fund)	Cemetery (Non- Major Fund)	Totals
ASSETS			
Current assets:			
Due from Dare County investment pool	\$ 3,337,018	\$ 395,368	\$ 3,732,386
Receivables	890,657	2,900	893,557
Accrued interest receivable	3,421	-	3,421
Inventories	72,352	-	72,352
Total current assets	<u>4,303,448</u>	<u>398,268</u>	<u>4,701,716</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	5,903,912	-	5,903,912
Construction in progress	3,171,720	-	3,171,720
Buildings, equipment & infrastructure	3,403,340	-	3,403,340
Total capital assets	<u>12,478,972</u>	<u>-</u>	<u>12,478,972</u>
Total noncurrent assets	<u>12,478,972</u>	<u>-</u>	<u>12,478,972</u>
Total assets	<u>16,782,420</u>	<u>398,268</u>	<u>17,180,688</u>
DEFERRED OUTFLOWS OF RESOURCES			
Other postemployment benefits	352,741	-	352,741
Pension deferrals	131,744	-	131,744
Total deferred outflows	<u>484,485</u>	<u>-</u>	<u>484,485</u>
LIABILITIES			
Current liabilities:			
Accounts payable	49,763	71	49,834
Customer deposits	10,582	1,100	11,682
Salaries payable	15,710	-	15,710
Total current liabilities	<u>76,055</u>	<u>1,171</u>	<u>77,226</u>
Noncurrent liabilities:			
Other postemployment benefits	2,313,349	-	2,313,349
Compensated absences	47,909	-	47,909
Pension liability	85,413	-	85,413
Total noncurrent liabilities	<u>2,446,671</u>	<u>-</u>	<u>2,446,671</u>
Total liabilities	<u>2,522,726</u>	<u>1,171</u>	<u>2,523,897</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	125,627	-	125,627
Other postemployment benefits	709,186	-	709,186
Total deferred inflows	<u>834,813</u>	<u>-</u>	<u>834,813</u>
NET POSITION			
Net investment in capital assets	12,478,972	-	12,478,972
Unrestricted	1,430,394	397,097	1,827,491
Total net position	<u>\$ 13,909,366</u>	<u>\$ 397,097</u>	<u>\$ 14,306,463</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, 2022

Exhibit 2

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Airport Operations (Major Fund)</u>	<u>Cemetery (Non- Major Fund)</u>	<u>Totals</u>
OPERATING REVENUES			
Fuel sales (net of cost)	\$ 349,752	\$ -	\$ 349,752
Hangar & tie down fees	270,120	-	270,120
Rental commissions (net of cost)	44,891	-	44,891
Land/building rentals	174,735	26,958	201,693
Landing fees	26,750	-	26,750
Vehicle parking fees	6,825	-	6,825
Operation license agreements	9,100	-	9,100
Pilot supplies & oil sales	1,518	-	1,518
Sale of grave & crypt sites	-	2,352	2,352
Other income	69,810	52	69,862
Total operating revenues	<u>953,501</u>	<u>29,362</u>	<u>982,863</u>
OPERATING EXPENSES			
Operations	1,371,910	20,122	1,392,032
Depreciation	365,370	-	365,370
Total operating expenses	<u>1,737,280</u>	<u>20,122</u>	<u>1,757,402</u>
Operating income (loss)	<u>(783,779)</u>	<u>9,240</u>	<u>(774,539)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings (losses)	(91,954)	(6,719)	(98,673)
Contribution from primary government	827,138	-	827,138
Total nonoperating revenues (expenses)	<u>735,184</u>	<u>(6,719)</u>	<u>728,465</u>
Income (loss) before capital contributions	(48,595)	2,521	(46,074)
Capital grant contributions	<u>1,820,302</u>	<u>-</u>	<u>1,820,302</u>
Change in net position	1,771,707	2,521	1,774,228
Net position-beginning	12,137,659	394,576	12,532,235
Total net position - ending	<u>\$ 13,909,366</u>	<u>\$ 397,097</u>	<u>\$ 14,306,463</u>

