

WILMINGTON INTERNATIONAL AIRPORT

REQUEST FOR PROPOSALS

(“RFP”)

TO PROVIDE

A FINANCIAL PLAN FOR THE EXECUTION

OF THE

AIRPORT TERMINAL AREA PLAN

AT

WILMINGTON INTERNATIONAL AIRPORT

NEW HANOVER COUNTY AIRPORT AUTHORITY

1740 AIRPORT BOULEVARD, SUITE 12

WILMINGTON, NC 28405

TELEPHONE: (910) 341-4333

FAX NUMBER: (910) 341-4365

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SECTION I
PROPOSAL AND AWARD SCHEDULE

A. RFP AVAILABLE	December 15, 2016
B. PROPOSAL DEADLINE	January 16, 2017
C. PREVIEW AND EVALUATION	January 20, 2017
D. ORAL INTERVIEWS (if necessary)	January 25, 2017
E. SELECTION AND NHCAA APPROVAL	February 1, 2017
F. NOTIFICATION	February 1, 2017
G. COMMENCEMENT OF SERVICES	March 1, 2017

SECTION II **BACKGROUND AND GENERAL INFORMATION**

The New Hanover County Airport Authority (NHCAA) was created and declared to be a public body corporate by The State of North Carolina. The NHCAA is empowered to provide for the acquisition, construction, operation, and regulation of certain airports and air navigation facilities and, with respect to airport facilities and concessions, to provide for exclusive or limited agreements with the operators thereof. The Wilmington International Airport is under the jurisdiction of the NHCAA. Wilmington International Airport ("Airport") is the primary air-carrier airport servicing the Wilmington metropolitan area.

PURPOSE

The goal of this RFP is to identify all possible sources of revenue available to the NHCAA for the purpose of completing the Airport Terminal Area Plan that includes terminal renovation and expansion and to determine the feasibility of executing the plan. The contents of this RFP are provided as background and general information for Proposers and as a guide for the NHCAA to evaluate submitted Proposals.

WILMINGTON INTERNATIONAL AIRPORT'S MISSION STATEMENT

To provide quality regional air transportation services through a professional public-private partnership dedicated to meeting and exceeding customer expectations.

A sound financial plan will support the NHCAA's mission and public policy objectives, ensure customer satisfaction, and maximize the revenue performance for the benefit of the NHCAA.

SECTION III **SCOPE OF SERVICES**

MINIMUM QUALIFICATIONS

The following minimum experience requirements have been established as a basis for determining the eligibility of a Proposer:

- A. Provide evidence of financial advisory services provided to three (3) airports of similar size; and
- B. Provide evidence of knowledge of all financing sources available to airports, including bonds, grants, PFC and CFC funding.

TERM OF AGREEMENT

It is anticipated that the financial advisory services will be completed within 120 days of execution of the Contract for Professional Services.

RESPONSIBILITY OF SUCCESSFUL PROPOSER

- A. Analyze all current and potential sources of revenue available to the Airport; and
- B. Analyze current rates and charges; and
- C. Calculate bonding capacity; and
- D. Determine the feasibility of completion of the Airport Terminal Area Plan; and
- E. Create a financial plan and timeline for completion of Airport Terminal Area Plan (if completion is feasible); and
- F. Prepare a detailed report of findings; and
- G. Present findings to NHCAA; and
- H. Assist in writing Request for Proposal for bond underwriting services, if necessary.

SECTION IV
GENERAL TERMS AND CONDITIONS

BINDING OFFER

A Proposer's submittal shall remain valid for a period of ninety (90) days following the Proposal deadline and will be considered a binding offer to perform the required services, assuming all terms are satisfactorily negotiated. The submission of a proposal shall be taken as prima facie evidence that the Proposer has familiarized itself with the contents of the RFP.

PUBLIC ENTITY CRIMES

A person or Affiliate who has been placed on the convicted vender list following a conviction for public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not submit a bid on a contract with a public entity for the construction or repair of a public building or public work, may not submit bids on leases of real property to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, for CATEGORY TWO for a period of 36 months from the date of being placed on the convicted vender list.

COMPLIANCE

Proposer shall comply with all local, State and federal directives, orders, codes and laws as applicable to this proposal and subsequent agreement.

NON-EXCLUSIVITY OF AGREEMENT

The successful Proposer(s) understands and agrees that any resulting contractual relationship is non-exclusive and the NHCAA reserves the right to seek similar or identical services elsewhere if deemed in the best interests of the NHCAA.

COLLUSION

Proposals may be rejected if there is reason for believing that collusion exists among Proposers, and no participant in such collusion will be considered in any future proposals for the next six (6) months following the date of the Proposal submission.

HOLD HARMLESS

The successful Proposer(s) shall hold NHCAA harmless from and against all suits, claims, demands, damages, actions, and/or causes of action of any kind or nature in any way arising out of or resulting from activities associated with the contractual relationship with the Airport and shall pay all expenses in defending any claims made against the NHCAA by reason of activities associated with the contractual relationship with the Airport.

GOVERNANCE

If any of the language or information in this Proposal conflicts with language in the Agreement as prepared by the NHCAA, the language of the final Agreement, as executed, will govern.

PUBLIC DISCLOSURE

All Proposals and other materials or documents submitted by Proposer in response to this RFP will become the property of the NHCAA. Furthermore, this proposal is subject to public information laws.

SECTION V
PROPOSAL REQUIREMENTS AND SUBMITTAL

Proposers are advised to carefully follow the instructions listed below in order to be considered fully responsive to this RFP. Proposals sent by facsimile (FAX) will **NOT** be accepted. Any Proposal received after **January 16, 2017** shall be deemed unresponsive and will be returned to Proposer unopened.

Proposer shall carefully review and address all of the evaluation factors previously outlined in this RFP as well as responding to *all* questions contained in Section VI, Proposal Form. In order to be considered, Proposer must be able to demonstrate that it meets the minimum qualifications established in the RFP and has the resources, both staff and financial, to complete the proposal.

A. **NUMBER OF PROPOSALS**

One (1) Original (clearly marked "ORIGINAL") and Two (2) Copies (clearly marked "COPY").

B. **DELIVERY OF PROPOSALS**

The delivery of the proposal to the Authority prior to the deadline is solely and strictly the responsibility of the Proposer. The delivery deadline is January 16, 2017 at 4:00 pm local time. NHCAA will in no way be responsible for delays caused by the United States Postal Service or for delays caused by any other occurrence.

1. **Hand Delivery:**

Wilmington International Airport
Attn: Robert Campbell, Finance Director
1740 Airport Blvd. Suite 12
Wilmington NC 28405

(Proposals delivered in person will be given a time/date receipt by ILM staff.)

2. **Mail Delivery:**

Wilmington International Airport
Attn: Robert Campbell, Finance Director
1740 Airport Blvd. Suite 12
Wilmington, NC 28405

3. **Sealed and Labeled:**

All Proposals shall be sealed and labeled - **SEALED PROPOSAL:**
To Provide Financial Advisory Services to Wilmington International Airport

C. **EXECUTION OF PROPOSAL**

The Proposal shall be executed by Proposer, or an official of Proposer's firm authorized to do so as stated in this RFP under Section VI, F -Acknowledgement of Proposal Required.

D. **REJECTION OF PROPOSALS**

The RFP shall in no manner be construed as a commitment on the part of the NHCAA to award a contract. The NHCAA reserves the right to reject any or all proposals; to waive minor irregularities in the RFP process or in the responses thereto; to re-advertise this RFP; to postpone or cancel this process; and to change or modify the RFP schedule at any time.

E. **COST OF PREPARATION**

The cost of preparing a proposal to this RFP shall be borne entirely by the Proposer.

F. **RFP COMPLIANCE**

It is the responsibility of each Proposer to examine carefully this RFP and to judge for itself all of the circumstances and conditions which may affect its proposal and subsequent professional services provided pursuant to the Agreement. Any data furnished by the NHCAA is for informational purposes only and is not warranted. Proposer's use of any such information shall be at Proposer's own risk. Failure on the part of any Proposer to examine, inspect, and to be completely knowledgeable of the terms and conditions of the Agreement, operational conditions, or any other relevant documents or information shall not relieve the selected Proposer from fully complying with this RFP. Proposals submitted early by Proposers may be withdrawn or modified prior to the Proposal deadline. Such requests must be in writing. Modifications received after the Proposal deadline will not be considered.

G. **REQUESTS FOR INTERPRETATION OR CLARIFICATION**

If discrepancies or omissions are found by any prospective Proposer or there is doubt as to the true meaning of any part of the RFP, a written request for a clarification or interpretation must be submitted in writing, addressed to the NHCAA, Attn: Robert Campbell, Finance Director, 1740 Airport Blvd. Suite 12, Wilmington NC 28405. Telefax and e-mail requests for interpretations will be accepted for this project. The telefax number is (910) 341-4365 and the e-mail address is rcampbell@flyilm.com. It is the responsibility of the Proposer to verify that the NHCAA received telefax and e-mail requests. To be given consideration, such requests must be received at least ten (10) business days prior to the due date set for the submission of proposals. All such interpretations and any supplemental instructions will be in the form of a written addendum which, if issued, will be sent to each proposer at the respective mailing address, e-mail address, or fax number furnished for such purposes prior to the date fixed for the deadline for Proposals. Failure of any Proposer to receive any such addendum or interpretation shall not relieve said Proposer from any obligation contained therein.

Any objection to the specifications and requirements as set forth in this RFP must be filed in writing with the NHCAA not less than ten (10) days prior to the Proposal deadline.

H. **WARRANTY**

The Proposer warrants that the Proposal submitted is not made in the interest of or on behalf of any undisclosed party; that the Proposer has not, directly or indirectly, induced any other Proposer to submit a false Proposal; or that Proposer has not paid or agreed to pay to any party, either directly or indirectly, any money or other valuable consideration for assistance or aid rendered or to be rendered in attempting to procure the contract for the privileges granted herein.

I. **OPENING**

There will be no "formal" proposal opening for this project. Proposals will be opened and evaluated after the published **Proposal deadline of January 16, 2017** at the New Hanover County Airport Authority Administrative Office, Wilmington International Airport, 1740 Airport Blvd. Suite 12, Wilmington NC 28405. See Section VII, Evaluation and Selection Process, for further information.

J. **SUPPLEMENTAL INFORMATION**

The NHCAA reserves the right to request any supplementary information it deems necessary to evaluate Proposer's experience or qualifications. This may include: supplemental financial information, scheduled interview(s) and/or additional presentations by the Proposer.

SECTION VI
PROPOSAL FORM

Proposals shall be typed, double-spaced with each page numbered at the bottom, and using one side of the paper only. Proposer shall respond to all questions and requirements below. All questions must be completed in full, as a condition of the RFP. Proposals shall be stapled or otherwise bound, and assembled in organized sections that include a table of contents and TABS with each section title.

Proposers are asked to pre-qualify themselves by completing the following:

A. **PROPOSER'S COMPANY INFORMATION**

Date Submitted: _____

Submitted by: _____

Legal Name: _____

Place of Incorporation: (if applicable) _____

Check One: Individual () Partnership () Corporation ()

Principal Office Address: _____

Official Representative: _____

B. **EXPERIENCE**

1. List the number of years' experience Proposer has had in the financial advisory service field: _____

2. Provide the following information for three (3) airports which Proposer's organization has conducted financial advisory services (attach separate sheet, if necessary):
 - a) Airport name
 - b) Location
 - c) Dates of service
 - d) A detailed description of services provided
 - e) Contact information (name, phone number) of client.

C. **ADDITIONAL INFORMATION**

Attach any other background information about the qualifications and experience of Proposer's organization or personnel that may be useful to the NHCAA in evaluating your capabilities.

D. **RESOLUTION OF BOARD OF DIRECTORS**

Proposer shall attach hereto a certified copy of a Resolution of the Board of Directors of Proposer stating that it is duly authorized to submit this Proposal and to enter into and execute a Contract for Professional Services, naming the officers of the Proposer who are authorized to negotiate and to execute the Agreement on Proposer's behalf.

E. **ACKNOWLEDGEMENT OF PROPOSAL REQUIRED**

The submittal of this Proposal is a duly authorized, official act of Company and the undersigned officer of Company is duly authorized and designated by Resolution of Company to execute this Proposal on behalf of and as the official act of Company, this _____ day of _____ 201_.

BY: _____
(Signature)

(Print Name)

ATTESTED BY: _____
(Title)

(Signature)

(Print Name)

(Title)

CORPORATE INQUIRY WAIVER

AUTHORITY FOR RELEASE OF INFORMATION

I hereby authorize full disclosure to Wilmington International Airport and New Hanover County Airport Authority all financial information concerning the business, its owner(s) or shareholders, for the purpose of determining qualifications and financial solvency to engage in business at the Wilmington International Airport. This may include, but is not limited to, business claims, financial and credit status, outstanding litigation and any other type of financial information pertinent to the proposed business services, regardless of confidentiality status.

I hereby release Wilmington International Airport and members of the organization from any liability or damage which may result from furnishing the information requested above. I understand that Wilmington International Airport will not reveal to me the nature or contents of any confidential reports received.

Signature

Date

THIS FORM MUST BE NOTARIZED

State of _____

County of _____

I, _____, a Notary Public for said county and state, do hereby certify that _____ personally appeared before me this day and signed the forgoing instrument. Witness my hand and seal, this _____ day of _____, 201__.

Notary Public

My Commission Expires

SECTION VII
EVALUATION AND SELECTION PROCESS

OBJECTIVE

It is the NHCAA's intention to solicit Proposals from potentially qualified Proposers; to evaluate their Proposals; to negotiate terms; and to award a contract with one (1) Proposer who's Proposal is determined to serve in the best interest of the NHCAA.

EVALUATION AND RECOMMENDATION

An evaluation committee, consisting of NHCAA staff and any outside resource chosen by NHCAA will review and evaluate all Proposals received by the submittal date as set forth in this RFP, or as amended by addenda. The NHCAA reserves the right to request additional information and clarification of any information submitted, including any omission from the original Proposal. All Proposals will be treated equally with regard to this item. Based on its technical review, the committee will prepare a tabulation of all firms, indicating the top three (3) scoring firms.

In order to achieve maximum scores, Proposers must demonstrate to the NHCAA's Evaluation Team that they are fully qualified to provide the services required by this RFP. Fully qualified Proposals will have the qualifications (financial resources, expertise and skills) and experience (documented, successful, and relevant) necessary to meet the requirements of the RFP.

The following evaluation criteria have been established in determining which Proposer will best contribute to the overall goals of the NHCAA:

Evaluation Criteria

Experience
Reputation

The NHCAA may schedule interviews as part of its evaluation process. If the Proposer's firm is invited to interview with the Evaluation Committee, the person identified as the primary day-to-day contact on this project should play the lead role in the interview.

SELECTION

The selection and approval of the successful Proposer shall be made by the NHCAA in accordance with its competitive selection process. The Evaluation Committee will evaluate Proposals on the basis of the guidelines set forth in this RFP. The Committee will present its findings to ILM's Airport Director. The Airport Director will present the initial findings and a recommendation to the NHCAA's Board at the March 1, 2017 Board meeting. The Board will then make a final selection on March 1, 2017. Results of the evaluation will not be disclosed prior to the March 1, 2017 Board meeting.

