

**Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, NC)**

FINANCIAL REPORT

June 30, 2021



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Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Carteret County-Beaufort Airport Authority
Beaufort, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Carteret County-Beaufort Airport Authority, a component unit of Carteret County, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Carteret County-Beaufort Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of their financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Carteret County-Beaufort Airport Authority as of June 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual fund statements and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund statements and budgetary schedules 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 September 21, 2021 on our consideration of Carteret County-Beaufort Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Carteret County-Beaufort 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 Carteret County-Beaufort Airport Authority's internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

New Bern, North Carolina
September 21, 2021

Carteret County-Beaufort Airport Authority (A Component Unit of Carteret County, North Carolina) Management's Discussion and Analysis

As management of the Carteret County-Beaufort Airport Authority, "the Authority", we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2021. 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.

The Authority is a special purpose government established to maintain the runways and related facilities and equipment of the Michael J. Smith Airport in Beaufort, NC. A separate, unrelated business provides day-to-day operations of the airport (including airplane charters, fuel sales, flight instruction, etc.) The Board of Directors of the Authority is comprised of seven members who are appointed by Carteret County and the Town of Beaufort.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$18,007,673 (net position).
- The government's total net position increased by \$1,090,384, due to an increase in insurance proceeds and grant funding for the year.
- As of the close of the current fiscal year, the Authority's General Fund reported an ending fund balance of \$305,598, an increase of \$86,914 in comparison with the prior year. Approximately 1.37% percent of this total amount, or \$4,195, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$301,403, or 96.57% percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

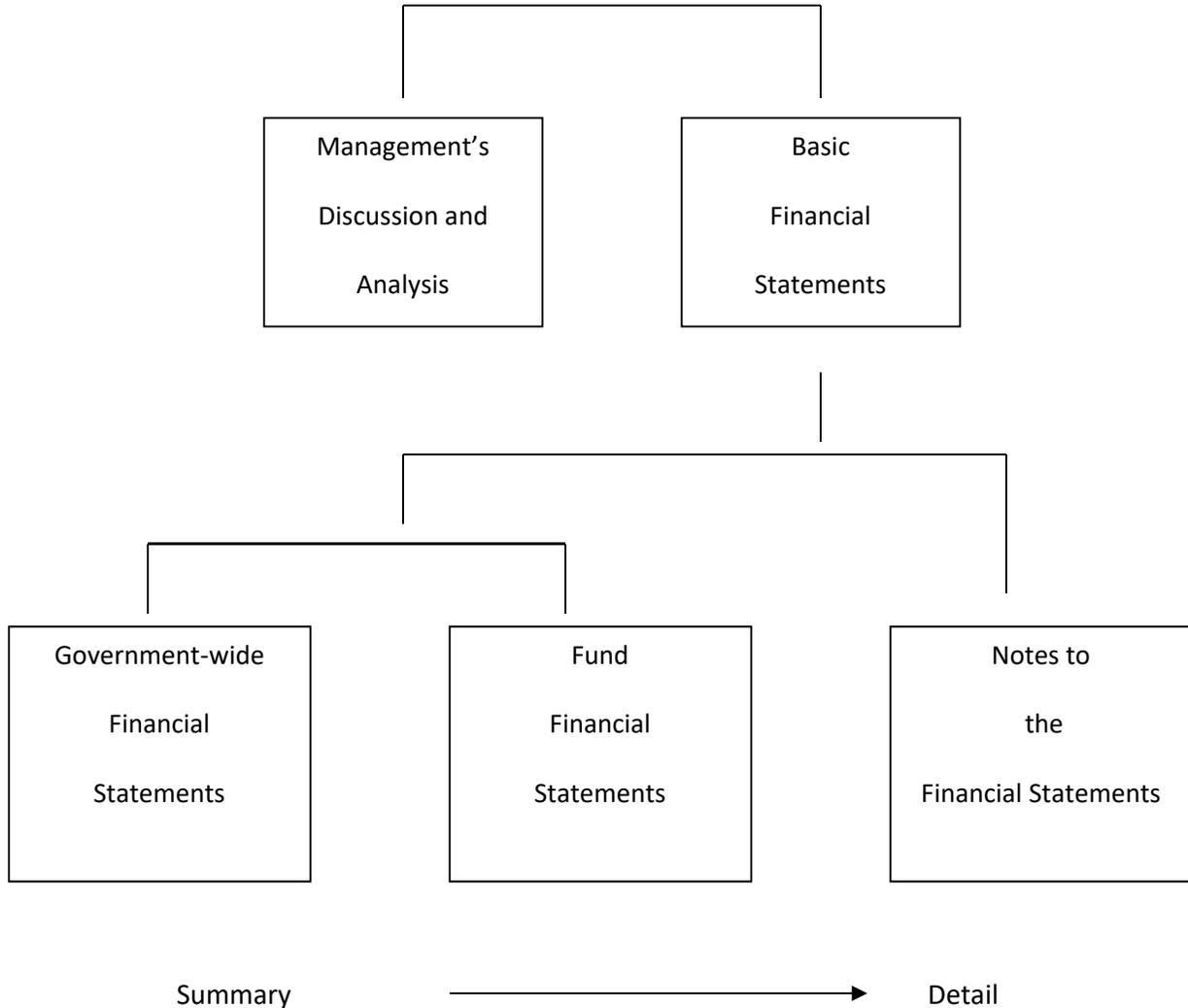
This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of three components (see figure 1). They are as follows:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The basic financial statements present two different views of the Authority through the use of government-wide statements and fund financial statements. 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.

**Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Management's Discussion and Analysis**

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



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Authority's financial status.

Carteret County-Beaufort Airport Authority (A Component Unit of Carteret County, North Carolina) Management's Discussion and Analysis

The next statements (Exhibits 3 through 5) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Authority's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental fund statements; and 2) the budgetary comparison statements.

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. After the notes, supplemental information is provided to show details about the Authority's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the 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 two government-wide statements report the Authority's net position and how it has changed. Net position is the difference between the Authority's total assets and total liabilities. Measuring net position is one way to gauge the Authority's financial condition.

The government-wide statements are comprised of one single category – governmental activities. The government-wide financial statements are Exhibits 1 and 2 of this report.

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 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 or the Authority's budget ordinance. All of the funds of the Authority belong to the governmental funds category.

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 governmental funds. These funds focus 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*, which 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Management's Discussion and Analysis

The Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Authority, the management of the Authority, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Authority to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

Government-Wide Financial Analysis

Carteret County-Beaufort Airport Authority's Net Position
Governmental Activities

June 30,	2021	2020
Current and other assets	\$ 1,537,571	\$ 537,682
Capital assets	17,171,045	16,447,218
Total assets	18,708,616	16,984,900
Current liabilities	250,943	49,134
Long-term liabilities	450,000	18,477
Total liabilities	700,943	67,611
Net position:		
Net investment in capital assets	16,552,568	16,410,264
Restricted	11,913	26,533
Unrestricted	1,443,192	480,492
Total net position	\$ 18,007,673	\$ 16,917,289

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Management's Discussion and Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Authority exceeded liabilities by \$18,007,673 as of June 30, 2021. The Authority's net position increased by \$1,090,384 for the fiscal year ended June 30, 2021. However, the largest portion of net position (91.92%) reflects the Authority's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The Authority uses these capital assets to provide services to users of the Authority's services; consequently, these assets are not available for future spending. An additional portion of the Authority's net position (0.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,443,192 is unrestricted.

Several aspects of the Authority's financial operations influenced its government-wide net position components:

- Increase in charges for services
- Insurance proceeds
- Capital Grants

Carteret County-Beaufort Airport Authority's Changes in Net Position
Governmental Activities

For the years ended June 30,	2021	2020
Revenues:		
Charges for services	\$ 211,120	\$ 205,645
Operating grants	182,000	42,090
Capital grants	512,333	3,203,045
Insurance proceeds	1,050,000	-
Miscellaneous	5,649	3,000
Investment earnings	4,747	1,478
Total revenues	1,965,849	3,455,258
Expenses:		
General government	270,490	174,240
Transportation	604,975	467,828
Total expenses	875,465	642,068
Increase in net position	1,090,384	2,813,190
Net position, July 1	16,917,289	14,104,099
Net position, June 30	\$ 18,007,673	\$ 16,917,289

**Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Management's Discussion and Analysis**

Financial Analysis of the Authority's Funds

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

Governmental Funds The focus of the 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 Authority's financing requirements. Specifically, unassigned fund balance 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 operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$301,403, while total fund balance reached \$305,598. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 96.57% percent of total General Fund expenditures, while total fund balance represents 97.91% percent of the same amount.

General Fund Budgetary Highlights

During the fiscal year, the Authority revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources; and 3) increases in appropriations that become necessary to maintain services.

Actual revenues were slightly lower than the budgeted amount for sales and services primarily due to ongoing hanger replacements. In addition, the Authority amended the budget for CARES grant funding.

Capital Asset and Debt Administration

The Authority's net investment in capital assets for its governmental activities as of June 30, 2021, totals \$17,171,045 (net of accumulated depreciation). These assets include hangars, runways, land improvements, infrastructure, and equipment, and funds paid for construction projects in progress. The summary of capital assets is presented below.