Dare County Airport Authority
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

Exhibit 3

	Business-type Activities-Enterprise Funds		
	Airport Operations (Major Fund)	Cemetery (Non- Major Fund)	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,184,038	\$ 29,862	\$ 1,213,900
Cash paid for goods & services	(2,090,771)	(20,118)	(2,110,889)
Cash paid to employees for services	(419,364)	-	(419,364)
Net cash provided (Used) by operating activities	<u>(1,326,097)</u>	<u>9,744</u>	<u>(1,316,353)</u>
Cash flows from noncapital financing activities:			
Transfers (to) from Dare County investment pool	2,068,427	(3,025)	2,065,402
Transfer from primary government	827,138	-	827,138
Net cash provided (used) by noncapital financing activities	<u>2,895,565</u>	<u>(3,025)</u>	<u>2,892,540</u>
Cash flows from capital & related financing activities:			
State and federal grants	1,820,302	-	1,820,302
Acquisition & construction of capital assets	(3,297,816)	-	(3,297,816)
Net cash provided (used) by capital & related financing activities	<u>(1,477,514)</u>	<u>-</u>	<u>(1,477,514)</u>
Cash flows from investing activities:			
Earnings (losses) on investments	(91,954)	(6,719)	(98,673)
Net cash provided (used) from investing activities	<u>(91,954)</u>	<u>(6,719)</u>	<u>(98,673)</u>
Net increase (decrease) in cash	-	-	-
Cash & cash equivalents, July 1	-	-	-
Cash & cash equivalents, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (783,779)	\$ 9,240	\$ (774,539)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	365,370	-	365,370
(Increase) decrease in assets & deferred outflows:			
Accounts receivable	(833,314)	500	(832,814)
Inventory	(23,973)	-	(23,973)
Deferred outflows or resources-OPEB	99,785	-	99,785
Deferred outflows or resources-pension	(11,075)	-	(11,075)
Increase (decrease) in liabilities & deferred inflows:			
Deferred inflows of resources-pension	125,627	-	125,627
Deferred inflows of resources-OPEB	512,948	-	512,948
Operating accounts payable	(63,303)	4	(63,299)
Compensated absences	(8,446)	-	(8,446)
Salaries payable	(7,932)	-	(7,932)
Pension liability	(125,891)	-	(125,891)
Net OPEB obligation	(572,114)	-	(572,114)
Total adjustments	<u>(542,318)</u>	<u>504</u>	<u>(541,814)</u>
Net cash provided (used) by operating activities	<u>\$ (1,326,097)</u>	<u>\$ 9,744</u>	<u>\$ (1,316,353)</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, 2022.

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 the 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. Right to Use Assets

The Airport Authority has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease. There are no right to use assets as of June 30, 2022.

5. 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

6. Long-Term Debt

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

7. 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.

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

8. 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 two items that meet this criterion, contributions made to the pension and other postemployment benefit plans in the 2022 fiscal year.

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 two items that meet the criterion for this category – deferrals of pension expense and other postemployment benefit expenses.

9. 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. Accumulated 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.

DARE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

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 \$47,909 at June 30, 2022. The current portion of accumulated vacation leave and overtime compensation is not considered to be material and, therefore, no provision for this has been made in the accompanying financial statements.

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, 2022 in the amount of \$3,732,086 are reported on the Statement of Net Position as "Due from Dare County Investment Pool." Dare County's ACFR 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.