CONTRACT EXECUTION

The NHCAA will transmit to the Proposer copies of the actual Agreement for execution. The Proposer agrees to deliver two (2) duly executed Agreements to NHCAA within seven (7) days from the date of receipt of said notice and Agreements.

Wilmington International Airport

Airport Terminal Area Plan

(excerpts from January 7, 2015 meeting)



Catalysts for the Project

- Building is 25 years old and pre-9/11 design
- TSA factors: updates/improvements needed to “secure/non-secure” side of terminal, baggage screening, people screening, equipment and office space
- Airline industry factors:
 - changes in fleet mix and load factors leading to more passengers at peak hour
 - reliance on technology highlighting need for improvements to self-service ticketing and check-in area
- Community factors: population growth, business growth, aging population
- Changes in FAA design standards: may require reconfiguration of taxiway
- Existing ‘pinch points’ inside terminal during peak hours: passenger holding area, outbound baggage, concourse circulation
- Existing ‘pinch points’ on landside: short-term parking, surface parking at walking limits, rental car ready-lot
- Existing ‘pinch points’ on airside: Larger aircraft causing apron operational issues

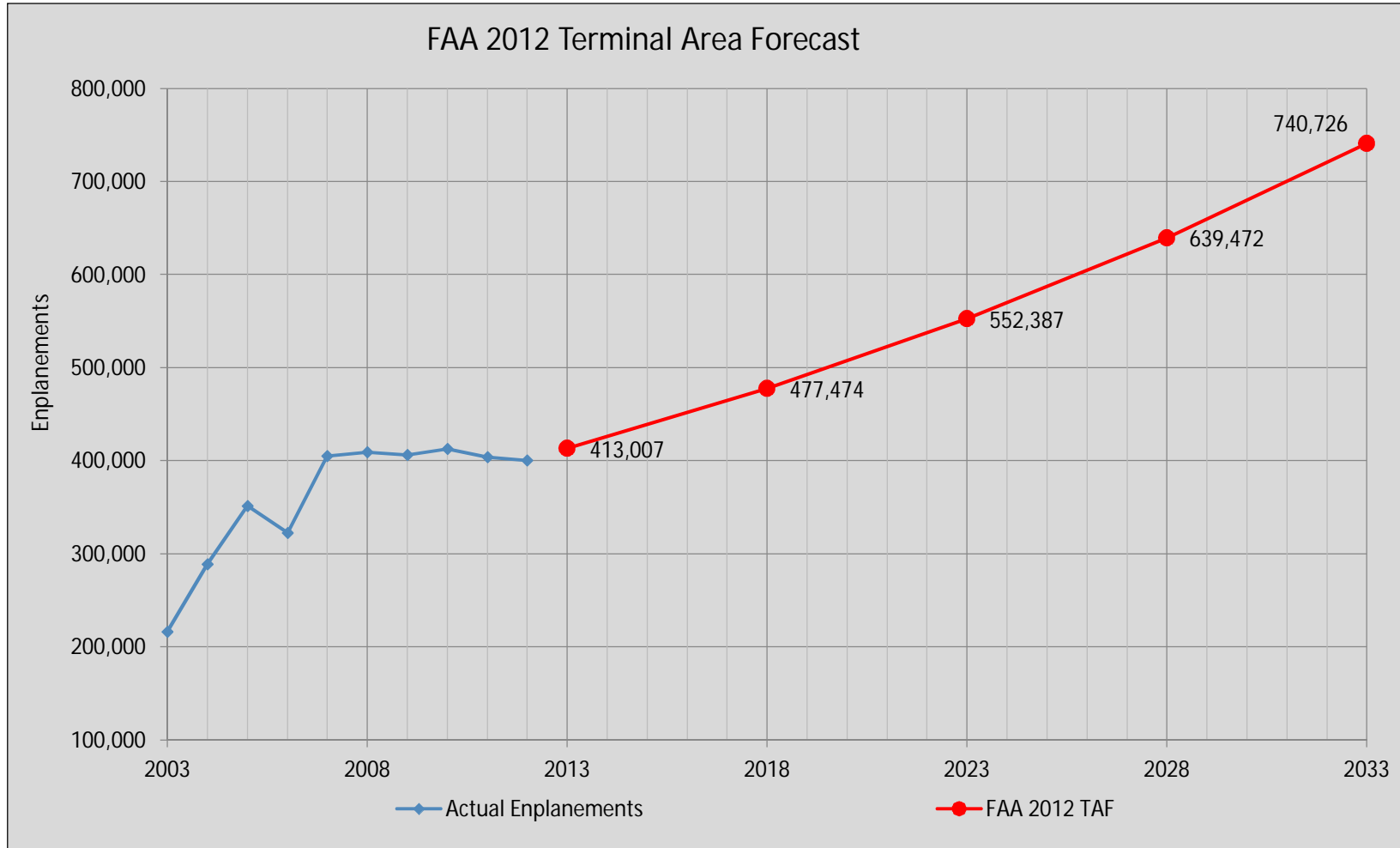


Catalysts for the Project (continued)

- Major equipment in terminal in need of replacement/upgrade
- Building “sustainability” increasingly important: energy efficiency, durability, low cost to operate
- With the addition of new flights and/or airline(s), the passenger holding area will reach/exceed capacity during peak hours
- With the addition of a single new carrier, the existing ticketing counters will be at capacity
- With the addition of a new airline existing gates may need to be shared
- Parking lot capacity for short term parking and rental cars
- Apron capacity



FAA-Approved Forecast for Study



Summary of Approved Forecast

Year	FAA 2012 TAF
2013	413,007
2018	477,474
2023	552,387
2028	639,472
2033	740,726
Increase	85%



Airline Forecast Summary

Airline Peak Period Enplanements

Aviation Demand	2013	2018	2023	2028	2033
Airline Annual Enplanements	400,108	477,474	552,387	639,472	740,726
Airline Peak Hour Enplanements	260	310	360	410	480
Airline Annual Operations	15,182	15,782	17,004	18,316	19,733
Airline Peak Hour Operations	7	9	10	11	12



Existing Terminal

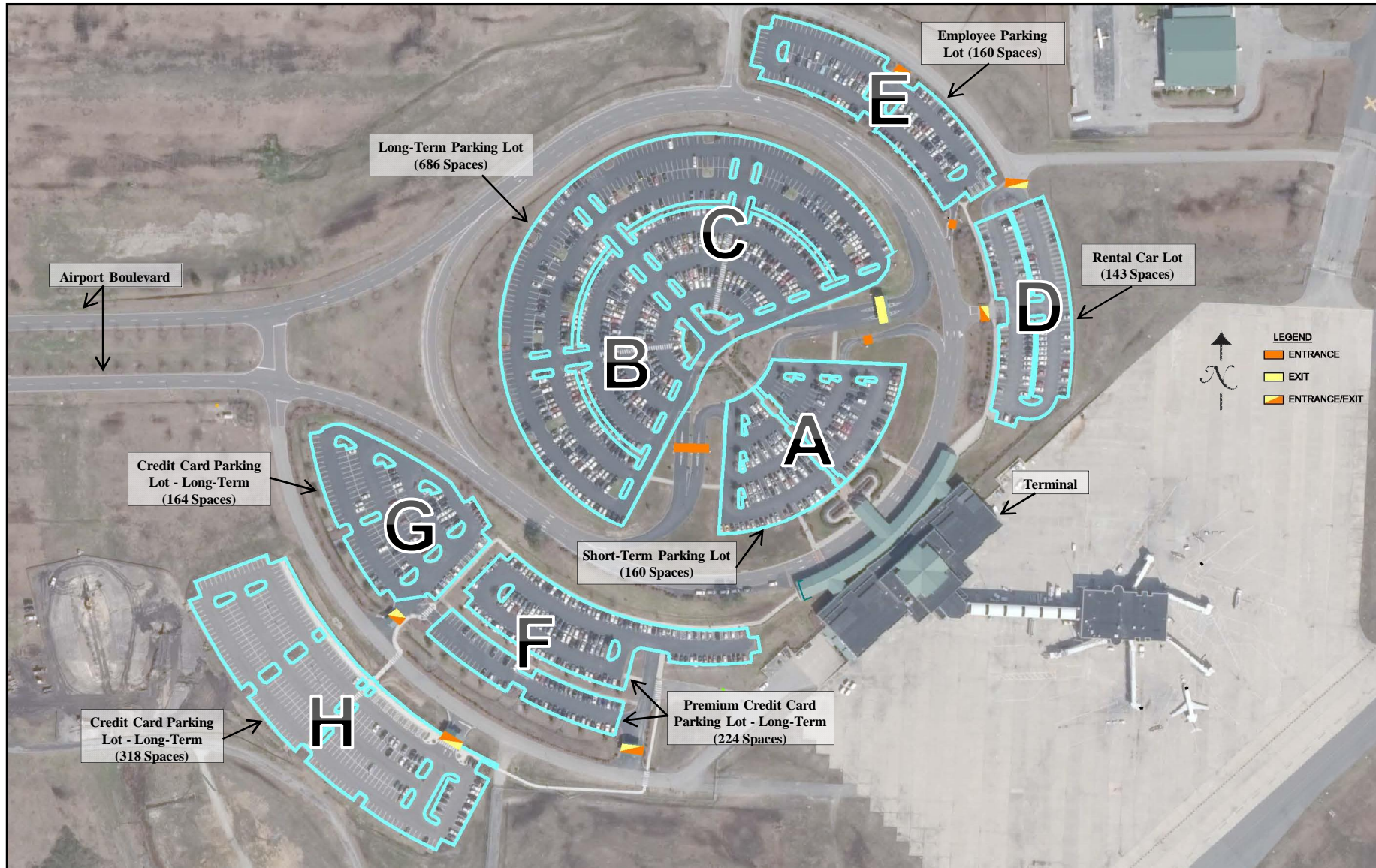


Facility Requirements - Terminal

- Ticket Areas and Airline Offices - Can only accommodate one more carrier with limited service
- Passenger Check-in/Ticketing – Existing queuing and kiosk areas undersized
- Checked Baggage Screening - A third EDS will be needed in near term at 412,000 enplanements
- Security Screening - Per modeling, need for a third lane at 428,000 enplanements
- Passenger Holdroom – Per modeling, immediate need for additional 1,800 sf for podium and queue areas, circulation
- Baggage Claim – Per modeling, need for a third device at 477,000 enplanements
- Concourse Circulation – Per modeling, immediate need for an additional 5,000 sf
- Replacement of Major Building Systems - Within the next five years, likely need to replace: the oldest central chiller plant, two main terminal AHU's, passenger hold room AHU, ramp level office AHU, PA/Intercom system



Existing Terminal Area Parking Lots



Existing Terminal Area Parking Lot Statistics

Terminal Area Parking Lots

Parking Lot Name	Lot Type	Number of Parking Spaces	Area (sf)	Furthest Walking Distance From Lot to Terminal*
A	Short-Term Lot	160	70,500	330'
B/C	Long-Term Lot	686	279,400	840'
D	Rental Car Ready Lot	143	49,000	770'
E	Employee Lot	160	53,200	1,180'
F	Long-Term Premium Credit Card Lot	224	72,100	1,000'
G	Long-Term Credit Card Lot	164	61,500	1,180'
H	Long-Term Credit Card Lot/ TSA Employee Parking	318	112,000	1,580'

** Distance Measured from Furthest Parking Space in Lot to Central Terminal Entrance, Utilizing Sidewalks*

ILM Parking Lot Annual Average Occupancy Rate

Year	Short-Term Parking Lot A	Long-Term Parking Lot B/C	Credit Card Parking Lot F	Credit Card Parking Lot G	Credit Card Parking Lot H	Total
2009	54.11%	74.51%	87.29%	47.10%	--	69.01%
2010	45.89%	80.52%	69.21%	47.56%	--	68.77%
2011	45.38%	73.65%	63.31%	58.30%	--	66.03%
2012	44.27%	75.07%	60.17%	59.54%	2.79%	53.50%
2013	49.48%	78.19%	51.61%	58.33%	4.11%	54.60%

Source: USA Parking System



Facility Requirements - Parking

Passenger Parking

- Currently have an 'excess' of approximately 365 long-term parking spaces and a 'shortage' of approximately 100 short-term parking spaces during peak hour/peak day. This can be managed to some extent by increasing short-term parking lot rates, and/or reconfiguring some long-term parking to short-term parking.
- During peak holidays as enplanements increase, employees may need to park at Customs facility to allow overflow passenger parking in employee lot.
- At approximately 500,000 enplanements, total passenger parking will reach capacity during peak hour/peak day. Parking deck or more surface lots will be needed.
- Start deck no later than 450,000 enplanements

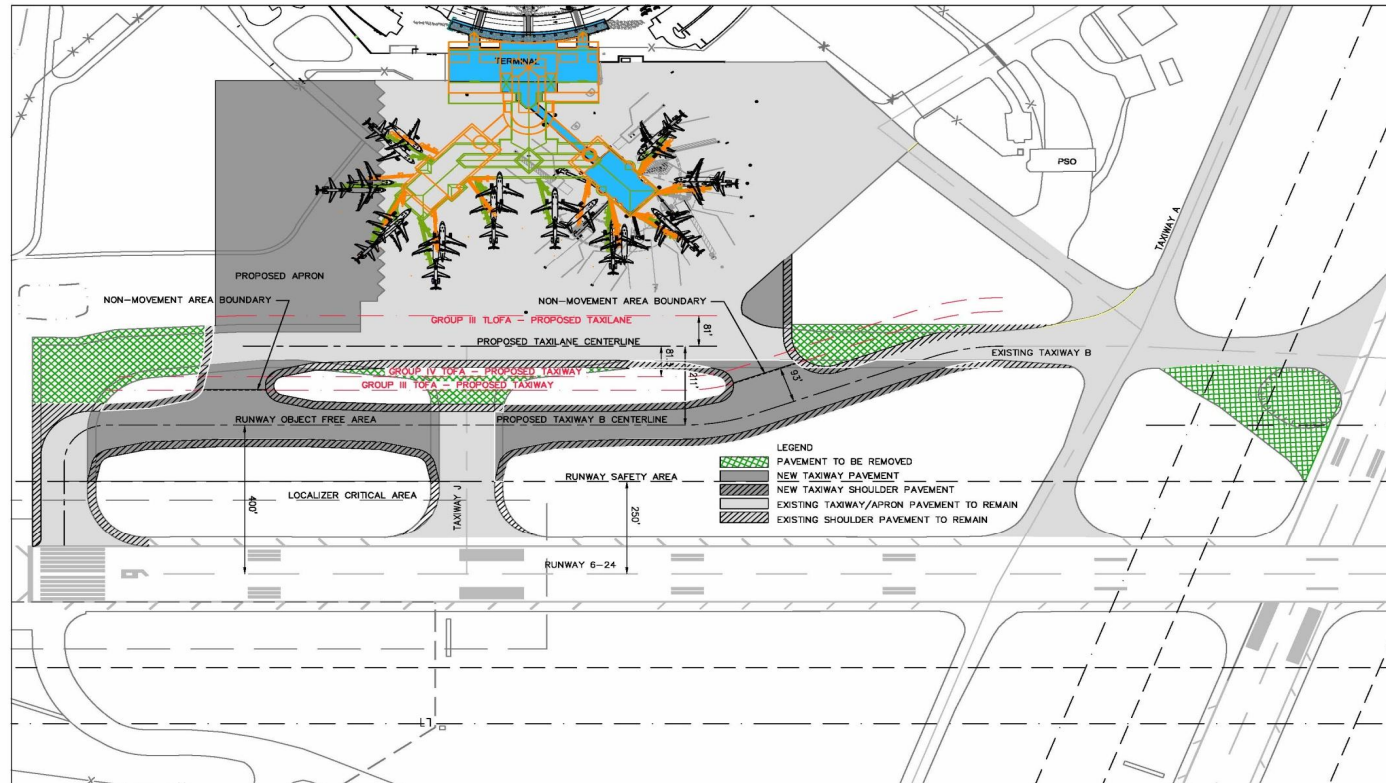
Rental Car Ready Lot

- Current lot is undersized by approximately 10%.
- As enplanements increase, rental car ready lot should increase proportionally.
- One short-term option is for more employees to park in passenger overflow lot H, and re-configure portion of employee parking lot for rental cars.