Major capital asset transactions during the year include the following:

- Completion of the Fuel Farm and Pavement Rehabilitation projects
- Improvements to the FBO Hanger
- Construction in progress on Hanger Replacement Project

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Management's Discussion and Analysis

Carteret County-Beaufort Airport Authority's Capital Assets
Governmental Activities

June 30,	2021	2020
Construction in progress	\$ 258,099	\$ 3,766,435
Land	1,516,047	1,516,047
Aviation easement	577,000	577,000
Hangars	1,748,875	1,734,686
Land/runway improvements	13,071,024	8,853,050
Total capital assets, net	\$ 17,171,045	\$ 16,447,218

Additional information on the Authority's capital assets can be found in Note II A.2 of this report.

Long-term Debt

Carteret County-Beaufort Airport Authority has total outstanding long-term debt of \$618,477 as of June 30, 2021. The long-term debt is backed by security interests in the properties for which it was issued. Additional information on the Authority's long-term debt can be found in Note II B.2 of this report.

Current Year Activities

The construction of the new Fuel Farm was completed. The completion of this project expands the services and efficiency in which the airport can serve its customers. This project was funded with annual NPE funds and debt proceeds that will be repaid by December 2024.

The Authority had also begun the project to update our Airport Master Plan and conduct a runway length analysis as well as conduct an economic impact study. These projects should be completed in late 2021.

The Authority was also awarded approximately \$3,287,800 million in grant funds from the U.S. Department of Commerce for the Hanger Replacement project for the Alpha Taxiway and Ramp. Both the design and construction phases are 80% grant funded. This project is expected to be completed in FY22.

**Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Management's Discussion and Analysis**

Economic Factors and Next Year's Budget

In March 2021 a Carteret County employee transferred to the Airport Administrative team to serve in the role of Airport Business Manager. This position will perform administrative duties and assist the Airport Manager. County financial support to the Authority will be reduced in an amount sufficient to cover this individual's salary and benefits. These changes will not significantly impact the financial position of the Airport.

During 2020, the Airport Authority entered in a new lease for the FBO Operations. The FBO Lessee substantially remodeled the FBO facilities. The Airport Authority placed into operation a new modern fuel farm owned by the Authority. The old fuel farm was removed by its owner, the FBO operator. Also, the hurricane damaged hangars were demolished and removed to prepare for the construction of twenty-eight (28) new hangars that will be funded through an EDA Grant and insurance proceeds. The Authority has also begun construction, and upon completion of construction, will switch over to a new, modern airfield lighting vault.

The Authority continues to visualize a solid growth future with the additional new aircraft hangars owned by the Authority along with the construction of new privately owned corporate hangars, the airport will play a very instrumental role in the continued and improved economic viability of Carteret County.

Requests for Information

This report is designed to provide an overview of the Authority's 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 the Board of Directors, Carteret County-Beaufort Airport Authority, Post Office Box 875, Beaufort, NC 28516 or telephone 252-728-2323.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Statement of Net Position
June 30, 2021
Exhibit 1

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 348,366
Restricted cash	1,176,184
Receivables	11,913
Prepaid items	1,108
Total current assets	1,537,571
Non-current assets:	
Land, non-depreciable improvements, and construction in progress	2,351,146
Capital assets, net of depreciation	14,819,899
Total capital assets	17,171,045
Total assets	18,708,616
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	56,389
Prepaid hangar rent	26,077
Current portion of long-term liabilities	168,477
Total current liabilities	250,943
Long-term liabilities:	
Due in more than one year	450,000
Total liabilities	700,943
NET POSITION	
Net investment in capital assets	16,552,568
Restricted for Stabilization of State Statute	11,913
Unrestricted	1,443,192
Total net position	\$ 18,007,673

The accompanying notes are an integral part of these financial statements.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Statement of Activities
For the Year Ended June 30, 2021
Exhibit 2

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 270,490	\$ 211,120	\$ 182,000	\$ -	\$ 122,630
Transportation	604,975	-	-	512,333	(92,642)
Total governmental activities	875,465	211,120	182,000	512,333	29,988

General revenues:	
Unrestricted investment earnings	4,747
Miscellaneous revenues	5,649
Insurance proceeds	1,050,000
Total general revenues	1,060,396
Change in net position	1,090,384
Net position - beginning	16,917,289
Net position - ending	\$ 18,007,673

The accompanying notes are an integral part of these financial statements.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Balance Sheet – Governmental Funds
June 30, 2021
Exhibit 3