DARE COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

2. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 5,784,438	\$ 119,474	\$ -	\$ -	\$ 5,903,912
Construction in progress	282,308	2,889,412	-	-	3,171,720
	<u>6,066,746</u>	<u>3,008,886</u>	<u>-</u>	<u>-</u>	<u>9,075,632</u>
Capital assets being depreciated:					
Buildings and improvements	4,362,214	288,932	-	-	4,651,146
Equipment	679,532	-	-	-	679,532
Runway improvements	10,266,408	-	-	-	10,266,408
Land improvements	670,520	-	-	-	670,520
Vehicles	93,014	-	-	-	93,014
Total capital assets being depreciated	<u>16,071,688</u>	<u>288,932</u>	<u>-</u>	<u>-</u>	<u>16,360,620</u>
Less accumulated depreciation for:					
Buildings and improvements	3,052,796	101,577	-	-	3,154,373
Equipment	604,708	18,490	-	-	623,198
Runway improvements	8,520,229	211,880	-	-	8,732,109
Land improvements	324,416	30,169	-	-	354,585
Vehicles	89,761	3,254	-	-	93,015
Total accumulated depreciation	<u>12,591,910</u>	<u>\$ 365,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,957,280</u>
Total capital assets being depreciated, net	<u>3,479,778</u>				<u>3,403,340</u>
Business-type capital assets, net	<u>\$ 9,546,524</u>				<u>\$ 12,478,972</u>

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

Business-type activities:	
Airport operations	\$ <u>365,370</u>

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

B. LIABILITIES

1. Pension Plan and Post-Employment Obligations

All personnel working for the Dare County Airport Authority are 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-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.

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 for firefighters and rescue squad members who are killed 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 for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

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, 2022, was 11.35%, 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 \$48,497 for the year ended June 30, 2022.

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.

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

At June 30, 2022, Dare County (Airport) reported net pension liabilities of \$85,413 for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was

DARE COUNTY AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

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

determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2022 and 2021, Dare County's (Airport) proportion was 0.00557% and 0.00591% respectively.

For the year ended June 30, 2022, the Dare County (Airport) recognized pension expense of \$37,158. At June 30, 2022, 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	\$ 27,173	\$ -
Changes of assumption	53,661	-
Net difference between projected and actual earnings on pension plan investments	-	122,029
Changes in proportion and differences between Dare County (Airport) contributions and proportionate share of contributions	2,413	3,598
Dare County (Airport) contributions subsequent to the measurement date	<u>48,497</u>	<u>-</u>
Total	<u>\$ 131,744</u>	<u>\$ 125,627</u>

The amount of \$48,497 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 8,198
2024	(2,781)
2025	(10,455)
2026	(37,342)
Thereafter	-

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

Actuarial Assumptions. The total pension liability in the December 31, 2020 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 percent
Investment rate of return	7.00 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, 2020 valuation were based on the results of an actuarial experience study as of December 31, 2016.

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, 2022 are summarized in the following table:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected 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 2020 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 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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 liability to changes at the discount rate. The following presents Dare County's (Airport) proportionate share of the net pension liability calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Dare County's (Airport) proportionate share of the net pension liability (asset)	<u>\$ 331,566</u>	<u>\$ 85,413</u>	<u>\$ (117,157)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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 individuals employed by Dare County (Airport). Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. For the year ended June 30, 2022 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, 2022, were \$1,700, which consisted of \$0 from Dare County (Airport) and \$1,700 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 January 1, 2022, the date of the latest actuarial valuation:

	<u>General Employees</u>
Retirees and dependents receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>6</u>
Total	<u>13</u>

DARE COUNTY AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

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

Total OPEB Liability

The Authority's total OPEB liability of \$2,313,349 was measured as of January 1, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	2 percent, average, including inflation
Discount rate	3.69 percent
Healthcare cost trend rates	Medical 6.50%
	Prescription 6.25%
	Admin Expenses 3.00%

The S&P Municipal Bond 20 Year High Grade rate as of June 30, 2022 was 2.21%.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	<u>\$ 2,885,463</u>
Changes for the year	
Service cost	134,961
Interest	64,243
Changes of benefit terms	-
Differences between expected and actual experience	(128,280)
Changes in assumptions or other inputs	(550,635)
Benefit payments	<u>(92,403)</u>
Net changes	<u>(572,114)</u>
Balance at June 30, 2022	<u>\$ 2,313,349</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.69%.