Facility Requirements - Airside

- Apron expansion will be required as gates are added
- New FAA taxiway design standards may require reconfiguration of taxiway system adjacent to apron



Conclusions

- Existing holdroom, concourse circulation and baggage make-up areas are undersized for current enplanements
- In 2012, ILM was forecast by FAA to increase its passenger enplanements over the next 20 years by 85 percent. As enplanements and peak hour demand increase, terminal building and support facilities will need to expand to meet demand and level of service desired
- Based on FAA's FY2012 forecast, the facility requirements for the next 20 years are expected to increase from the current 102,059 square feet to approximately 190,000 square feet



Completed Project



WILMINGTON
INTERNATIONAL
AIRPORT
MASTER PLAN
NEW HANOVER COUNTY
WILMINGTON, NC

ARCHITECT



THE WILSON GROUP
PO BOX 5510 CH WILLOTTE, NC 28209
(704) 331-9747 • TWGARCHITECTS.COM

ENGINEER

TALBERT & BRIGHT
4815 SHELLEY DRIVE, WILMINGTON, NC 28405
(910) 763-5350 • TALBERTANDBRIGHT.COM

REVISIONS

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-
-
-
-
-
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DATE JUNE 27, 2014

PROJECT NUMBER 9136-000

SHEET TITLE

EXTERIOR
PERSPECTIVE
CONCEPT 2 2033

SHEET NUMBER

A9.31

1

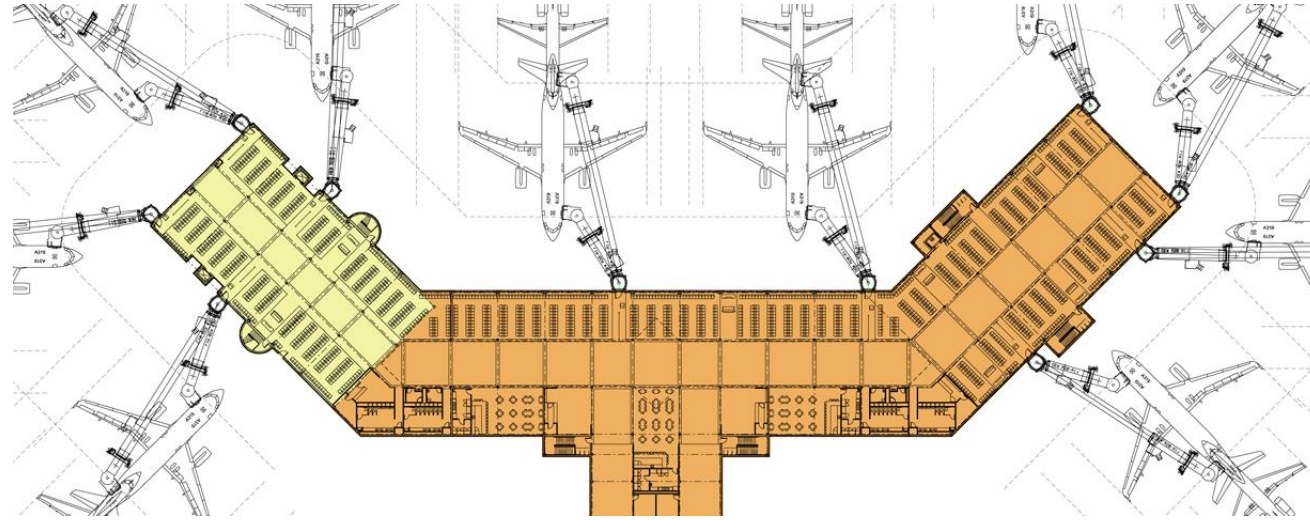
AIRSIDE PERSPECTIVE – CONCEPT 2 2033

Estimated Cost of the Project

- Phase 1, including apron expansion:
 - \$3.6 million – Phase 1 Apron Expansion (FAA eligible)
 - \$21 to \$36.5 million – Terminal Expansion, depending on which elements are included
 - Total Phase I = \$24.6 to \$40.1 million
- Remaining cost, full build-out, for 85% increase in enplanements:
 - \$17.4 to \$33 million – Remaining Terminal Expansion
 - \$3.4 million – Phase 2 Apron Expansion (FAA eligible)
 - \$5.6 million – Taxiway Modifications (FAA eligible)
 - \$20.8 million – Two Parking Decks and Surface Parking
 - Total = \$47.2 to \$62.8 million

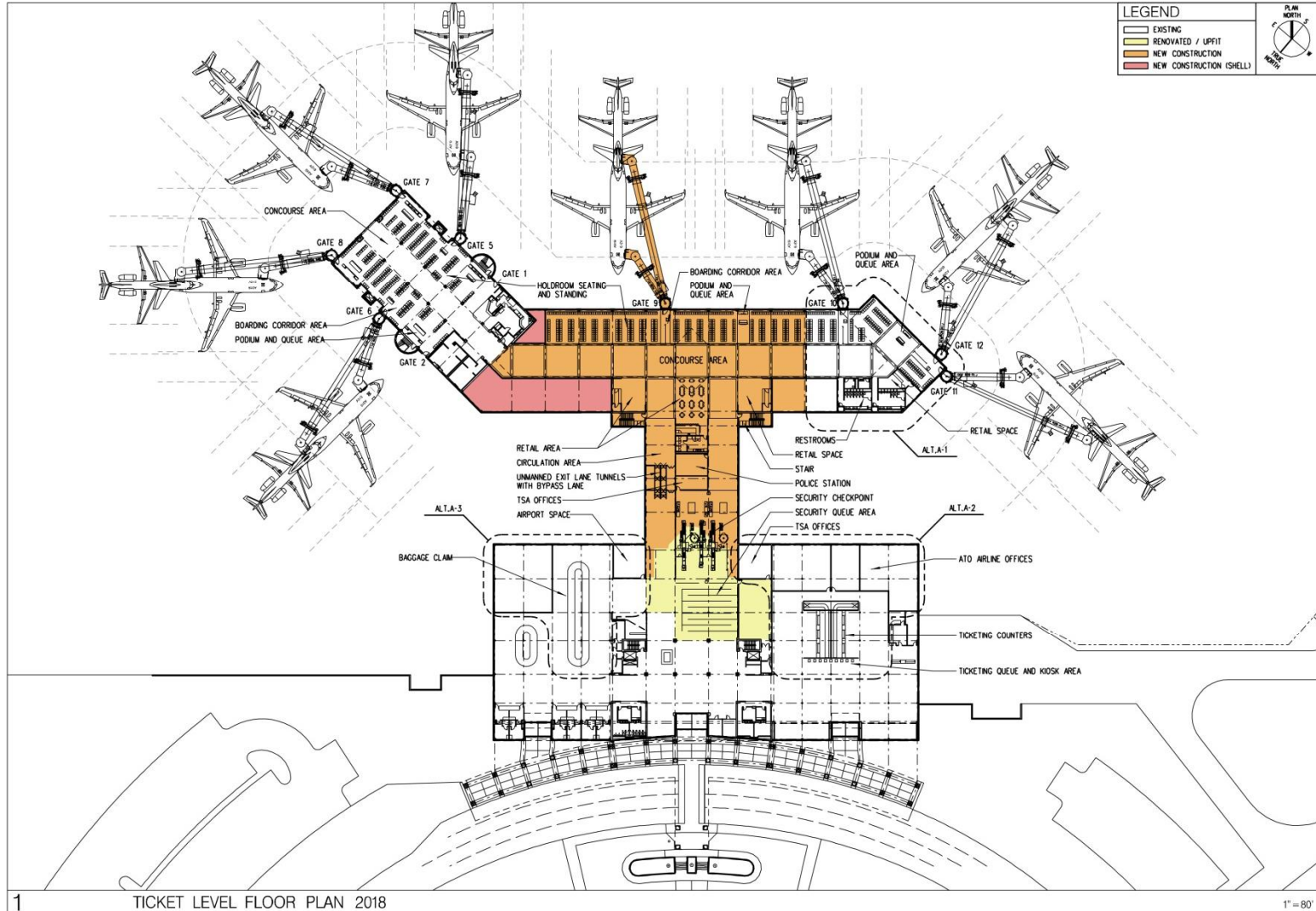


Holdroom and Concourse – Concept



- 8 gates at 2018 and 10 gates at 2033; each able to serve all types of aircraft
- Continuous Holdroom and Concourse
- Existing Connector to be demolished (phase work)
- Existing Holdroom spaces to be renovated at 2023 (new roof)
- Maximum flexibility
- Concessions and amenities adjacent to Holdroom, on secure side
- High level of service

477,500 Enplanements (+20%) - Base



WILMINGTON INTERNATIONAL AIRPORT MASTER PLAN
NEW HANOVER COUNTY
WILMINGTON, NC

ARCHITECT
THE WILSON GROUP
PO BOX 5510 CHARLOTTE, NC 28259
(704) 333-9747 • TWGARCHITECTS.COM

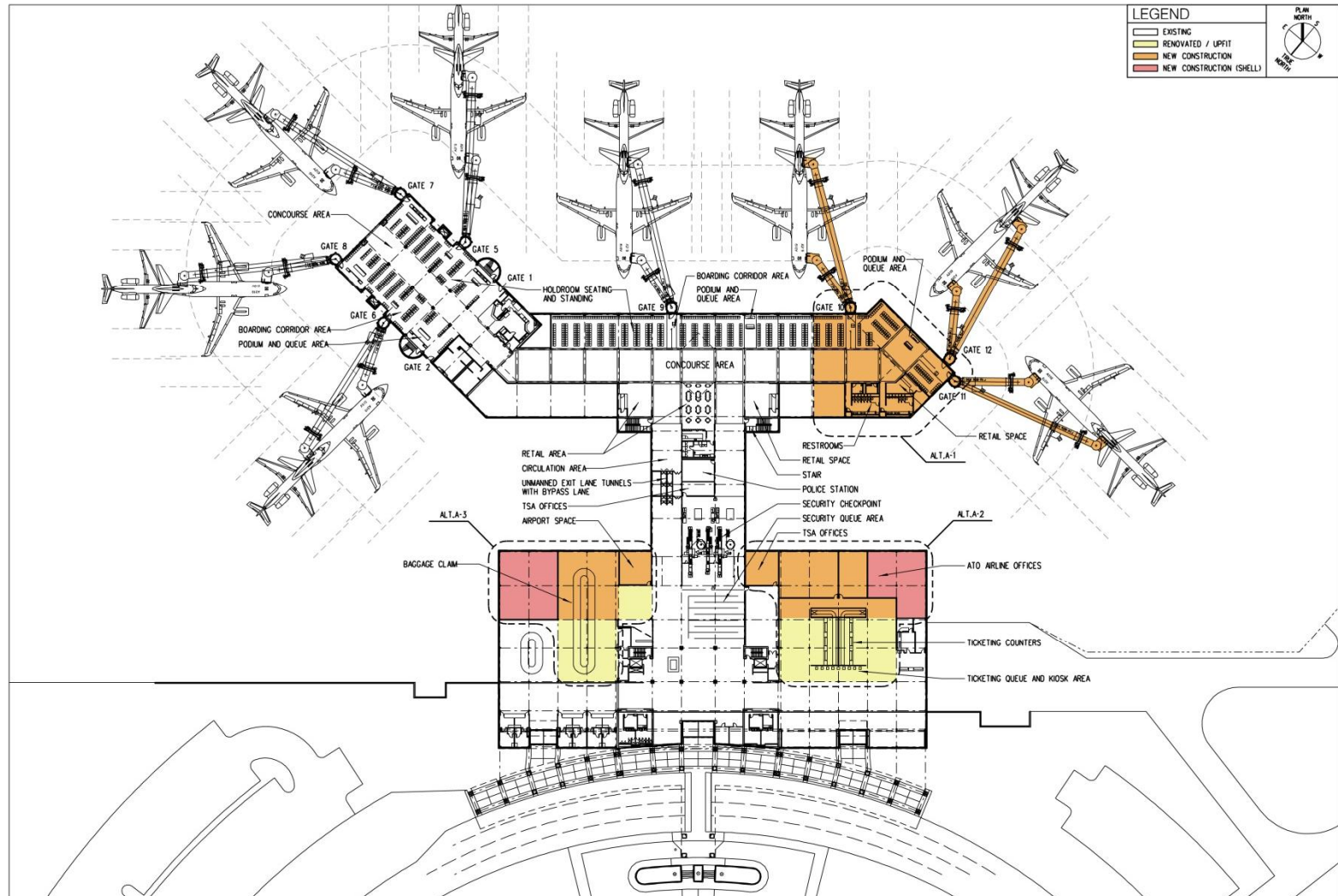
ENGINEER
TALBERT & BRIGHT
4813 SHELLEY DRIVE, WILMINGTON, NC 28405
(910) 763-5350 • TALBERTANDBRIGHT.COM

REVISIONS

DATE: JUNE 27, 2014
PROJECT NUMBER: 9136-000
SHEET TITLE: TICKET LEVEL FLOOR PLAN 477,500 ENPL. 2018
SHEET NUMBER: A2.12

A2.12 BASE BID

477,500 Enplanements (+20%) – Add Alts



LEGEND

- EXISTING
- RENOVATED / UPFIT
- NEW CONSTRUCTION
- NEW CONSTRUCTION (SHELL)