	General Fund	Grant Project Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 348,366	\$ -	\$ 348,366
Restricted cash	-	1,176,184	1,176,184
Receivables	3,087	8,826	11,913
Prepaid items	1,108	-	1,108
Total assets	\$ 352,561	\$ 1,185,010	\$ 1,537,571
LIABILITIES			
Accounts payable and accrued liabilities	\$ 9,886	\$ 35,503	\$ 45,389
Deposits	11,000	-	11,000
Unearned Revenue - Prepaid hangar rent	26,077	-	26,077
Total liabilities	46,963	35,503	82,466
FUND BALANCES			
Nonspendable - Prepaid items	1,108	-	1,108
Restricted:			
Stabilization by State Statute	3,087	8,826	11,913
Assigned for capital projects	-	1,140,681	1,140,681
Unassigned	301,403	-	301,403
Total fund balances	305,598	1,149,507	1,455,105
Total Liabilities and fund balances	\$ 352,561	\$ 1,185,010	

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Amounts reported for governmental activities in the Statement of Net Position

(Exhibit 1) are different because:

Total fund balance - governmental fund	\$ 1,455,105
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 20,723,998	
Accumulated depreciation	(3,552,953)	17,171,045

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Long term debt	(618,477)
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Net position of governmental activities	\$ 18,007,673
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The accompanying notes are an integral part of these financial statements.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021
Exhibit 4

	General Fund	Grant Project Fund	Total Governmental Funds
REVENUES			
Restricted intergovernmental	\$ 182,000	\$ 512,333	\$ 694,333
Sales and service	211,120	-	211,120
Miscellaneous revenues	5,649	-	5,649
Investment earnings	252	4,495	4,747
Total revenues	399,021	516,828	915,849
EXPENDITURES			
Current:			
General government	163,278	97,097	260,375
Transportation	31,566	-	31,566
Capital outlay	98,786	1,208,565	1,307,351
Debt service	18,477	-	18,477
Total expenditures	312,107	1,305,662	1,617,769
Revenues over (under) expenditures	86,914	(788,834)	(701,920)
OTHER FINANCING SOURCES			
Insurance proceeds	-	1,050,000	1,050,000
Installment purchase obligation issued	-	600,000	600,000
Total other financing sources	-	1,650,000	1,650,000
Net change in fund balance	86,914	861,166	948,080
Fund balance - beginning	218,684	288,341	507,025
Fund balance - ending	\$ 305,598	\$ 1,149,507	\$ 1,455,105

The accompanying notes are an integral part of these financial statements.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021
Exhibit 4 continued

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities**

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net changes in fund balances - governmental funds	\$	948,080
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Governmental fund reports capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.

Capital outlay expenditures which were capitalized	\$ 1,307,351		
Depreciation expense for governmental assets	<u>(583,524)</u>		723,827

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued		(600,000)
Principal payment on long-term debt		<u>18,477</u>

Total changes in net position of governmental activities	\$	1,090,384
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The accompanying notes are an integral part of these financial statements.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Statement of Revenues, Expenditures, and Change in Fund
Balance –Budget to Actual – General Fund
For the Year Ended June 30, 2021
Exhibit 5

General Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Restricted intergovernmental	\$ 120,000	\$ 189,000	\$ 182,000	\$ (7,000)
Sales and service	215,800	215,800	211,120	(4,680)
Miscellaneous	2,600	2,600	5,649	3,049
Investment earnings	150	150	252	102
Total revenues	338,550	407,550	399,021	(8,529)
EXPENDITURES				
Current:				
General government	227,500	213,700	163,278	50,422
Transportation	37,000	36,800	31,566	5,234
Debt service	18,500	18,500	18,477	23
Capital outlay	-	102,000	98,786	3,214
Contingency	55,550	36,550	-	36,550
Total expenditures	338,550	407,550	312,107	95,443
Revenues over (under) expenditures	-	-	86,914	86,914
Net change in fund balance	\$ -	\$ -	86,914	\$ 86,914
Fund balances - beginning			218,684	
Fund balances - ending			\$ 305,598	

The accompanying notes are an integral part of these financial statements.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Carteret County-Beaufort Airport Authority, the “Authority”, conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Authority is considered a component unit of Carteret County, North Carolina, and the Authority’s transactions are reported as part of the County’s financial statements. The Authority is governed by a seven-member board, such members being appointed by the Town of Beaufort and Carteret County, North Carolina. The County is accountable for the Authority because it appoints the majority of the governing board; however, the County is not financially accountable for the Authority.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through hangar rentals, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including insurance reimbursements, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Authority’s governmental functions. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Authority reports the following major governmental funds:

General Fund The General Fund is the general operating fund of the Authority. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are County and Federal and State grants, and user fees. The primary expenditures are for improvements and maintenance of the airport runway and facilities.