Mortality rates were based on the Pub-010 Public Retirement Plans General mortality table with no pre-retirement decrements projected generationally with Scale MP-2021.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Airport, as well as what the Airport's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.69 percent) or 1-percentage-point higher (4.69 percent) than the current discount rate:

DARE COUNTY AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

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

	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB Liability	<u>\$ 2,692,338</u>	<u>\$ 2,313,349</u>	<u>\$ 2,009,805</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Airport, as well as what the Airport'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	Discount Rate	1% Increase
Total OPEB Liability	<u>\$ 1,990,356</u>	<u>\$ 2,313,349</u>	<u>\$ 2,719,272</u>

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

For the year ended June 30, 2022, the Airport recognized OPEB expense of \$99,859. At June 30, 2022, the Airport 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	\$ -	\$ 220,164
Changes of assumptions	352,741	489,022
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 352,741</u>	<u>\$ 709,186</u>

Any amount 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, 2023. 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:	
2023	\$ (99,344)
2024	(69,184)
2025	(69,184)
2026	(69,184)
2027	(69,177)
Thereafter	19,628

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. 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

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

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 ACFR.

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

4. Long-Term Debt

The following table summarizes the changes in long-term liabilities for the year ended June 30, 2022:

	Balance July 1	Increase	Decrease	Balance June 30	Current Portion
Compensated absences	\$ 56,355	\$ -	\$ (8,446)	\$ 47,909	\$ -
Net OPEB obligation	2,885,463	-	(572,114)	2,313,349	-
Net pension liability (LGERS)	211,304	-	(125,891)	85,413	-
Totals	<u>\$ 3,153,122</u>	<u>\$ -</u>	<u>\$ (706,451)</u>	<u>\$ 2,446,671</u>	<u>\$ -</u>

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

5. Claims, Judgments and Contingent Liabilities

At June 30, 2022, 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	\$ 1,352,147	\$ 106,347
Cost of sales	(1,002,395)	(61,456)
Gross profit	<u>\$ 349,752</u>	<u>\$ 44,891</u>

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 of 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, 2022:

	<u>Operations</u>
Dare County general appropriation	<u>\$ 827,138</u>
Expenditures:	
Salaries and benefits	\$ 650,855
Indirect costs allocated	117,427
Shop overhead	8,242
Other expenses	50,614
	<u>\$ 827,138</u>

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 18, 2022, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL
FINANCIAL DATA**

Dare County Airport Authority
 Schedule of Changes in the Total OPEB Liability & Related Ratios
 June 30, 2022

		<u>2022</u>
Total OPEB Liability		
Service cost	\$	134,961
Interest		64,243
Changes of benefit terms		-
Differences between expected and actual experience		(128,280)
Changes of assumptions		(550,635)
Benefit payments		(92,403)
Net change in total OPEB liability		<u>(572,114)</u>
Total OPEB liability - beginning		<u>2,885,463</u>
Total OPEB liability - ending	\$	<u>2,313,349</u>
Covered payroll	\$	379,633
Total OPEB liability as a percentage of covered payroll		609.36%

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>
2022	3.69%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Dare County Airport Authority's proportion of the net pension liability (asset) (%)	0.00557%	0.00591%	0.00628%	0.00610%	0.00550%	0.00630%	0.00517%
Dare County Airport Authority's proportion of the net pension liability (asset) (\$)	\$ 85,413	\$ 211,304	\$ 160,308	\$ 134,092	\$ 84,066	\$ 118,505	\$ 25,953
Dare County Airport Authority's covered-employee payroll	\$ 382,482	\$ 364,848	\$ 372,491	\$ 393,260	\$ 386,846	\$ 371,860	\$ 352,220
Dare County Airport Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.33%	57.92%	43.04%	34.10%	21.73%	31.87%	7.37%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%