PLAN NORTH

WILMINGTON INTERNATIONAL AIRPORT MASTER PLAN
 NEW HANOVER COUNTY
 WILMINGTON, NC

ARCHITECT
THE WILSON GROUP
 PO BOX 5510 CHARLOTTE, NC 28220
 (704) 333-9747 • THEWILSONGROUP.COM

ENGINEER
TALBERT & BRIGHT
 4813 SHELLEY DRIVE, WILMINGTON, NC 28405
 (910) 763-5356 • TALBERT&BRIGHT.COM

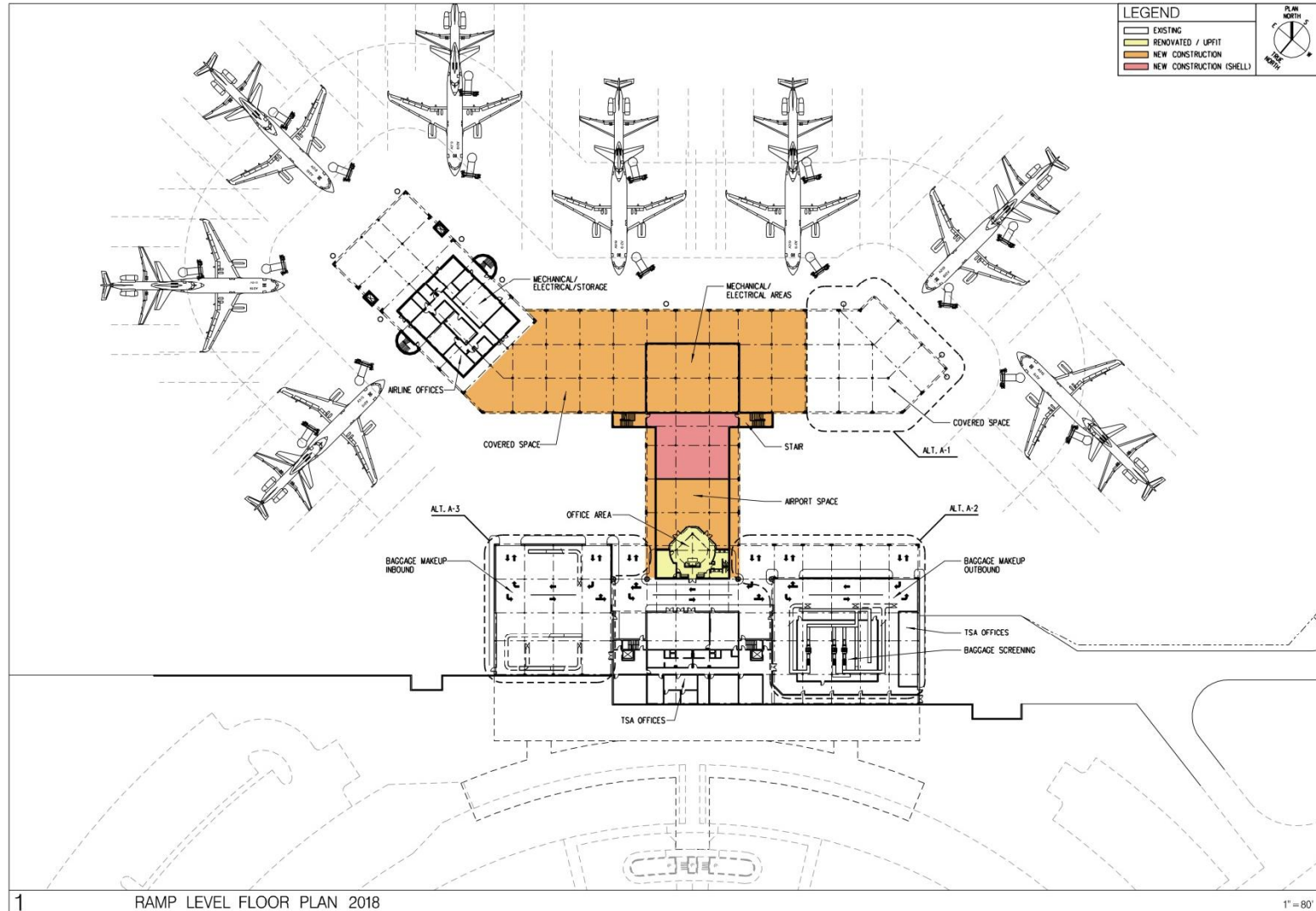
REVISIONS

DATE: JUNE 27, 2014
 PROJECT NUMBER: 9136-000
 SHEET TITLE: TICKET LEVEL FLOOR PLAN 477,500 ENPL. 2018
 SHEET NUMBER: A2.12 WITH ALTS

1 TICKET LEVEL FLOOR PLAN 2018

1" = 80'

477,500 Enplanements (+20%) – Add Alts



WILMINGTON INTERNATIONAL AIRPORT MASTER PLAN
 NEW HANOVER COUNTY
 WILMINGTON, NC

ARCHITECT

THE WILSON GROUP
 PO BOX 5510 CHARLOTTE, NC 28259
 (704) 333-9747 • THEWILSONGROUP.COM

ENGINEER
TALBERT & BRIGHT
 4813 SHELLEY DRIVE, WILMINGTON, NC 28405
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REVISIONS

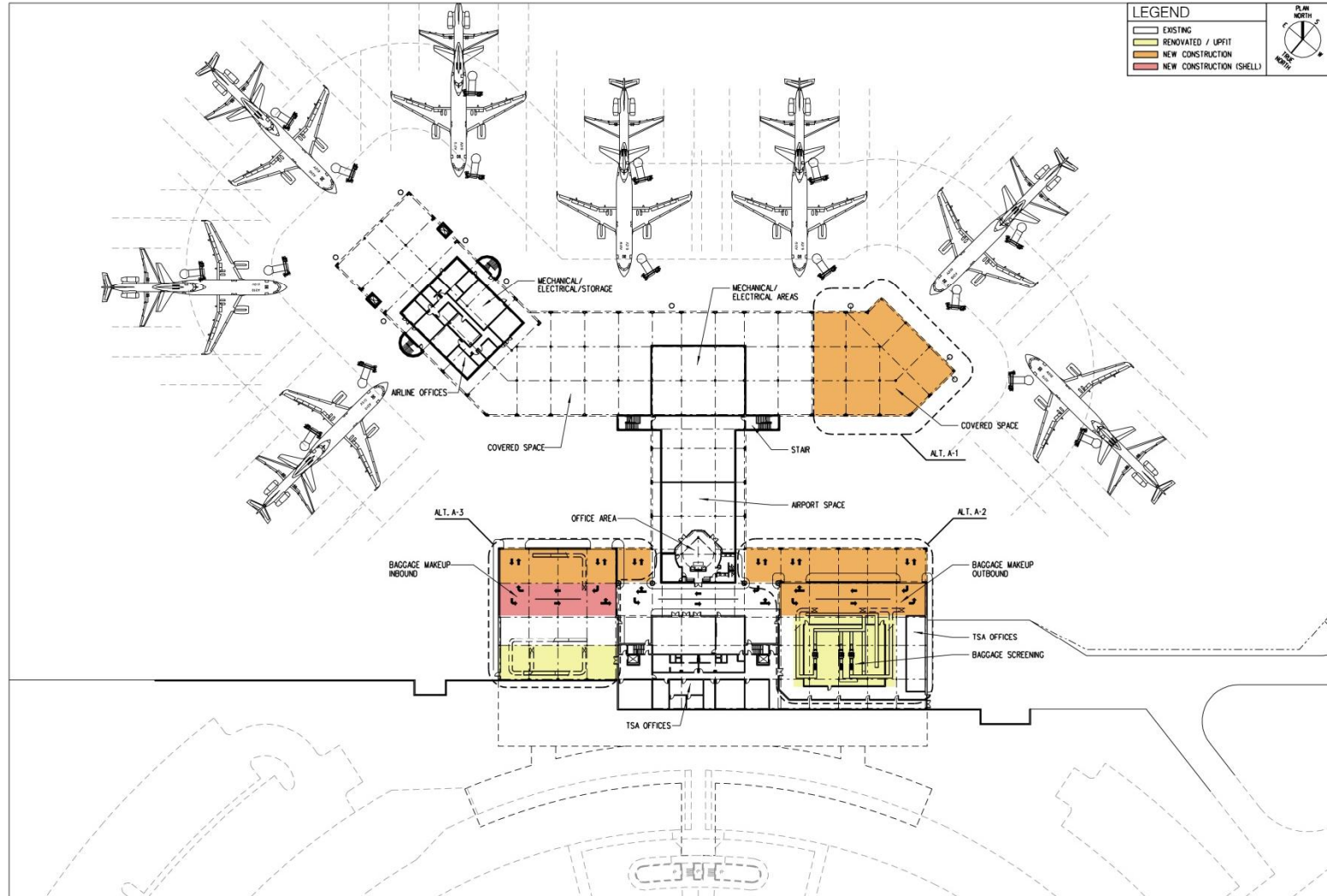
DATE: JUNE 27, 2014
 PROJECT NUMBER: 9136-000
 SHEET TITLE:
RAMP LEVEL FLOOR PLAN
477,500 ENPL.
2018

SHEET NUMBER:
A2.11 BASE BID

1 RAMP LEVEL FLOOR PLAN 2018

1" = 80'

477,500 Enplanements (+20%) – Add Alts



WILMINGTON INTERNATIONAL AIRPORT MASTER PLAN
 NEW HANOVER COUNTY
 WILMINGTON, NC

ARCHITECT

THE WILSON GROUP
 PO BOX 5510 CHARLOTTE, NC 28259
 (704) 331-9747 • TWGARCHITECTS.COM

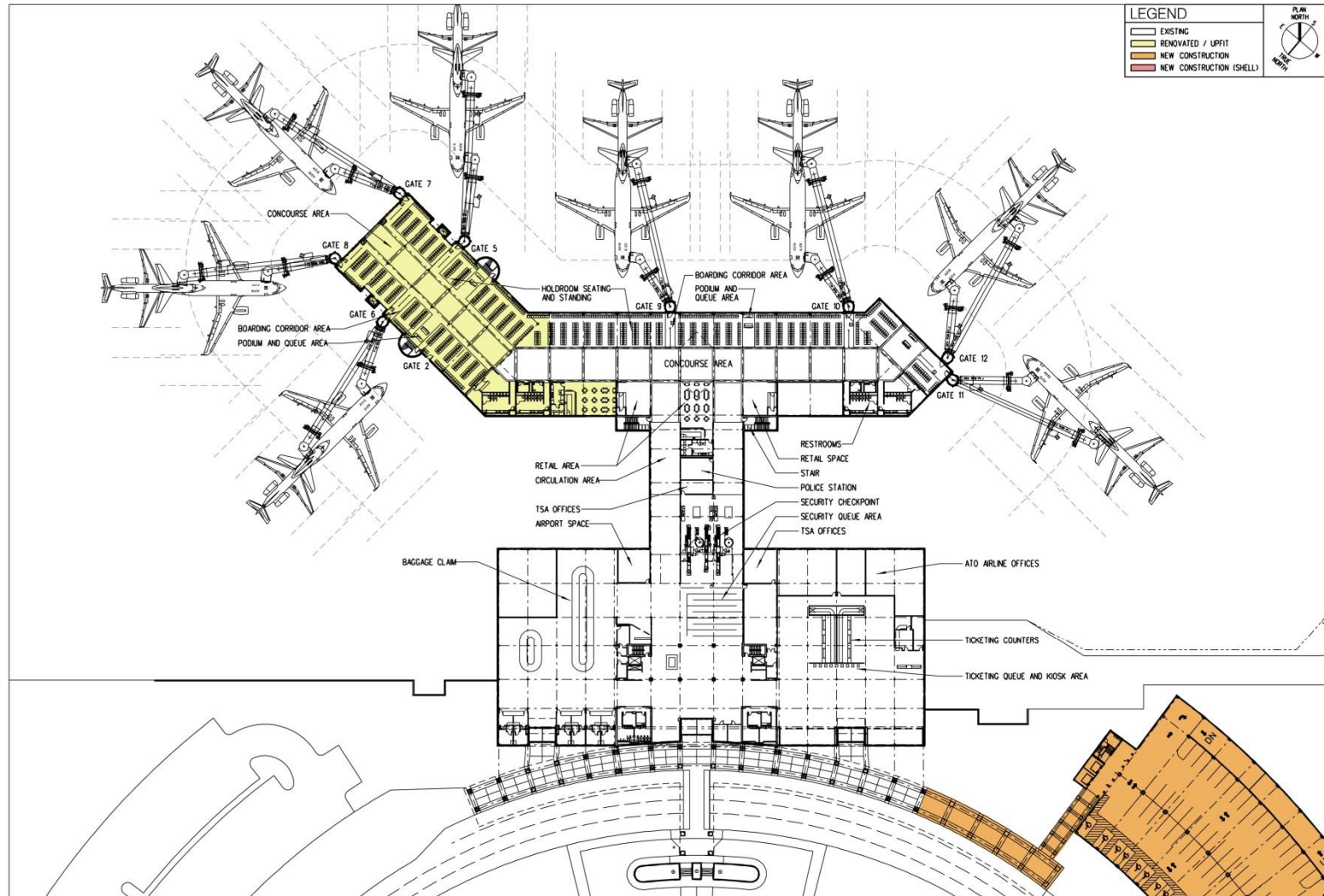
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TALBERT & BRIGHT
 4815 SHELLEY DRIVE, WILMINGTON, NC 28405
 (910) 763-5250 • TALBERTANDBRIGHT.COM

REVISIONS

DATE: JUNE 27, 2014
 PROJECT NUMBER: 9136-000
 SHEET TITLE:
RAMP LEVEL FLOOR PLAN
477,500 ENPL.
2018

SHEET NUMBER
A2.11 WITH ALTS

522,000 Enplanements (+40%)



LEGEND

- EXISTING
- RENOVATED / UPFIT
- NEW CONSTRUCTION
- NEW CONSTRUCTION (SHELL)