Grant Project Fund This fund is used to account for grant funds that are restricted for use for a particular purpose.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Authority are maintained during the year using the modified accrual basis of accounting.

Government-wide Financial Statements The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include transfers from the County, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

Governmental Fund Financial Statements The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Data

The Authority's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund, and such amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

E. Use of Estimates

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

F. Accounting Standards Issued But Not Yet Effective

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Authority is currently reviewing this statement to determine the effect on the Authority's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been postponed by 18 months.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Accounting Standards Issued But Not Yet Effective (continued)

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Authority is currently reviewing this statement to determine the effect on the Authority's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Accounting Standards Issued But Not Yet Effective (continued)

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Earlier application is encouraged and is permitted by topic. The Authority is currently reviewing this statement to determine the effect on the Authority's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Accounting Standards Issued But Not Yet Effective (continued)

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.
- The effective dates of the following pronouncements are postponed by 18 months:
 - Statement No. 87, Leases
 - Implementation Guide No. 2019-3, Leases.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. The requirements of this Statement are effective immediately.

G. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Cash and Cash Equivalents

The Authority pools money from all funds to facilitate disbursement and investment and to maximize investment income. All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The unexpended grant proceeds in the Grant Project Fund are classified as restricted assets because their use is restricted to the purpose for which the grant was awarded.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expenses as the items are used.

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Land \$5,000; Buildings \$5,000; Infrastructure \$5,000; Improvements \$5,000; Furniture and equipment \$1,000; Vehicles \$3,000; Computer equipment and software \$500. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and hangers	30 years
Infrastructure	30 years
Improvements	30 years
Furniture and equipment	10 years
Vehicles	7 years
Computer equipment	5 years

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Unearned Revenues

Unearned revenues arise when resources are received by the Authority before it has a legal claim to them, as when hanger rents are received prior to the beginning of the lease period. In subsequent periods, when both recognition criteria are met or when the Authority has a legal claim to the resources, the liability for unearned revenue (prepaid hanger rent) is removed from the balance sheet and revenue is recognized.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In fund financial statements, face amount of debt issues is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represent 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.

Fund Balances

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid items – portion of fund balance that is not an available resource because it represents the year end balance of prepaid items, which are not spendable resources.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statutes (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "Restricted by State Statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance.

Assigned Fund Balance – portion of fund balance that the Authority intends to use for specific purposes.

Assigned for capital projects – portion of fund balance that is budgeted by the Board for future capital projects.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Authority has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Authority funds, Authority funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Authority.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE II – DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance.

The Authority complies with the provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. At June 30, 2021, the Authority's deposits had a carrying amount of \$1,524,450 and a bank balance of \$1,547,157. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30 2021, the Authority's petty cash fund totaled \$100.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE II – DETAIL NOTES ON ALL FUNDS (continued)

2. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in progress	\$ 3,766,435	\$ 1,307,351	\$ 4,815,687	\$ 258,099
Land	1,516,047	-	-	1,516,047
Aviation easement	577,000	-	-	577,000
Total capital assets not being depreciated	5,859,482	1,307,351	4,815,687	2,351,146
Capital assets being depreciated:				
Equipment	178,159	-	-	178,159
Vehicles	24,066	-	5,000	19,066
Hangars	2,060,222	105,786	-	2,166,008
Land/runway improvements	11,299,718	4,709,901	-	16,009,619
Total capital assets being depreciated	13,562,165	4,815,687	5,000	18,372,852
Less accumulated depreciation:				
Equipment	115,784	10,115	-	125,899
Vehicles	24,066	-	5,000	19,066
Hangars	325,536	91,597	-	417,133
Land/runway improvements	2,509,043	481,812	-	2,990,855
Total accumulated depreciation	2,974,429	\$ 583,524	\$ 5,000	3,552,953
Total capital assets being depreciated, net	10,587,736			14,819,899
Capital assets, net	\$ 16,447,218			\$ 17,171,045

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE II – DETAIL NOTES ON ALL FUNDS (continued)

2. Capital Assets (continued)

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

General government	\$	10,115
Transportation		573,409
Total depreciation expense	\$	583,524

Construction commitments

The government has active construction projects as of June 30, 2021. At year end, the government’s commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Hanger Replacement Project	\$ 258,099	\$ 3,851,651
Total	\$ 258,099	\$ 3,851,651

B. Liabilities

1. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial coverage for all risks of loss. Through this coverage, the Authority obtains general liability coverage of \$5,000,000 per occurrence and property coverage up to the total insured values of the property.