* 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 Seven Fiscal Years
Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 48,497	\$ 44,649	\$ 37,651	\$ 33,347	\$ 28,626	\$ 26,153	\$ 25,162
Contributions in relation to the contractually required contribution	<u>48,497</u>	<u>44,649</u>	<u>37,651</u>	<u>33,347</u>	<u>28,626</u>	<u>26,153</u>	<u>25,162</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dare County Airport Authority's covered-employee payroll	\$ 427,286	\$ 382,482	\$ 364,848	\$ 372,491	\$ 393,260	\$ 386,846	\$ 371,860
Contributions as a percentage of covered-employee payroll	11.35%	11.67%	10.32%	8.95%	7.28%	6.67%	6.67%

Dare County Airport Authority
 Airport Operations Fund
 Schedule of Revenues & Expenditures
 Budget & Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2022
 With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Fuel sales	\$ 1,553,000	\$ 1,352,147	\$ (200,853)	\$ 1,136,803
Hanger rentals	270,000	268,355	(1,645)	262,140
Tie down fees	3,000	1,765	(1,235)	1,840
Rental commissions	90,000	106,347	16,347	98,743
Land/building rentals	176,500	174,735	(1,765)	172,801
Landing fees	25,000	26,750	1,750	23,317
Vehicle parking fees	9,000	6,825	(2,175)	8,345
Operation license agreements	9,000	9,100	100	9,100
Pilot supplies and oil sales	4,500	1,518	(2,982)	2,323
Vending income	300	150	(150)	150
Grants - DOT Cares Act	-	-	-	69,000
Other income	70,500	69,660	(840)	53,756
	2,210,800	2,017,352	(193,448)	1,838,318
Other revenues:				
Investment earnings (losses)	10,000	(91,954)	(101,954)	2,257
	10,000	(91,954)	(101,954)	2,257
Total revenues	2,220,800	1,925,398	(295,402)	1,840,575
Expenditures:				
Operations:				
Cost of goods sold-fuel	1,160,000	1,002,395	157,605	768,848
Cost of goods sold-rentals	55,000	61,456	(6,456)	60,094
Auto fuel	2,500	838	1,662	982
Pilot supplies and oil	3,500	1,334	2,166	2,857
Souvenirs	4,700	2,897	1,803	2,276
Salaries and wages	401,897	411,432	(9,535)	400,545
FICA taxes	30,160	29,563	597	29,204
Retirement	44,527	45,360	(833)	40,605
Group insurance	159,316	153,540	5,776	157,322
Longevity	9,795	10,120	(325)	7,608
Contract services	295,000	219,824	75,176	203,873
Professional fees	25,000	21,181	3,819	16,802
Telephone and postage	5,000	4,177	823	4,248
Utilities	30,000	27,377	2,623	30,547
Repairs and maintenance				
Rentals	29,200	21,018	8,182	42,099
Equipment	30,000	31,099	(1,099)	20,373
Building and grounds	82,000	76,752	5,248	50,460
Vehicles	6,500	7,260	(760)	6,047
Credit card processing fees	36,250	38,413	(2,163)	33,285
Copier program	2,000	1,102	898	991
Equipment leases	2,000	-	2,000	-
Fuel (maintenance)	6,400	6,631	(231)	4,546
Supplies	9,000	6,755	2,245	8,149
Museum operation	500	144	356	-

Dare County Airport Authority
 Airport Operations Fund
 Schedule of Revenues & Expenditures
 Budget & Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2022