PLAN NORTH

WILMINGTON INTERNATIONAL AIRPORT MASTER PLAN
 NEW HANOVER COUNTY
 WILMINGTON, NC

ARCHITECT

THE WILSON GROUP
 PO BOX 5510 CHARLOTTE, NC 28209
 (704) 333-9747 • TWGARCHITECTS.COM

ENGINEER

TALBERT & BRIGHT
 4813 SHELLEY DRIVE, WILMINGTON, NC 28405
 (910) 763-5330 • TALBERT&BRIGHT.COM

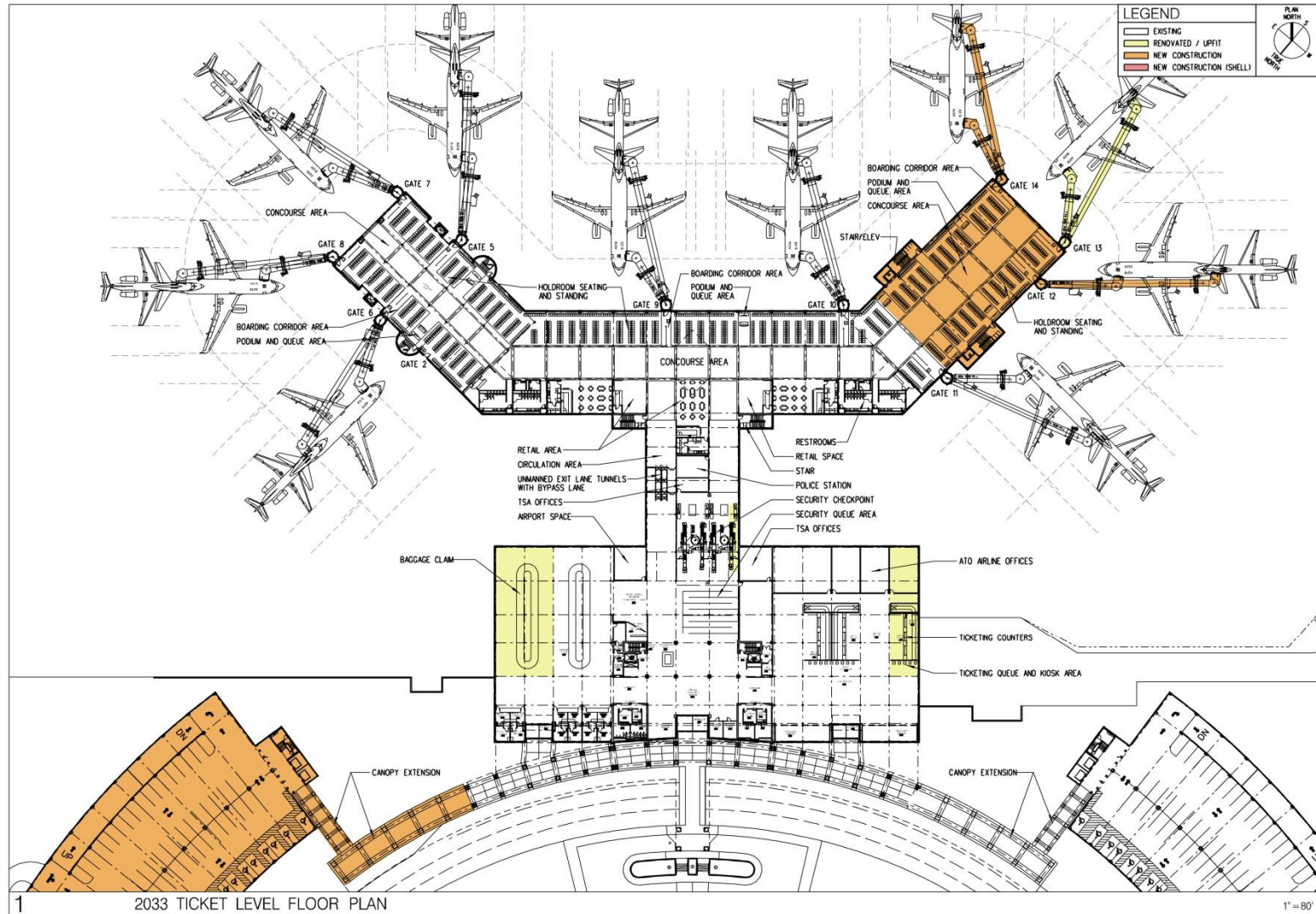
REVISIONS

DATE JUNE 27, 2014
 PROJECT NUMBER 9136-000
 SHEET TITLE
TICKET LEVEL FLOOR PLAN
552,000 ENPL.
2023
 SHEET NUMBER

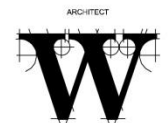
1 TICKET LEVEL FLOOR PLAN 2023

1" = 80' **A2.22**

741,000 Enplanements (+85%)



WILMINGTON INTERNATIONAL AIRPORT MASTER PLAN
 NEW HANOVER COUNTY
 WILMINGTON, NC



THE WILSON GROUP
 PO BOX 5916 CHARLOTTE, NC 28209
 (704) 231-9747 • TWGARCHITECTS.COM

ENGINEER
TALBERT & BRIGHT
 4813 SHELLEY DRIVE, WILMINGTON, NC 28405
 (910) 763-5256 • TALBERT&BRIGHT.COM

REVISIONS

NO.	DATE	DESCRIPTION

DATE: JUNE 27, 2014
 PROJECT NUMBER: 9136-000
 SHEET TITLE:
TICKET LEVEL FLOOR PLAN
741,000 ENPL.
2033

SHEET NUMBER
A2.32

1 2033 TICKET LEVEL FLOOR PLAN

1" = 80'

New Hanover County Airport Authority

A Component Unit of New Hanover County

Financial Statements and Compliance
Year Ended June 30, 2016

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FINANCIAL SECTION



RSM US LLP

Independent Auditor's Report

New Hanover County Airport Authority
Wilmington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of New Hanover County Airport Authority, a component unit of New Hanover County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hanover County Airport Authority as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress on page 32, the Other Postemployment Benefits' Schedule of Funding Progress and Schedule of Employer Contributions on pages 33, and the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 34 and 35, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of New Hanover County Airport Authority. The other supplementary information, and the accompanying schedule of expenditures of federal and state awards and passenger facility charges as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act, and as specified in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and the accompanying schedule of expenditures of federal and state awards and passenger facility charges 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. In our opinion, the other supplementary information and the schedule of expenditures of federal and state awards and passenger facility charges are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of New Hanover County Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 New Hanover County Airport Authority's internal control over financial reporting and compliance.

RSM US LLP

Wilmington, North Carolina
November 28, 2016

New Hanover County Airport Authority

Management's Discussion and Analysis (Unaudited)

As management of the New Hanover County Airport Authority (Authority), we offer readers of our financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the accompanying financial statements, which follow this narrative.

The Authority is responsible for the operation and maintenance of the Wilmington International Airport (ILM) facilities.

Financial Highlights

- Assets exceeded liabilities by \$91,641,461 (net position) at June 30, 2016. Of this amount, \$18,348,599 is unrestricted and available to meet ongoing future obligations of the Authority including its share of capital projects.
- Capital asset expenditures for the year ended June 30, 2016, were \$10,675,339 compared to \$8,360,882 expended in the year ended June 30, 2015, as the Authority is still engaged in ongoing construction projects.
- Net position increased \$5,712,995 during the year ended June 30, 2016, compared to an increase of \$3,879,933 during the year ended June 30, 2015. The unrestricted portion of net position increased \$1,465,975 during the year ended June 30, 2016 compared to an increase of \$3,951,959 during the year ended June 30, 2015. Net position invested in capital assets, which is net of related debt, increased \$3,883,243 during the year ended June 30, 2016, compared to an increase of \$1,452,412 during the year ended June 30, 2015.
- Operating income before depreciation of \$3,098,474 for the current year reflects an increase of \$817,572 from the prior year's operating income before depreciation of \$2,280,902.
- The statement of cash flows, which identifies the sources and uses of cash activity for the fiscal year, indicates cash and cash equivalents increased \$3,301,375 from the prior year.

Overview of the Financial Statements

The financial statements of the Authority consist of five components. They are as follows:

- Independent auditor's report
- Management's discussion and analysis
- Financial statements
- Notes to the financial statements
- Required supplemental financial data

Our financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements. In addition to the financial statements, this report also contains other supplemental information that will enhance the reader's understanding of the financial condition of the Authority.

The statement of net position presents information on the Authority's net position – the difference between total assets plus deferred outflows and total liabilities plus deferred inflows. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

New Hanover County Airport Authority

Management's Discussion and Analysis (Unaudited)

The statement of revenues, expenses and changes in net position reports the operating revenues and expenses and non-operating revenues and expenses of the Authority for the fiscal year with the difference – income or loss before capital contributions – being combined with any capital contributions to determine the change in net position for the fiscal year. That change combined with last year-end net position total reconciles to the net position total at the end of this fiscal year.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

Also, the Authority implemented GASB Statement 68 during the year ended June 30, 2015. Under GASB Statement 68, the Authority is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset/liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Authority's management.

Financial Information

Net position – The following schedule presents a summary of net position at June 30, 2016 and 2015.

	June 30, 2016	June 30, 2015	Increase (Decrease)
Current and other assets	\$ 20,390,690	\$ 19,496,800	\$ 893,890
Restricted assets	3,635,412	3,271,635	363,777
Certificate of deposit	-	247,048	(247,048)
Net pension asset	-	229,705	(229,705)
Capital assets	74,605,497	71,227,097	3,378,400
Total assets	98,631,599	94,472,285	4,159,314
Contributions to pension plan in current fiscal year	183,880	179,600	4,280
Pension deferrals	55,319	48,846	6,473
Total deferred outflows of resources	239,199	228,446	10,753
Current liabilities	2,512,073	3,264,369	(752,296)
Net pension liability	177,902	-	177,902
Long-term debt	4,446,897	4,948,047	(501,150)
Total liabilities	7,136,872	8,212,416	(1,075,544)
Pension deferrals	92,465	559,849	(467,384)
Total deferred inflows of resources	92,465	559,849	(467,384)
Net position:			
Net investment in capital assets	69,657,450	65,774,207	3,883,243
Restricted	3,635,412	3,271,635	363,777
Unrestricted	18,348,599	16,882,624	1,465,975
Total net position	\$ 91,641,461	\$ 85,928,466	\$ 5,712,995

New Hanover County Airport Authority

Management's Discussion and Analysis (Unaudited)

Change in net position – The following schedule presents a summary of the change in net position for the fiscal years ended June 30, 2016 and 2015.

	June 30, 2016	June 30, 2015	Increase (Decrease)
Operating revenues:			
Aviation revenue	\$ 1,383,111	\$ 1,276,244	\$ 106,867
Parking lot	3,865,028	3,306,919	558,109
Rent	2,024,866	1,878,923	145,943
Commissions	1,268,218	1,245,014	23,204
Security	679,325	485,450	193,875
Miscellaneous	296,104	282,919	13,185
Total operating revenues	9,516,652	8,475,469	1,041,183
Operating expenses:			
Salaries and employee benefits	3,701,366	3,464,736	236,630
Contracted services	806,725	760,394	46,331
Utilities	392,326	402,643	(10,317)
Repairs and maintenance	415,800	354,685	61,115
Other operating expenses	1,101,961	1,212,109	(110,148)
Depreciation and amortization	7,298,704	6,879,828	418,876
Total operating expenses	13,716,882	13,074,395	642,487
Operating loss	(4,200,230)	(4,598,926)	398,696
Non-operating revenues (expense):			
Interest revenue	17,214	12,303	4,911
Passenger facility charge	1,613,691	1,547,200	66,491
Contract facility charge	972,564	884,794	87,770
Gain (loss) on disposal of assets	10,000	(2,956)	12,956
Interest expense	(167,764)	(173,980)	6,216
Total non-operating revenues, net	2,445,705	2,267,361	178,344
Loss before capital contributions	(1,754,525)	(2,331,565)	577,040
Capital contributions	7,467,520	6,211,498	1,256,022
Change in net position	\$ 5,712,995	\$ 3,879,933	\$ 1,833,062

New Hanover County Airport Authority

Management's Discussion and Analysis (Unaudited)

Operating revenues for the current year increased 12.3% from the previous year. The increase is due largely to an increase in certain rates and fees that affect revenues that include parking, commissions, and other aviation revenues and also to increased rental income from new tenants.

Non-operating revenues in the current year include contract facility charges from contracts with rental car agencies, effective July 1, 2011, for five years, which contain provisions for contract facility charges that are intended to be used for capital improvements and maintenance of rental car facilities. During July 2016, the Authority amended agreements to extend through June 30, 2018.

Capital Assets – During the fiscal year ended June 30, 2016, the Authority expended \$10,675,339 on capital assets. This included \$8,131,455 for airfield paving, clearing, and other improvements, \$1,956,584 for land purchases, land improvements and building improvements in connection with the business park, and \$587,300 for other capital items. At June 30, 2016, commitments for future capital outlay were approximately \$2,150,000.

Long-Term Debt – The Authority incurred long-term debt in 2008 of \$2,700,000 in order to finance the construction of a new international terminal building. Financing was acquired through an interlocal agreement with New Hanover County. Interest rates are currently ranging from 2.1% to 6.4%, as a result of the County's refunding with Limited Obligation Bonds in 2010.

The Authority incurred additional long-term debt in 2014 of \$4,570,000 in order to finance a new consolidated car rental facility construction project. Financing was acquired through an interlocal agreement with New Hanover County. Interest rates are currently ranging from 1.2% to 4.3%, as a result of the County's refunding with Limited Obligation Bonds in 2014. There were no remaining draws available to the Authority at June 30, 2016.

The aggregate balance of long-term debt at June 30, 2016, is \$4,948,047. The Authority's debt service for the year ended June 30, 2016, was \$504,843 for principal and \$167,764 for interest.

Capital Contributions – Capital contributions increased \$1,256,022 as compared to the prior year. This increase is due primarily to an increase in grant funded capital outlays by the Authority as compared to the prior year.

New Hanover County Airport Authority

Management's Discussion and Analysis (Unaudited)

Economic Factors and Next Year's Budget

Commercial airline traffic was up 6.5% for the year ended June 30, 2016, in comparison to the prior fiscal year. Airlines continue to evaluate routes frequently to determine profitability and yields. Airlines have provided a slight increase in seat capacity and customers have responded positively resulting in high load factors for the Authority. These high load factors along with strong fares are producing high yields for the airlines and seen as very favorable for the Authority. The continued introduction of additional seats into the market by the airlines looks positive for the future. The focus of airlines is to continue routing more passengers through their hubs which works well for the Authority with service to multiple hubs. Long term forecasts show a slow increase in passenger traffic nationwide, where this year it is expected traffic for the Authority to increase by 2%. Revenue streams continue to be strong across all lines of business for the Authority. Parking revenue set a new record and other concession related revenues continue to improve demonstrating more confidence in the economy.

The Contract Facility Charge collections were up this year and the forecast for future rentals looks positive. Passenger Facility Charge collections continue to remain consistent and future projections look strong. Due to strong forecast of collections from these two funding sources, the Authority is positioned well for future funding of capital projects and debt service.

The Authority had a very successful year with leasing existing tenant facilities reflecting the positive turn in the commercial real estate sector. These new and renewed leases have increased the business park revenue and future business park revenue looks favorable. The Authority has completed the construction of a new flex space building which has the potential to increase long-term revenue.

These factors have been incorporated into the 2017 fiscal year budget.

Requests for Information

The financial report is intended to provide an overview of the finances of the New Hanover County Airport Authority for those with an interest in this organization. Questions concerning any information contained in this report may be directed to the Airport Director, 1740 Airport Boulevard, Wilmington, North Carolina, 28405.

New Hanover County Airport Authority

**Statement of Net Position
June 30, 2016**

Assets	
Current assets:	
Cash and cash equivalents	\$ 15,728,965
Certificates of deposit	249,537
Trade accounts receivable, net of allowance of \$50,000	564,331
Capital grants receivable	924,546
Other accounts receivable	224,663
Prepaid expenses	36,148
Total current assets	<u>17,728,190</u>
Restricted assets:	
Cash – passenger facility charges	3,452,782
Other receivable – passenger facility charges	182,630
Cash – contract facility charges	2,662,500
Capital assets not being depreciated	30,837,186
Capital assets being depreciated, net of accumulated depreciation	43,768,311
Total assets	<u>98,631,599</u>
Deferred outflows of resources:	
Contributions to pension plan in current fiscal year	183,880
Pension deferrals	55,319
Total deferred outflows of resources	<u>239,199</u>
Liabilities	
Current liabilities:	
Current portion of long-term debt	501,150
Trade accounts payable	280,492
Construction accounts payable	1,035,823
Accrued expenses and other liabilities	694,608
Total current liabilities	<u>2,512,073</u>
Net pension liability	177,902
Long-term debt	4,446,897
Total liabilities	<u>7,136,872</u>
Deferred inflows of resources:	
Pension deferrals	92,465
Total deferred inflows of resources	<u>92,465</u>
Net position:	
Net investment in capital assets	69,657,450
Restricted	3,635,412
Unrestricted	18,348,599
Total net position	<u>\$ 91,641,461</u>

See notes to financial statements.