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

In accordance with G.S. 159-29, the Authority’s employees that have access to \$100 or more at any given time of the Authority’s funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond of \$250,000.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE II – DETAIL NOTES ON ALL FUNDS (continued)

2. Long-term Obligations

a. Installment Purchase

In March 2017, the Authority entered into a \$92,385 agreement for the purchase of maintenance equipment. The contract bears no interest and requires annual principal payment beginning in the fiscal year 2018. The imputed interest is immaterial to the financial statements.

In August 2020, the Authority entered into a \$600,000 security agreement for construction of a fuel farm. The agreement bears no interest and requires annual principal payment beginning in the fiscal year 2022. The imputed interest is immaterial to the financial statements.

Annual debt service payments of the security agreements as of June 30, 2021 are as follows:

Year Ending June 30,	Governmental	
	Principal	Interest
2022	\$ 168,477	\$ -
2023	150,000	-
2024	150,000	-
2025	150,000	-
Total	\$ 618,477	\$ -

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Direct placement installment purchase obligation	\$ 36,954	\$ 600,000	\$ 18,477	\$ 618,477	\$ 168,477

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE II – DETAIL NOTES ON ALL FUNDS (continued)

C. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 305,598
Less:	
Prepaid items	1,108
Stabilization by State Statute	3,087
<hr/> Remaining fund balance	<hr/> \$ 301,403 <hr/>

NOTE III – RELATED ORGANIZATION

The seven member Board of the Carteret County-Beaufort Airport Authority is appointed by the Board of Commissioners of Carteret County and Board of Commissioners of Town of Beaufort. The County is accountable for the Authority because it appoints six of the seven members of the governing board; however, the County is not financially accountable for the Authority. The Town appoints one member of the Authority's Board. Carteret County-Beaufort Airport Authority is also disclosed as a related organization in the notes to the financial statements for Carteret County.

NOTE IV – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

The 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.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Notes to the Financial Statements

NOTE V – SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, certain operations of the Authority have been affected. Continued effects of the pandemic may result in uncertainties and a negative impact on operating activities and results of the Authority. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

In August 2021, the Authority entered into a loan agreement with Carteret County in the amount of \$2,000,000. The agreement calls for zero interest and principal to be repaid as reimbursements from U.S. Department of Commerce grant is received. The loan is expected to be paid in full during the 2022 fiscal year with an automatic extension provision included if the project extends past fiscal year 2022.

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – General Fund
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Restricted intergovernmental:			
CARES grant	\$ 69,000	\$ 92,000	\$ 23,000
Contribution from Carteret County	120,000	90,000	(30,000)
Total restricted intergovernmental	189,000	182,000	(7,000)
Sales and service:			
Hangar lease	154,400	154,137	(263)
Other rent	48,000	51,500	3,500
Land lease	4,000	3,083	(917)
License fees	4,400	2,400	(2,000)
Flowage fees	5,000	-	(5,000)
Total sales and service	215,800	211,120	(4,680)
Miscellaneous revenues	2,600	5,649	3,049
Investment earnings	150	252	102
Total revenues	407,550	399,021	(8,529)
EXPENDITURES			
General government:			
Advertising	2,500	-	2,500
Contract labor	57,190	56,740	450
Dues and subscriptions	800	320	480
Insurance	7,550	4,861	2,689
License and permits	200	608	(408)
Office supplies	15,550	11,873	3,677
Professional fees	29,500	22,730	6,770
Salary and payroll taxes	69,210	40,068	29,142
Tools	1,000	-	1,000
Travel & training	5,500	102	5,398
Utilities	23,200	24,137	(937)
Vehicle expense	1,500	1,839	(339)
Total general government	213,700	163,278	50,422

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – General Fund
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Transportation:			
Maintenance	26,000	21,599	4,401
Fuel and supplies	3,800	5,252	(1,452)
Runways	7,000	4,715	2,285
Total transportation	36,800	31,566	5,234
Debt service	18,500	18,477	23
Capital outlay	102,000	98,786	3,214
Contingency	36,550	-	36,550
Total expenditures	407,550	312,107	95,443
Revenues over (under) expenditures	-	86,914	86,914
Net change in fund balance	\$ -	86,914	\$ 86,914
Fund balances - beginning		<u>218,684</u>	
Fund balances - ending		<u>\$ 305,598</u>	

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Schedule of Revenues, Expenditures, and Changes in
Fund Balance –Budget and Actual
Hanger Replacement – Economic Adjustment Assistance
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Actual			Variance with Final Budget - Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Restricted intergovernmental:					
Economic Adjustment Program					
U.S. Department of Commerce 11.307	\$ 3,287,800	\$ -	\$ -	\$ -	\$ (3,287,800)
EXPENDITURES					
Capital Outlay - Hanger Replacement					
Construction	4,152,800	-	241,087	241,087	3,911,713
Inspection	155,000	-	846	846	154,154
Administration	30,000	-	16,166	16,166	13,834
Total expenditures	4,337,800	-	258,099	258,099	4,079,701
Revenues over (under) expenditures	(1,050,000)	-	(258,099)	(258,099)	791,901
OTHER FINANCING SOURCES					
Insurance proceeds	1,050,000	-	1,050,000	1,050,000	-
Net change in fund balance	\$ -	\$ -	\$ 791,901	\$ 791,901	\$ 791,901