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Computer software	\$ 9,500	\$ 2,266	\$ 7,234	\$ 2,041
Uniforms	2,500	1,508	992	637
Shop overhead	8,242	8,242	-	7,756
Employees training	4,000	30	3,970	80
Travel	10,000	4,129	5,871	1,860
Dues and subscriptions	2,400	2,242	158	1,615
Insurance	100,614	77,767	22,847	87,580
Marketing and advertising	6,500	2,981	3,519	6,075
Youth Aviation Day	4,000	465	3,535	-
Indirect costs allocated	118,000	117,427	573	116,220
Capital outlay	304,000	-	304,000	12,300
Contingency	50,000	-	50,000	-
Debt service:				
Principal retirement	-	-	-	-
Interest expense	-	-	-	-
Total	<u>3,050,001</u>	<u>2,397,725</u>	<u>652,276</u>	<u>2,127,925</u>
Revenues over (under) expenditures	<u>(829,201)</u>	<u>(472,327)</u>	<u>(356,874)</u>	<u>(287,350)</u>
Other financing sources (uses):				
Transfer from primary government	829,201	827,138	(2,063)	824,398
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>829,201</u>	<u>827,138</u>	<u>(2,063)</u>	<u>824,398</u>
Revenues over expenditures and other sources (uses)	<u>\$ -</u>	<u>354,811</u>	<u>\$ (354,811)</u>	<u>537,048</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items (operations fund):				
Capital outlays		-		12,300
Depreciation		(365,370)		(418,257)
Increase (decrease) in deferred outflows of resources-OPEB		(99,785)		77,311
Increase (decrease) in deferred outflows of resources-pensions		11,075		21,511
(Increase) decrease in compensated absences payable		8,446		6,020
(Increase) decrease in accrued OPEB liability		572,114		(249,197)
(Increase) decrease in net pension liability		125,891		(50,996)
(Increase) decrease in deferred inflows of resources-OPEB		(512,948)		52,814
(Increase) decrease in deferred inflows of resources-pensions		(125,627)		-
Reconciling items (capital projects fund):				
Capital Project Expenditures		(17,202)		-
Capital Project Grants		<u>1,820,302</u>		<u>106,540</u>
Total reconciling items		<u>1,416,896</u>		<u>(441,954)</u>
Change in net position		<u>\$ 1,771,707</u>		<u>\$ 95,094</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, 2022

	Project Author- ization	Prior Year	Current Year	Total to Date	Variance Positive (Negative)
Revenues-State Aid to Airports Restricted					
Intergovernmental:					
APRON Rehabilitation Design	\$ 2,535,702	\$ 159,542	\$ 1,565,143	\$ 1,724,685	\$ (811,017)
SVC Runway 23 RPZ Land Acquisition	80,027	79,645	34,133	113,778	33,751
Runway 23 Land Acquisition	434,000	-	-	-	(434,000)
Runway 17 Approach Land Acquisition	4,266	350,668	-	350,668	346,402
ALP and 18B	361,554	-	142,113	142,113	(219,441)
Airfield Lighting	180,027	-	78,913	78,913	(101,114)
Total Revenues	3,595,576	589,855	1,820,302	2,410,157	(1,185,419)
Expenditures:					
APRON Rehabilitation Design	2,811,282	183,433	2,374,636	2,558,069	253,213
SVC Runway 23 RPZ Land Acquisition	78,538	98,876	26,367	125,243	(46,705)
Runway 17 Approach Land Acquisition	394,370	-	-	-	394,370
Runway 23 Land Acquisition	482,223	-	425,605	425,605	56,618
ALP and 18B	401,727	-	400,727	400,727	1,000
Airfield Lighting	200,030	-	87,682	87,682	112,348
Total Expenditures	4,368,170	282,309	3,315,017	3,597,326	770,844
Revenues over (under) expenditures	(772,594)	307,546	(1,494,715)	(1,187,169)	(414,575)
Other Financing Sources:					
Operating transfer	465,050	-	-	-	(465,050)
Total Other Financing Sources	465,050	-	-	-	(465,050)
Revenues & other financing sources over (under) expenditures	\$ (307,544)	\$ 307,546	\$ (1,494,715)	\$ (1,187,169)	\$ (879,625)