New Hanover County Airport Authority

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016**

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Operating revenues:	
Aviation revenue	\$ 1,383,111
Parking lot	3,865,028
Rent	2,024,866
Commissions	1,268,218
Security	679,325
Miscellaneous revenue	296,104
Total operating revenues	<u>9,516,652</u>
Operating expenses:	
Salaries and employee benefits	3,701,366
Contracted services	806,725
Utilities	392,326
Repairs and maintenance	415,800
Other operating expenses	1,101,961
Depreciation and amortization	7,298,704
Total operating expenses	<u>13,716,882</u>
Operating loss	<u>(4,200,230)</u>
Non-operating revenues (expense):	
Interest revenue	17,214
Passenger facility charge revenue	1,613,691
Contract facility charge revenue	972,564
Gain on disposal of capital assets	10,000
Interest expense	(167,764)
Total non-operating revenues (expense)	<u>2,445,705</u>
Loss before capital contributions	<u>(1,754,525)</u>
Capital contributions:	
Federal grants	7,341,352
State grants	126,168
Total capital contributions	<u>7,467,520</u>
Change in net position	5,712,995
Net position:	
Beginning of year	<u>85,928,466</u>
End of year	<u>\$ 91,641,461</u>

See notes to financial statements.

New Hanover County Airport Authority

Statement of Cash Flows Year Ended June 30, 2016

Cash flows from operating activities:	
Cash received from tenants and concessionaires	\$ 8,933,556
Cash payments to suppliers for goods and services	(2,869,463)
Cash payments to employees for services	(3,785,286)
Other miscellaneous revenue	296,104
Net cash provided by operating activities	2,574,911
Cash flows from capital and related financing activities:	
Passenger facility charges	1,701,573
Contract facility charges	972,564
Capital contributions – federal grants	7,797,100
Capital contributions – state grants	181,633
Proceeds from sale of assets	29,105
Principal payments on long-term debt	(504,843)
Interest payments on long-term debt	(167,764)
Acquisition and construction of capital assets	(11,297,629)
Net cash used in capital and related financing activities	(1,288,261)
Cash flows from investing activities:	
Proceeds from certificates of deposit	1,997,511
Interest on investments	17,214
Net cash provided by investing activities	2,014,725
Net change in cash and cash equivalents	3,301,375
Cash and cash equivalents:	
Beginning of year	18,542,872
End of year	\$ 21,844,247
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (4,200,230)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	7,298,704
Bad debt expense	72
Changes in assets, deferred outflows of resources, and liabilities:	
Accounts receivable:	
Trade	(154,873)
Other	(132,191)
Net pension asset	229,705
Deferred outflows of resources - pensions	(10,753)
Net pension liability	177,902
Deferred inflows of resources - pensions	(467,384)
Accounts payable	(132,027)
Accrued expenses and other liabilities	(13,390)
Prepaid expenses	(20,624)
Net cash provided by operating activities	\$ 2,574,911
Noncash investing, capital and financing activities:	
Payables for construction, retainages and land acquisition costs	\$ (603,186)
Capital grants receivable	511,213

See notes to financial statements.

New Hanover County Airport Authority

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting policies of New Hanover County Airport Authority (Authority) conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting entity: New Hanover County Airport Authority is a public body and a body corporate and politic created under the laws of the State of North Carolina. The Authority, which consists of individuals appointed by New Hanover County (County) Board of Commissioners, is responsible for the operation and maintenance of the Wilmington International Airport facilities, which are owned by the County. In September 2014, the Authority was expanded from five to seven members. County management is committed to the continual operation of New Hanover County Airport Authority. For financial reporting purposes, in conformity with generally accepted accounting principles as promulgated by the GASB, the Authority is a component unit of the County and is included as such in the County's comprehensive annual financial report.

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

The Authority accounts for its operations in one proprietary fund, an enterprise fund. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- a) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b) Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grants and interest earnings, result from non-exchange transactions or ancillary activities.

Measurement focus and basis of accounting: The Authority's proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

New Hanover County Airport Authority

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accordance with North Carolina General Statutes, the Authority's fund is maintained during the year using the modified accrual basis of accounting.

Budgetary data: The Authority's budgets are adopted as required by the North Carolina General Statutes and were prepared on the modified accrual basis of accounting, as required by the Budget and Fiscal Control Act. Expenditures may not legally exceed appropriations at the fund level and the Authority board must approve all increases in appropriations. Project budgets are adopted for capital projects. The enterprise fund projects are consolidated with the operating fund for reporting purposes.

Deposits and investments: All deposits of the Authority are made in board-designated official depositories and are secured as required by North Carolina General Statute 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.

North Carolina General Statute 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). The Authority's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

Cash and cash equivalents: For the purpose of reporting cash flows, cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and acquired within three months of their maturity date. Cash equivalents include restricted cash from receipt of passenger facility charge revenue and designated cash from contract facility charges.

Allowance for doubtful accounts: Trade accounts receivable are reported net of an allowance in the amount of \$50,000 for possible uncollectible accounts. The allowance for uncollectible accounts is based on collection history, aviation industry trends, and current information regarding the credit worthiness of the tenants and others doing business with the Authority.

Capital assets: Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

New Hanover County Airport Authority

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-20
Airfield improvements	10
Buildings	25
Building improvements, including parking facilities	5-15
Vehicles	5-20
Machinery and equipment	5-15

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. In addition to liabilities, the statement of net position can sometimes also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Deferred inflows and outflows includes current year pension plan contributions and other pension deferrals.

Compensated absences: Full-time employees accumulate sick leave and personal leave time in varying amounts depending on the length of service and job classification. Part-time permanent employees who work a minimum of 20 hours per week earn personal leave at a pro rata amount of that granted to full-time employees. Personal leave may accumulate to a maximum of 480 hours per employee and is paid to an employee at termination. Accumulated earned personal leave at June 30, 2016, of \$264,424 has been recorded as a liability and included in accrued expenses and other liabilities.

Sick leave accumulation is not limited. Accumulated sick leave at June 30, 2016, amounted to \$452,508. Sick leave does not vest, but any sick leave accumulated at the time of retirement may be used in the determination of the length of service for retirement benefit purposes. Since the Authority has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net position: Net position in proprietary fund financial statements is classified as follows:

Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by balances in long-term debt that were used to fund capital asset acquisitions, and increased by any unspent debt proceeds.

Restricted: This component of net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments (see Note 10) or imposed by law through state statute.

Unrestricted: This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets," above.

New Hanover County Airport Authority

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Authority has designated \$2,531,062 of unrestricted net position for repair and replacement of property and equipment in future years and also designated \$4,000,000 of unrestricted net position as an operational reserve.

Note 2. Cash and Cash Equivalents and Investments

A summary of cash, cash equivalents and investments follows:

On hand	\$ 1,000
Deposits	18,152,170
Certificates of deposit	249,537
Investments in North Carolina Capital Management Trust – Cash Portfolio	3,691,077
Total	<u>\$ 22,093,784</u>

Deposits: All of the Authority's deposits are either insured or collateralized under the Pooling Method. 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 agent in the Authority's name. 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 amount of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization, and 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Authority relies on the State Treasurer to monitor those financial institutions. As a formal policy, the Authority maintains a list of authorized financial institutions and complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the Authority's deposits, including certificates of deposit, had a carrying amount of \$18,401,707 and a bank balance of \$18,418,684. Of the bank balance, \$499,537 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

Investments: Amounts invested with the North Carolina Capital Management Trust – Cash Portfolio reflect both the reported value and the amortized cost, which approximates fair value. There were no realized or unrealized gains or losses on the Authority's investments during the year ended June 30, 2016.

Interest rate risk: To reduce interest rate risk, the Authority's policy is to continuously invest a portion of the portfolio in readily available funds such as a mutual fund for local government investment certified by the Local Government Commission pursuant to G.S. 159-30, currently The North Carolina Capital Management Trust – Cash Portfolio.

New Hanover County Airport Authority

Notes to Financial Statements

Note 2. Cash and Cash Equivalents and Investments (Continued)

Credit risk: To reduce credit risk, the Authority's policy is to limit investments to the provisions of G.S. 159-30, and restrict the purchase of securities to the highest possible ratings whenever particular types of securities are rated. Currently, the Authority's only investments are in the North Carolina Capital Management Trust – Cash Portfolio, which carried a rating of AAAM by Standard and Poor's as of June 30, 2016.

Custodial credit risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's formal policy indicates that the Authority shall utilize a third party custodial agent which shall be a trust department authorized to do trust work in North Carolina who has an account with the Federal Reserve.

Note 3. Capital Assets

New Hanover County holds title to certain properties which are reflected as capital assets in the financial statements of the Authority. Under a lease agreement amended in 2015, the County leases the facilities to the Authority for \$1 per year through 2049. The lease gives the Authority full use of the facilities and contains certain restrictions including requiring that the facility be used as an airport, and that the Authority carry insurance, maintain the facilities, notify the County prior to disposing of certain assets, and certain other restrictions. At June 30, 2016, the Authority was in compliance with the terms of the lease.

New Hanover County Airport Authority

Notes to Financial Statements

Note 3. Capital Assets (Continued)

Capital asset activity for the Authority for the year ended June 30, 2016, follows:

	Balance June 30, 2015	Additions	Transfers and Disposals	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 14,967,937	\$ 335,371	\$ (100,749)	\$ 15,202,559
Easements	888,167	-	-	888,167
Construction in progress	5,794,075	9,600,390	(648,005)	14,746,460
Total capital assets not being depreciated	<u>21,650,179</u>	<u>9,935,761</u>	<u>(748,754)</u>	<u>30,837,186</u>
Capital assets being depreciated:				
Land improvements	1,780,805	9,000	-	1,789,805
Airfield improvements	83,458,658	498,149	-	83,956,807
Buildings and improvements	48,604,946	148,616	100,749	48,854,311
Vehicles	1,612,537	-	-	1,612,537
Machinery and equipment	4,364,966	731,817	(37,510)	5,059,273
Total capital assets being depreciated	<u>139,821,912</u>	<u>1,387,582</u>	<u>63,239</u>	<u>141,272,733</u>
Less accumulated depreciation for:				
Land improvements	148,970	87,197	-	236,167
Airfield improvements	50,106,996	5,262,661	-	55,369,657
Buildings and improvements	36,222,845	1,658,364	-	37,881,209
Vehicles	879,536	79,760	-	959,296
Machinery and equipment	2,886,647	208,956	(37,510)	3,058,093
Total accumulated depreciation	<u>90,244,994</u>	<u>\$ 7,296,938</u>	<u>\$ (37,510)</u>	<u>97,504,422</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>49,576,918</u>			<u>43,768,311</u>
Capital assets, net	<u>\$ 71,227,097</u>			<u>\$ 74,605,497</u>

New Hanover County Airport Authority

Notes to Financial Statements

Note 4. Retirement Plans

North Carolina Local Governmental Employees' Retirement System

Plan description: The Authority is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consist of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Authority's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.76% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Authority were \$183,880 for the year ended June 30, 2016.

New Hanover County Airport Authority

Notes to Financial Statements

Note 4. Retirement Plans (Continued)

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2016, the Authority reported a liability of \$177,902 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015, utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Authority's proportion was 0.040%, which was an increase of 0.001% from its proportion measured as of June 30, 2014, and used by the Authority to report a proportionate share of a net pension asset at June 30, 2015.

For the year ended June 30, 2016, the Authority recognized pension expense of \$113,350. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 41,817
Net difference between projected and actual earnings on pension plan investments	-	50,648
Changes in proportion and differences between Authority contributions and proportionate share of contributions	55,319	-
Authority contributions subsequent to measurement date	183,880	-
Total	<u>\$ 239,199</u>	<u>\$ 92,465</u>

The \$183,880 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2017	\$ (41,873)
2018	(41,873)
2019	(41,931)
2020	88,530
2021	-
Thereafter	-

New Hanover County Airport Authority

Notes to Financial Statements

Note 4. Retirement Plans (Continued)

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	4.25% to 8.55%, including inflation and productivity factor
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

New Hanover County Airport Authority

Notes to Financial Statements

Note 4. Retirement Plans (Continued)

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net pension liability (asset)	\$ 1,240,535	\$ 177,902	\$ (717,343)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR for the state of North Carolina.

Law Enforcement Officers Special Separation Allowance

Plan description: The Authority administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Authority's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Authority are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	10
Total	10

A separate report was not issued for the plan.

New Hanover County Airport Authority

Notes to Financial Statements

Note 4. Retirement Plans (Continued)

Summary of Significant Accounting Policies

Basis of accounting: The Authority has chosen to fund the Separation Allowance on a pay as you go basis. Pension expense is recorded in these statements on the accrual basis. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator and plan members

Method used to value investments: No funds are set aside to pay benefits and administration costs. These expenses are paid as they come due.

Contributions: The Authority is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis. The Authority paid no benefits for the fiscal year ended June 30, 2016, as there were no eligible retirees. The Authority's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. There were no contributions made by employees.

The annual required contribution for the fiscal year ended June 30, 2016, was determined as part of the December 31, 2014, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2014, was 16 years.

Annual pension cost and net pension obligation: The Authority's annual pension cost and net pension obligation to the Separation Allowance for the fiscal year ended June 30, 2016, were as follows:

Annual required contribution	\$ 17,173
Interest on net pension obligation	2,684
Adjustment to annual required contribution	<u>(4,717)</u>
Annual pension cost	15,140
Contributions made	<u>-</u>
Increase in pension obligation	15,140
Net pension obligation at July 1, 2015	<u>53,682</u>
Net pension obligation at June 30, 2016	<u><u>\$ 68,822</u></u>

New Hanover County Airport Authority

Notes to Financial Statements

Note 4. Retirement Plans (Continued)

Three-year trend information:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-2014	\$ 10,226	0.00%	\$ 40,823
6-30-2015	12,859	0.00	53,682
6-30-2016	15,140	0.00	68,822

The net pension obligation of \$68,822 at June 30, 2016, is included in accrued expenses and other liabilities on the statement of net position.

Funded status and funding progress: As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$111,591. The covered payroll (annual payroll of active employees covered by the plan) was \$567,747, and the ratio of the UAAL to the covered payroll was 19.7%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description: The Authority contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Authority. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the CAFR for the state of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy: Article 12E of G.S. Chapter 143 requires the Authority to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016, were \$44,744, which consisted of \$26,977 from the Authority and \$17,267 from the law enforcement officers.