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Schedule of Revenues, Expenditures, and Changes in
Fund Balance –Budget and Actual
ALP Update & Runway Length Analysis – DOT 47.6.1
From Inception and For the Year Ended June 30, 2021

	<u>Actual</u>				Variance with Final Budget - Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
State Aid to Airport - DOT 47.6.1	\$ 345,736	\$ 255,769	\$ 87,388	\$ 343,157	\$ (2,579)
EXPENDITURES					
General government - DOT 47.6.1					
Engineering	384,152	284,188	97,097	381,285	2,867
Revenues over (under) expenditures	(38,416)	(28,419)	(9,709)	(38,128)	288
OTHER FINANCING SOURCES					
Transfer from General Fund	38,416	38,416	-	38,416	-
Net change in fund balance	\$ -	\$ 9,997	\$ (9,709)	\$ 288	\$ 288

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Schedule of Revenues, Expenditures, and Changes in
Fund Balance –Budget and Actual
Pavement Rehab Project – DOT 47.7.1
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Actual			Variance with Final Budget - Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Restricted intergovernmental:					
State Aid to Airport - DOT 47.7.1	\$ 3,600,336	\$ 3,281,605	\$ 72,723	\$ 3,354,328	\$ (246,008)
Contribution from Carteret County	-	16,665	16,667	33,332	33,332
Investment earnings	-	11,494	4,495	15,989	15,989
Total revenues	3,600,336	3,309,764	93,885	3,403,649	(196,687)
EXPENDITURES					
Capital Outlay - DOT 47.7.1					
Construction	3,537,108	3,261,213	64,019	3,325,232	211,876
Inspection	192,487	-	-	-	192,487
Engineering	270,779	430,708	5,260	435,968	(165,189)
Total expenditures	4,000,374	3,691,921	69,279	3,761,200	239,174
Revenues over (under) expenditures	(400,038)	(382,157)	24,606	(357,551)	42,487
OTHER FINANCING SOURCES					
Transfer from General Fund	-	98,327	-	98,327	98,327
Transfer from Capital Fund	400,038	-	-	-	(400,038)
Total other financing sources	400,038	98,327	-	98,327	(301,711)
Net change in fund balance	\$ -	\$ (283,830)	\$ 24,606	\$ (259,224)	\$ (259,224)

Carteret County-Beaufort Airport Authority
(A Component Unit of Carteret County, North Carolina)
Schedule of Revenues, Expenditures, and Changes in
Fund Balance –Budget and Actual
Fuel Farm Project - DOT 36.17.2 and 36.18
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Actual			Variance with Final Budget - Positive (Negative)
		Prior Years	Current Year	Total To Date	
Revenues					
Restricted intergovernmental					
Airport Improvement Program -					
DOT 36.17.2 and 36.18	\$ 300,996	\$ -	\$ 335,555	\$ 335,555	\$ 34,559
EXPENDITURES					
Capital Outlay					
Administration	69,510	-	72,248	72,248	(2,738)
Construction	830,760	-	805,003	805,003	25,757
Design	145,963	102,819	3,936	106,755	39,208
Total expenditures	1,046,233	102,819	881,187	984,006	62,227
Revenues over (under) expenditures	(745,237)	(102,819)	(545,632)	(648,451)	96,786
OTHER FINANCING SOURCES					
Installment purchase obligation issued	600,000	-	600,000	600,000	-
Transfer from Capital Reserve	145,237	111,903	-	111,903	(33,334)
Total other financing sources	745,237	111,903	600,000	711,903	(33,334)
Net change in fund balance	\$ -	\$ 9,084	\$ 54,368	\$ 63,452	\$ 63,452



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Carteret County-Beaufort Airport Authority
Beaufort, North Carolina

We have audited, 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, the financial statements of the governmental activities and each major fund of the Carteret County-Beaufort Airport Authority, the "Authority", as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

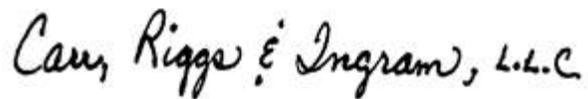
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Handwritten signature in black ink that reads "Cary Riggs & Ingram, L.L.C.".