Dare County Airport Authority
Cemetery Fund
Schedule of Revenues & Expenditures
Budget & Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2022
With Comparative Actual Amounts For the Fiscal Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Grave sites	\$ 2,000	\$ 1,326	\$ (674)	\$ 800
Mausoleum crypts/nitch	4,000	1,026	(2,974)	5,392
Rental income	20,400	26,958	6,558	24,300
Miscellaneous income	100	52	(48)	156
Total	<u>26,500</u>	<u>29,362</u>	<u>2,862</u>	<u>30,648</u>
Nonoperating revenues:				
Interest earned on investments	2,000	(6,719)	(8,719)	171
	<u>2,000</u>	<u>(6,719)</u>	<u>(8,719)</u>	<u>171</u>
Total revenues	<u>28,500</u>	<u>22,643</u>	<u>(5,857)</u>	<u>30,819</u>
Expenditures:				
Operations:				
Maintenance and repair	27,000	19,804	7,196	5,768
Capital outlay	400	-	-	-
Other supplies	1,100	318	782	790
Total	<u>28,500</u>	<u>20,122</u>	<u>7,978</u>	<u>6,558</u>
Revenues over expenditures	<u>-</u>	<u>2,521</u>	<u>2,121</u>	<u>24,261</u>
Other Financing Sources:				
Appropriated fund balance	-	-	-	-
Revenues & other financing sources over expenditures	<u>\$ -</u>	<u>2,521</u>	<u>\$ 2,121</u>	<u>24,261</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling items:				
None		<u>-</u>		<u>-</u>
Change in net position		<u>\$ 2,521</u>		<u>\$ 24,261</u>

COMPLIANCE



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, 2022, 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 18, 2022. 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.

Report on 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dare County Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 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 18, 2022
Mooresville, North Carolina



REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the **Dare County Airport Authority's**, a component unit of Dare County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the **Dare County Airport Authority's** major state programs for the year ended June 30, 2022. The **Dare County Airport Authority's** major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the **Dare County Airport Authority** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **Dare County Airport Authority's** compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of

not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **Dare County Airport Authority's** compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **Dare County Airport Authority's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of **Dare County Airport Authority's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **Dare County Airport Authority's** internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Potter & Company, P.A.

November 18, 2022

Mooresville, North Carolina

Dare County Airport Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes X none reported

Noncompliance material to financial statements noted

_____ yes X no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____ yes X no

Significant deficiency(s) identified that are not considered to be material weaknesses

_____ yes X none reported

Noncompliance material to State awards

_____ yes X no

Type of auditors' report issued on compliance for major State programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act

_____ yes X no

Identification of major State programs:

Program Name

DOT-8 Airport Improvement Program

Dare County Airport Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022

Section II - Financial Statement Findings

None reported.

Section IV - State Awards Findings and Questioned Costs

None reported.

Section V - Corrective Action Plan

None reported.

Section VI - Summary Schedule of Prior Year Findings

None reported.

Dare County Airport Authority
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2022

Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	State/ Pass Through Grantor's Number	Federal (Direct and Pass Through) Expenditures	State Expenditures
Federal Grants:				
US Department of Transportation				
Passed-through NC Department of Transportation				
State Block Grant Program Svcs ALP and 18B	20.106		\$ 142,113	\$ -
State Block Grant Program Cares Grant	20.106		45,000	-
State Block Grant Program Airfield Lighting	20.106		78,913	-
Total Assistance - Federal Programs			<u>266,026</u>	<u>-</u>
State Grants:				
NC Department of Transportation				
State Aid to Airports Program Apron Rehab Phase II	N/A	DOT -8 36244.46.6.1	-	1,565,143
State Aid to Airports Program Svc RW 23	N/A	DOT -8 36244.46.7.1	-	34,133
Total Assistance - State Programs			<u>-</u>	<u>1,599,276</u>
Total Assistance			<u>\$ 266,026</u>	<u>\$ 1,599,276</u>

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Agency and is presented on the accrual basis of accounting. The information is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The information in this schedule may differ from amounts in, or used in the preparation of the financial statements.

The Airport Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.