The Authority is only required to make contributions on behalf of the officers. The Authority has elected to contribute on behalf of employees not engaged in law enforcement at the same rate as for law enforcement officers. Authority contributions on behalf of employees not engaged in law enforcement were \$107,928 for the year ended June 30, 2016. The plan provides for voluntary contributions on the part of all employees. Voluntary contributions by employees not engaged in law enforcement were \$217,986 for the year ended June 30, 2016.

New Hanover County Airport Authority

Notes to Financial Statements

Note 4. Retirement Plans (Continued)

Deferred compensation plan: The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

Note 5. Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan description: Under the terms of an Authority resolution, the Authority administers a single-employer defined benefit healthcare plan. The plan provides healthcare benefits to retirees of the Authority who have not yet reached their 65th birthday and who participate in the North Carolina Local Governmental Employees' Retirement System (System). If the retiree's age and service equal 70 years with 10 years of creditable service, the Authority will pay 100% of the premium not to exceed \$300 per month, and with five years of creditable service, the Authority pays 50% of the premium not to exceed \$150 per month. The Authority may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the healthcare benefits plan consisted of the following at June 30, 2013, the date of the latest actuarial valuation:

Retirees receiving benefits	4
Active plan members	46
	<hr/>
	50
	<hr/>

Funding policy: By Authority resolution, the Authority pays the aforementioned health insurance benefits to qualified retirees. Postemployment expenses are recorded in these statements on the accrual basis. No funds are set aside to pay benefits and administration costs. These expenses are paid as they come due. For four eligible retirees in 2016, the Authority's total contributions were \$7,800.

Annual OPEB cost and net OPEB obligation: The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

New Hanover County Airport Authority

Notes to Financial Statements

Note 5. Other Postemployment Benefits (OPEB) (Continued)

The following table shows the components of the Authority's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 16,949
Interest on net OPEB obligation	1,925
Adjustment to annual required contribution	<u>(2,783)</u>
Annual OPEB cost (expense)	16,091
Contributions made	<u>(7,800)</u>
Increase in OPEB obligation	8,291
Net OPEB obligation at July 1, 2015	<u>48,130</u>
Net OPEB obligation at June 30, 2016	<u><u>\$ 56,421</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6-30-2014	\$ 16,307	66.23%	\$ 41,521
6-30-2015	16,209	59.23	48,130
6-30-2016	16,091	48.47	56,421

The net OPEB obligation of \$56,421 at June 30, 2016, is included in accrued expenses and other liabilities on the statement of net position.

Funded status and funding progress: As of June 30, 2013, the most recent actuarial valuation date, the actuarial liability for benefits was \$208,279, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,480,213, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.4%.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

New Hanover County Airport Authority

Notes to Financial Statements

Note 5. Other Postemployment Benefits (OPEB) (Continued)

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of all benefit costs being borne by the employer. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees: Based on the historical retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Turnover: Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health insurance premiums: 2013 monthly healthcare benefits of \$300 and \$150, respectively, as described in the plan description, were used as the basis for calculation of the present value of total benefits to be paid.

As the plan benefits are for the employee and all qualifying employees are anticipated to participate in the plan, assumptions for *marital status* and *mortality* were not included in the basis for calculations. The assumptions for *inflation rate* and *payroll growth rate* were also not included in the basis for calculations, as the plan pays a defined benefit.

Based on the historical and expected returns of the Authority's short-term investment portfolio, a discount rate of 4.0% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2013, was 30 years.

Note 6. Other Employment Benefits

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

New Hanover County Airport Authority

Notes to Financial Statements

Note 7. Long-Term Debt

The Authority incurred long-term debt in 2008 of \$2,700,000 in order to finance a new international terminal building construction project. Financing was acquired through an interlocal agreement with New Hanover County. Under the agreement, New Hanover County incurred debt on behalf of the Authority, and the Authority agreed to repay all expenses attributable to the debt, including principal, interest and issuance costs. Interest rates are currently ranging from 2.1% to 6.4%, as a result of the County's bond refunding with Limited Obligation Bonds in 2010.

The Authority incurred long-term debt in 2014 of \$4,570,000 in order to finance a new consolidated car rental facility construction project. Financing was acquired through an interlocal agreement with New Hanover County. Under the agreement, New Hanover County incurred debt on behalf of the Authority, and the Authority agreed to repay all expenses attributable to the debt, including principal, interest and issuance costs. Interest rates range from 1.2% to 4.3%, as a result of the County's bond refunding with Limited Obligation Bonds in 2014.

The following is a summary of changes in the Authority's long-term debt obligations, as detailed above, all due to New Hanover County, for the fiscal year ended June 30, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Principal:					
\$2,700,000 issue	\$ 1,182,890	\$ -	\$ (199,843)	\$ 983,047	\$ 196,150
\$4,570,000 issue	4,270,000	-	(305,000)	3,965,000	305,000
	<u>\$ 5,452,890</u>	<u>\$ -</u>	<u>\$ (504,843)</u>	<u>\$ 4,948,047</u>	<u>\$ 501,150</u>

Debt service requirements are as follows:

Years ending June 30:	Principal	Interest	Total
2017	\$ 501,150	\$ 164,301	\$ 665,451
2018	498,702	152,537	651,239
2019	495,694	138,908	634,602
2020	506,153	123,670	629,823
2021	506,348	107,368	613,716
2022-2026	1,525,000	357,216	1,882,216
2027-2029	915,000	76,659	991,659
	<u>\$ 4,948,047</u>	<u>\$ 1,120,659</u>	<u>\$ 6,068,706</u>

Note 8. Major Customers

The Authority's operating revenues consist of rents, commissions and charges for the use of airport property and fees for use of the parking lots. In addition, certain customers also pay contract facility charges, a non-operating revenue.

New Hanover County Airport Authority

Notes to Financial Statements

Note 8. Major Customers (Continued)

Transactions with three customers accounted for the following revenues, percentages of operating revenues, inclusive of contract facility charges and exclusive of parking lot revenues, and related trade accounts receivable balances as of and for the year ended June 30, 2016:

Customer	Revenues	Percentage of Revenues	Accounts Receivable
A	\$ 2,061,039	31%	\$ 280,710
B	1,192,927	18%	177,356
C	664,032	10%	1,953
	<u>\$ 3,917,998</u>		<u>\$ 460,019</u>

Note 9. Contingencies

Federal and state financial assistance: Under the terms of Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Authority management believes disallowances, if any, will not be significant. No provision has been made in the accompanying financial statements for the refund of grant monies.

Also, under the terms of Federal and State assistance programs, fixed assets acquired partially or entirely with Federal or State funds have asset disposition restrictions which provide for the disposition of assets or proceeds from the approved sales in accordance with Federal or State regulations.

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. During 2015, the Authority ceased participating in the NCACC pools and obtained commercial coverage for these risks of loss. Through commercial coverage, the Authority obtained property coverage equal to replacement cost values of owned property subject to a limit of \$57.5 million for any one occurrence, auto liability coverage of \$1 million per occurrence, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value or cost of repair, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits; and health and dental insurance for Authority employees. The Authority carries commercial coverage for all other risks of loss, including airport liability coverage of \$75 million per occurrence. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

The Authority carries earth movement/flood insurance through AmWINS Brokerage of Florida Inc. subject to a limit of \$10 million for any one occurrence.

The Finance Director is bonded for \$250,000. All remaining employees that have access to funds are bonded through the aforementioned crime package.

Litigation: The Authority may be subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the Authority's financial position.

New Hanover County Airport Authority

Notes to Financial Statements

Note 10. Passenger Facility Charges

The Federal Aviation Administration (FAA), under applicable regulations, can approve the collection and use of passenger facility charges (PFC). Air carriers are responsible for the collection of the PFC and are required to submit to the Authority the revenue collected by the last day of each month following the month in which the PFC was recorded in the carrier's accounting system. The Authority may use the PFC revenue only for FAA-approved airport improvement projects, including debt service on indebtedness incurred to carry out such projects, and deposits the PFC revenues in a restricted bank account until disbursed in payment of eligible costs of these capital projects.

Effective June 1, 1998, the Authority was approved by the FAA to impose a passenger facility charge of \$3 per enplaning passenger. Total approved PFC revenue to be collected was \$8,179,319. The Authority received approval to amend the 1998 PFC application increasing the passenger facility charge to \$4.50 per enplaning passenger and reducing the approved total to be collected to \$7,984,994. The Authority has received approval to impose a passenger facility charge of \$4.50 per enplaning passenger, effective April 1, 2007, for an amended amount of \$9,668,699.

The April 1, 2007, charge effective date was based upon the estimated charge expiration date for the 1998 PFC application. In addition, the Authority has received approval to impose a passenger facility charge of \$4.50 per enplaning passenger, effective November 1, 2014, for an amended amount of \$6,028,314. The November 1, 2014, charge effective date was based upon the estimated charge expiration date for the original 2003 PFC application and may change such that the Authority will continue to collect the authorized PFC revenue without a cessation in collections. During 2015, the authority received approval to impose a passenger facility charge of \$4.50 per enplaning passenger, with an effective charge date of October 1, 2019, for an amount of \$7,947,596. The effective charge date is based upon estimated charge expiration date of the November 1, 2014, amendment.

During 2016, PFC funds were disbursed for FAA-approved land acquisition, debt service related to the terminal renovations, security vehicle, and various terminal projects.

The Authority also records a restriction of net position in an amount equal to the balance in the restricted bank account plus any PFC receivables at year-end. PFC revenue for 2016 is summarized as follows:

PFC earned	\$ 1,613,394
Interest earned on restricted bank account	<u>297</u>
	<u>\$ 1,613,691</u>

New Hanover County Airport Authority

Notes to Financial Statements

Note 11. Operating Leases

The Authority has subleased certain portions of the facility to several different tenants that expire at various times. Some contain provisions for rent increases based on a formula which includes a government inflation index or payment of commissions based on sales.

Minimum payments to be received under these subleases are as follows for the years ending June 30:

2017	\$ 1,889,712
2018	1,828,398
2019	1,095,389
2020	1,096,499
2021	1,003,363
2022-2026	4,613,499
2027-2031	5,092,543
2032-2036	4,071,764
2037-2041	3,903,419
2042-2046	4,061,600
	<u>\$ 28,656,186</u>

Approximately \$4.3 million of the above minimum payments to be received are from one tenant, subject to a 40-year lease, beginning in 2005, approximately \$14.4 million from a tenant, subject to a 40-year lease, beginning in 2006, and approximately \$5.6 million from a tenant, subject to a 20-year lease, beginning in January 2013.

Note 12. Contract Facility Charges

Contracts with rental car agencies, effective July 1, 2011, for five years, contain provisions for contract facility charges that are intended to be used for capital improvements, maintenance of rental car facilities, and debt service for construction of rental car facilities. During July 2016, the Authority amended agreements to extend through June 30, 2018.

Note 13. Security Revenue

Security revenue includes \$114,330 in reimbursements of certain operating expenses under an agreement with the Department of Homeland Security, through the Transportation Security Administration. The agreement expires in April of 2026.

Note 14. Commitments

Management agreement: Pursuant to a management agreement, the Authority retains USA Parking System, Inc. to provide management and operational services for the parking lot and skycap services. The agreement provides that USA Parking System, Inc. shall employ, furnish and supervise certain personnel necessary for the management of the parking lot and skycap services.

New Hanover County Airport Authority

Notes to Financial Statements

Note 14. Commitments (Continued)

The Authority reimburses USA Parking System, Inc. for all operating expenses incurred in the management of the parking lot and sky cap services in addition to annual management, insurance and accounting services. In May of 2012, the Authority entered into an amended contract with USA Parking, for five years, effective November 1, 2012 through October 31, 2017. After October 31, 2017, the agreement allows the Authority to continue the contract by one additional five year period. The Authority may cancel the agreement at any time after October 31, 2017, by providing USA Parking System, Inc. 30 days prior written notice. For the year ended June 30, 2016, the Authority paid fees and expenses totaling \$443,818 which is included in contracted services.

Estimated future commitments under the agreement are as follows:

2017	\$	453,000
2018		154,000
	\$	<u>607,000</u>

Other commitments and agreements: The Authority has also entered into other contracts and agreements as of June 30, 2016, primarily related to construction projects and equipment, with the remaining commitment under these contracts and agreements aggregating approximately \$2,150,000.

Note 15. Recently Issued Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2016, that have effective dates applicable to future years and may impact future financial presentations. Of these pronouncements, the following may have an impact on future financial presentations:

GASB Statement Number 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*, will be effective for the Authority beginning with its year ending June 30, 2017.

GASB Statement Number 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the Authority beginning with its year ending June 30, 2017.

GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the Authority beginning with its year ending June 30, 2018.

GASB Statement Number 80, *Blending Requirements for Certain Component Units*, will be effective for the Authority beginning with its year ending June 30, 2017.

GASB Statement Number 81, *Irrevocable Split-Interest Agreements*, will be effective for the Authority beginning with its year ending June 30, 2018.

GASB Statement Number 82, *Pension Issues*, will be effective for the Authority beginning with its year ending June 30, 2017.