New Bern, North Carolina
September 21, 2021



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September 21, 2021

To the Board Members
Carteret County-Beaufort Airport Authority
Beaufort, North Carolina

Dear Board Members:

We are pleased to present the results of our audit of the June 30, 2021 financial statements of the Carteret County-Beaufort Airport Authority.

This report to the Board Members and Management summarizes our audit, the report issued and various analyses and observations related to the Authority's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the Authority's June 30, 2021 financial statements. We considered the Authority's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Board Members and Management, expect. We received the full support and assistance of Carteret County-Beaufort Airport Authority personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board Members, Management and others within the Authority and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 252-633-5821 or mstafford@cricpa.com.

Very truly yours,

Madonna Stafford, CPA

Required Communications

As discussed with the management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Authority. Specifically, we planned and performed our audit to:

- Perform an annual audit, as required by North Carolina General Statutes, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express opinions on the Authority's financial statements for the year ended June 30, 2021;
- Communicate directly with the board members and management regarding the results of our procedures;
- Address with the board members and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the board members and management; and
- Other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of Carteret County-Beaufort Airport Authority for the year ended June 30, 2021 and have issued our report thereon dated September 21, 2021. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Auditors' responsibility under Generally Accepted Auditing Standards, Government Auditing Standards.</p>	<p>As stated in our engagement letter dated February 1, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>Our audit also consisted of issuing reports regarding the Authority's internal control, in accordance with <i>Government Auditing Standards</i>.</p>
<p>Client's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p> <p>Management is responsible for overseeing 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.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i></p>	<p>See "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality"</p>
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the Authority and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the Authority's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Authority in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<p>The significant accounting policies used by the Authority are described in Note 1 of the financial statements. Also included in Note 1 is information regarding accounting standards which have been postponed due to Covid-19 as well as other accounting standards which the Authority is currently reviewing to determine the effects on its financial statements.</p> <p>We noted no transactions entered into by the Authority during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None.
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the Authority, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	See the following section titled "Summary of Audit Adjustments."
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p>Consultations with other accountants <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.

Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Written representations</p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p>Internal control deficiencies</p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.</i></p>	See "Internal Control Findings" section.
<p>Fraud and illegal acts</p> <p><i>Fraud involving senior management, the Board Members or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p>Related parties and prohibited transactions</p> <p><i>Any related parties, prohibited transactions and other reportable transactions.</i></p>	No related parties, prohibited transactions or reportable transactions were noted.
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Capital Assets	Based upon our audit procedures, with respect to the Authority's capital assets, we noted that it estimates the annual provision for depreciation expense on estimated useful lives of the capital assets in accordance with all applicable standards and guidelines. The Authority calculates depreciation expense using the straight-line method.	X	The estimated useful lives of Authority's capital assets are based on a detailed management review.	The Authority's policy is in accordance with all applicable accounting guidelines.

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the Authority and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Authority or passed (uncorrected).

There were no adjustments, either corrected or uncorrected, as a result of our audit procedures.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Authority's operating environment that has been identified as playing a significant role in the Authority's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference involves concealment of an unlawful transaction.
- Whether the difference involves concealment of a prohibited transaction, or transaction with a related party.

September 21, 2021

Carr, Riggs & Ingram LLC
PO Box 1547
New Bern, NC 28563

This representation letter is provided in connection with your audit of the financial statements of Carteret County-Beaufort Airport Authority, which comprise the respective financial position of the governmental activities and each major fund, as of June 30, 2021, and the respective changes in financial position and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of September 21, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 1, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

Management Representaton Letter

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Authority and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.

- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the Authority's related parties and all the related party relationships and transactions, including any side agreements.
- 19) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value. Management believes all receivables are collectible, therefore no allowance for doubtful accounts has been calculated nor presented within the financial statements.

Government-specific

- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 22) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 23) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 25) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and disclosures and assistance in maintaining the depreciation schedule. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed,

Management Representaton Letter

approved, and accepted responsibility for those financial statements and disclosures, depreciation schedule and any other non-attest services provided.

- 28) Except as disclosed in the financial statements, the Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#), as amended.
- 31) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 33) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 34) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 35) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 36) Deposits are properly classified as to risk and are properly disclosed.
- 37) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 38) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 39) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 40) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Management Representaton Letter

41) With respect to the individual fund statements and budgetary schedules:

- a) We acknowledge our responsibility for presenting the individual fund statements and budgetary schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the individual fund statements and budgetary schedules, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the individual fund statements and budgetary schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

42) We acknowledge that under Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act of North Carolina, the Authority is not subject to, nor required to have a federal or state single audit for the June 30, 2021 fiscal year.

Signature: _____

Signature: _____

Title: _____

Title: _____