**REQUIRED
SUPPLEMENTAL FINANCIAL DATA**

New Hanover County Airport Authority

Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2010	\$ -	\$ 53,679	\$ 53,679	0%	\$ 365,801	14.67%
12/31/2011	-	53,676	53,676	0%	411,372	13.05%
12/31/2012	-	58,390	58,390	0%	368,530	15.84%
12/31/2013	-	72,279	72,279	0%	391,278	18.47%
12/31/2014	-	91,638	91,638	0%	420,286	21.80%
12/31/2015	-	111,591	111,591	0%	567,747	19.66%

New Hanover County Airport Authority

**Other Postemployment Benefits (OPEB)
Schedule of Funding Progress
Required Supplementary Information**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b – a)/c)
06/30/2007	\$ -	\$ 227,578	\$ 227,578	0.00%	\$ 1,830,709	12.43%
06/30/2010	-	188,082	188,082	0.00%	2,164,859	8.69%
06/30/2013	-	208,279	208,279	0.00%	2,480,213	8.40%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	16,949	63.72%
2015	16,949	56.64%
2016	16,949	46.02%

New Hanover County Airport Authority

**The Authority's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Three Fiscal Years***

Local Government Employees' Retirement System

	2016	2015	2014
Authority's proportion of the net pension liability (asset) (%)	0.03964%	(0.03895%)	0.03600%
Authority's proportion of the net pension liability (asset) (\$)	\$ 177,902	\$ (229,705)	\$ 433,938
Authority's covered-employee payroll	\$ 2,520,623	\$ 2,523,268	\$ 2,480,213
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.06%	(9.10%)	17.50%
Plan fiduciary net position as a percentage of total pension liability**	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

New Hanover County Airport Authority

**Authority's Contributions
Required Supplementary Information
Last Three Fiscal Years**

Local Government Employees' Retirement System

	2016	2015	2014
Contractually required contribution	\$ 183,880	\$ 179,600	\$ 179,283
Contributions in relation to the contractually required contribution	183,880	179,600	179,283
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 2,154,843	\$ 2,520,623	\$ 2,523,268
Contributions as a percentage of covered-employee payroll	8.53%	7.13%	7.11%

OTHER SUPPLEMENTARY INFORMATION

New Hanover County Airport Authority

**Operating Fund
Schedule of Revenues and Expenses/Expenditures –
Budget and Actual (Non-GAAP)
Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Aviation revenue	\$ 1,203,000	\$ 1,383,111	\$ 180,111
Parking lot	3,450,000	3,865,028	415,028
Rent	1,304,500	1,415,387	110,887
Commissions	1,216,000	1,268,218	52,218
Security	439,000	679,325	240,325
Business park	477,200	609,479	132,279
Miscellaneous revenue	244,700	296,104	51,404
Total operating revenues	8,334,400	9,516,652	1,182,252
Operating expenditures:			
Advertising and marketing	265,000	263,295	1,705
Business park	57,479	51,728	5,751
Contracted services	839,434	806,725	32,709
Dues and subscriptions	16,000	6,540	9,460
Economic development	100,000	68,137	31,863
Insurance	472,674	402,578	70,096
Lease payments	14,550	12,870	1,680
Maintenance:			
Vehicle	14,688	14,444	244
Equipment	128,839	110,018	18,821
Building and grounds	362,200	291,338	70,862
Professional services	235,150	98,003	137,147
Salaries and employee benefits	4,379,631	3,771,896	607,735
Supplies	19,500	19,000	500
Travel	127,585	110,487	17,098
Uniforms	16,721	15,575	1,146
Utilities	426,500	392,326	34,174
Vehicle operation	45,973	35,769	10,204
Total operating expenditures	7,521,924	6,470,729	1,051,195
Excess of operating revenues over operating expenditures	812,476	3,045,923	2,233,447

(Continued)

New Hanover County Airport Authority

**Operating Fund
Schedule of Revenues and Expenses/Expenditures –
Budget and Actual (Non-GAAP) (Continued)
Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Non-operating revenues (expenditures):			
Interest revenue	\$ 8,000	\$ 17,214	\$ 9,214
Principal payments on long-term debt	(590,236)	(504,843)	85,393
Interest on long-term debt	(167,764)	(167,764)	-
Total non-operating expenses/ expenditures, net	(750,000)	(655,393)	94,607
Excess of revenues over (under) expenditures	62,476	2,390,530	2,328,054
Other financing sources (uses):			
Operating transfers – out:			
Capital Projects Fund	(4,760,500)	(835,042)	3,925,458
Appropriated fund balance	4,698,024	-	(4,698,024)
Total other financing sources (uses), net	(62,476)	(835,042)	(772,566)
Net change in fund balance	\$ -	1,555,488	\$ 1,555,488
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Capital contributions in project fund		7,467,520	
PFC revenues in project fund		1,613,691	
CFC revenues in project fund		972,564	
Depreciation		(7,298,704)	
Operating transfers to Capital Projects Fund		835,042	
Decrease in net pension asset		(229,705)	
Increase in deferred outflows of resources - pensions		10,753	
Increase in net pension liability		(177,902)	
Decrease in deferred inflows of resources - pensions		467,384	
Principal payments on long-term debt		504,843	
Gain on disposal of capital assets		10,000	
Other		(17,979)	
Change in net position		\$ 5,712,995	

New Hanover County Airport Authority

**Capital Projects Fund
Schedule of Revenues and Expenditures –
Budget and Actual (Non-GAAP)
From Inception and Year Ended June 30, 2016**

	Grant Project		Actual		Variance
	Authorization	Prior	Current	Totals	Positive
		Years	Year	to Date	(Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 25,844,900	\$ 15,905,708	\$ 7,341,352	\$ 23,247,060	\$ (2,597,840)
State grants	786,805	138,113	126,168	264,281	(522,524)
PFC revenues	17,103,688	9,978,489	1,613,691	11,592,180	(5,511,508)
CFC revenues	1,525,000	3,431,016	972,564	4,403,580	2,878,580
Total revenues	45,260,393	29,453,326	10,053,775	39,507,101	(5,753,292)
Expenditures:					
Airfield improvements	32,874,572	18,927,357	8,131,455	27,058,812	5,815,760
Land, easements and improvements	7,840,850	6,044,684	96,309	6,140,993	1,699,857
Business park buildings and improvements	1,964,748	50,757	1,860,275	1,911,032	53,716
Rental car service center	4,981,825	4,648,690	-	4,648,690	333,135
Jet bridge – gate 1	785,631	-	-	-	785,631
Other equipment and improvements	3,377,893	626,612	587,300	1,213,912	2,163,981
Total expenditures	51,825,519	30,298,100	10,675,339	40,973,439	10,852,080
Excess of revenues over (under) expenditures	(6,565,126)	(844,774)	(621,564)	(1,466,338)	5,098,788
Other financing sources:					
Operating transfers – in	2,065,126	11,517,873	835,042	12,352,915	10,287,789
Release of debt proceeds by County	4,500,000	4,500,000	-	4,500,000	-
Net change in fund balance	\$ -	\$ 15,173,099	\$ 213,478	\$ 15,386,577	\$ 15,386,577

COMPLIANCE SECTION

**Independent Auditor's 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***

New Hanover County Airport Authority
Wilmington, North Carolina

We have audited, in accordance with the 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, the financial statements of New Hanover County Airport Authority (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise New Hanover County Airport Authority's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Hanover County Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Hanover County Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of New Hanover County Airport 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Hanover County Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Wilmington, North Carolina
November 28, 2016

**Independent Auditor's Report on Compliance for the Major Federal Program
and the Passenger Facility Charge Program and on Internal Control Over Compliance
Required by The Uniform Guidance and the State Single Audit Implementation Act**

New Hanover County Airport Authority
Wilmington, North Carolina

Report on Compliance for the Major Federal Program and the Passenger Facility Charge Program

We have audited New Hanover County Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, and with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, that could have a direct and material effect on its major federal program and its passenger facility charge program for the year ended June 30, 2016. New Hanover County Airport Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs and the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for New Hanover County Airport Authority's major federal program and its passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the State Single Audit Implementation Act; and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Audit Guide). Those standards, the Uniform Guidance, the State Single Audit Implementation Act, and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about New Hanover County Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program and the passenger facility charge program. However, our audit does not provide a legal determination of New Hanover County Airport Authority's compliance.

Opinion on the Major Federal Program and the Passenger Facility Charge Program

In our opinion, New Hanover County Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect its major federal program and its passenger facility charge program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Passenger Facility Charge Audit Guide and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major federal program and the passenger facility charge program is not modified with respect to these matters.

New Hanover County Airport Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. New Hanover County Airport Authority's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of New Hanover County Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered New Hanover County Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program and the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and the passenger facility charge program and to test and report on internal control over compliance in accordance with The Uniform Guidance and the *Passenger Facility Charge Audit Guide for Public Agencies*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Hanover County Airport Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2016-001 that we consider to be a significant deficiency.

New Hanover County Airport Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. New Hanover County Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

RSM US LLP

Wilmington, North Carolina
November 28, 2016



RSM US LLP

**Independent Auditor's Report on Compliance for the Major State Program and
Report on Internal Control Over Compliance in accordance With
The Uniform Guidance and the State Single Audit Implementation Act**

New Hanover County Airport Authority
Wilmington, North Carolina

Report on Compliance for the Major State Program

We have audited New Hanover County Airport Authority's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the North Carolina Local Government Commission, which could have a direct and material effect on New Hanover County Airport Authority's major state program for the year ended June 30, 2016. New Hanover County Airport Authority's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for New Hanover County Airport Authority's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the applicable sections of the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about New Hanover County Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of New Hanover County Airport Authority's compliance.

Opinion on the Major State Program

In our opinion, New Hanover County Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of New Hanover County Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered New Hanover County Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with The Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Hanover County Airport Authority's internal control over compliance.

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

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

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

RSM US LLP

Wilmington, North Carolina
November 28, 2016

New Hanover County Airport Authority

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? yes no

Identification of major federal program:

<u>CFDA #</u>	<u>Program Name</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? yes no

(Continued)

New Hanover County Airport Authority

**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results (Continued)

State Awards

Internal control over major State program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance
for major State program:

Unmodified

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

yes no

Identification of major State program:

Program Name

State Aid to Airports Program

Non-Award Program – Passenger Facility Charges

Internal control over passenger facilities charges program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for
passenger facilities charges program:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the *Passenger Facilities
Charge Audit Guide for Public Agencies*?

yes no

Section II – Financial Statement Findings

None reported.

Section III – Federal Awards Findings and Questioned Costs

None reported.

New Hanover County Airport Authority

Schedule of Findings and Questioned Costs (Continued) For the Fiscal Year Ended June 30, 2016

Section IV – Findings and Questioned Costs for State Awards

None reported.

Section V – Non-Award Program – Passenger Facility Charges

Finding 2016-001:

Significant Deficiency and Noncompliance – Passenger Facility Charges

Criteria: Under 14 Code of Federal Regulations (CFR) 158.67(a), the public agency is required to keep any unliquidated PFC revenue remitted to it on deposit in an interest bearing account or in other interest bearing instruments used by the public agency's airport capital fund. Additionally, under 14 Code of Federal Regulations (CFR) 158.63, the public agency is required to provide quarterly reports to the appropriate FAA Airports office. The PFC quarterly reports must include PFC expenditures for each quarter, cumulative PFC expenditures, and amount committed for use on currently approved projects, including the quarter.

Condition: The Authority lacked sufficient control processes to ensure expenditures were appropriately reported quarterly.

Context: A PFC program expenditure was reported at a 10% match versus the appropriate 5% match during Q2 2016, resulting in a transfer of funds in the amount of \$401,346 from the PFC program account into the Authority's general operating account. During year-end reconciliation procedures, the Authority detected and corrected the error by transferring the funds back to the PFC account and adjusting the Q4 2016 report.

Effect: The quarterly and cumulative expenditures were incorrectly reported in Q2 2016, the cumulative expenditures were incorrectly recorded in Q3 2016, and the quarterly expenditures were incorrectly reported during Q4 2016. Additionally, during December of 2015 the Operating account was over reimbursed by the PFC account. During September of 2016, the Authority detected and corrected the error during performance of year-end reconciliation procedures and returned funds from the Operating account to the PFC account.

Cause: The Authority was in a transition period as a new Finance Director and Comptroller were hired. During preparation and reporting for Q2 PFC expenditures, a match of 10% was inadvertently included in the Q2 2016 report, when in fact the match should have been 5%.

Recommendations: We recommend the Authority design and implement a system to ensure that appropriate matches are being recorded for PFC revenues.

Views of responsible officials: The Authority detected and corrected the error during performance of year-end reconciliation procedures. Once detected the Authority corrected internal and external records to reflect the accurate balances. The Authority will implement a process to ensure that quarterly expenditures are properly recorded and reported.

New Hanover County Airport Authority

**Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016**

None.

New Hanover County Airport Authority

Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges

Year Ended June 30, 2016

Grantor/Program Title	Federal CFDA/ State DOT	Number	Grantor's Number	Expenditures			Total
				Federal	State	Local	
Federal awards:							
U.S. Department of Transportation							
Direct Federal Programs:							
Federal Aviation Administration (FAA):							
Airport Improvement Program		20.106	3-37-0084-049-2013	\$ 11,772	\$ -	\$ 1,309	\$ 13,081
Airport Improvement Program		20.106	3-37-0084-050-2014	1,219,491	-	135,498	1,354,989
Airport Improvement Program		20.106	3-37-0084-051-2015	6,110,089	-	679,073	6,789,162
Total Federal awards				7,341,352	-	815,880	8,157,232
State awards:							
N.C. Department of Transportation							
State Aid to Airports		DOT-8	36244.36.15.1	-	77,418	(77,418)	-
State Aid to Airports		DOT-8	36244.36.17.1	-	48,750	-	48,750
Total State Awards				-	126,168	(77,418)	48,750
Total Federal and State Awards				7,341,352	126,168	738,462	8,205,982
Passenger facility charges (Note 3):							
Federal Aviation Administration (FAA):							
Passenger facility charges		-	98-03-C-00-ILM	90,241	-	-	90,241
Passenger facility charges		-	07-05-C-00-ILM	246,815	-	-	246,815
Passenger facility charges		-	14-06-C-00-ILM	912,859	-	-	912,859
Total Passenger Facility Charges				1,249,915	-	-	1,249,915
				\$ 8,591,267	\$ 126,168	\$ 738,462	\$ 9,455,897

See notes to schedule of expenditures of federal and state awards and passenger facility charges.

New Hanover County Airport Authority

Notes to Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges

Note 1. General

The accompanying schedule of expenditures of Federal and State awards and passenger facility charges (PFC) reports the activity of all Federal and State financial award programs of New Hanover County Airport Authority (Authority) and the passenger facility charge program. The information in this schedule is presented in accordance with the requirements of The Uniform Guidance, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. State matching portions of Federal programs are reflected in the State section of the schedule. The entire local matching portion of the programs is reflected as applicable in the Federal section of the schedule, with an offset in the State section of the schedule. All Federal and State financial awards received from Federal and State agencies are included on the schedule, as well as PFC activity as described below.

Note 2. Basis of Accounting

Expenditures of passenger facility charges that represent reimbursements to the Authority are reported as amounts are transferred from the restricted bank account and made available to the Authority in accordance with program guidelines. Otherwise, the accompanying schedule of expenditures of federal and state awards and passenger facility charges is presented using the modified accrual basis of accounting, which is its budgetary basis of accounting. Under the modified accrual basis, expenditures include capital outlay and principal payments on long-term debt.

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

Expenditures are reported on the schedule only at such time as there is an approved award and as activity occurs that obligates the Authority to make a payment, not when the award has been received. As a result, certain Federal or State expenditures are reported as reimbursements of local expenditures that have been recorded in a prior year. In addition, certain expenditures reported in the current year reflect a reclassification of expenditures made in a prior year. In the 2016 schedule, total expenditures of \$6,789,162 in project 3-37-0084-051-2015 include \$555,604 in local funds expended in 2015 prior to the approval of the project.

Note 3. Passenger Facility Charges

The Authority was authorized to impose a passenger facility charge to a maximum of \$7,984,994 under application 98-03-C-00-ILM, as amended; \$9,668,699 under application 03-04-C-00-ILM, as amended; \$6,028,314 under application 07-05-C-00-ILM, as amended; and \$7,947,596 under application 14-06-C-00-ILM. Current year expenditures from these funds were \$1,249,915 and are included on the schedule of federal and state awards and passenger facility charges.

Revenue from passenger facility charges for the year ended June 30, 2016, consists of \$1,613,394 for passenger facility charges plus \$297 of interest earnings from the restricted bank account. Passenger facility charges are administered by the FAA but are not considered federal awards. The Authority's presentation in this schedule is in accordance with FAA requirements.

New Hanover County Airport Authority

**Notes to Schedule of Expenditures of Federal and State Awards
and Passenger Facility Charges**

Note 3. Passenger Facility Charges (Continued)

Expenditures are reported on the schedule only at such time as there is an approved award and as activity occurs that obligates the Authority to make a payment, not when the award has been received. As a result, certain passenger facility charges expenditures are reported as reimbursements that have been recorded in a prior year. In the 2016 schedule, total expenditures of \$912,859 in project 14-06-C-00-ILM include \$204,974 expended in 2015.