

New Hanover County Airport Authority

Report to the Airport Authority
November 30, 2018





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Members of the Authority
New Hanover County Airport Authority
Wilmington, North Carolina

Attention: Robert J. Campbell, Finance Director

We are pleased to present this report related to our audit of the financial statements of New Hanover County Airport Authority (the Authority) as of and for the year ended June 30, 2018. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for New Hanover County Airport Authority's financial reporting process.

This report is intended solely for the information and use of the Authority members and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to New Hanover County Airport Authority.

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States have been described to you in our arrangement letter dated June 8, 2018. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated June 8, 2018, regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
Accounting Policies and Practices	<p data-bbox="613 921 1471 1073">Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p data-bbox="613 1104 1471 1472">Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. During the year ended June 30, 2018, the Authority adopted the guidance of GASB Statement No. 75 <i>Accounting and Financial Reporting for Postemployment Benefits Other than Pensions</i>, which resulted in a restatement of opening fund balance of \$229,569. We included an emphasis of matter in our report on the financial statements pointing to the Authority's disclosure of this change in Note 17. This did not modify our audit opinion. The Authority did not adopt any other significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p data-bbox="613 1503 1471 1625">Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p data-bbox="613 1656 1471 1869">Management's Judgments and Accounting Estimates Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates.</p>

Area	Comments
Audit Adjustments	Audit adjustments proposed by us and recorded by New Hanover County Airport Authority are shown in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Reports Communicating Internal Control Deficiencies	<p>We have separately communicated a significant deficiency in internal control identified during our audit of New Hanover County Airport Authority's and major awards, as required by <i>Government Auditing Standards</i> and <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> at 2 CFR 200 (Uniform Guidance). This communication is included in the Compliance Section of your financial statements and compliance report as of June 30, 2018.</p> <p>We have separately communicated control deficiencies in internal control over financial reporting identified during our audit of the financial statements and this communication is attached as Exhibit A.</p>
Significant Written Communications Between Management and Our Firm	Copies of material written communications between our firm and the management of the Authority, including the representation letter provided to us by management, are attached as Exhibit B.

Summary of Recorded Audit Adjustments

Description	Effect—Debit (Credit)				
	Assets	Liabilities	Net Position	Revenue	Expense
AJE1 – To record deferred rent revenue in accordance with amortization schedule	\$ (325,992)	\$ -	\$ -	\$ -	\$ 325,992
AJE2 – To record SCASD Grant improperly recorded	(50,070)	5,873	-	(905,803)	950,000
Total effect			370,189	\$ (905,803)	\$ 1,275,992
Net position effect	\$ (376,062)	\$ 5,873	\$ 370,189		

Exhibit A—Letter Communicating Control Deficiencies in Internal Control Over Financial Reporting



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To Management of the Airport Authority
New Hanover County Airport Authority
Wilmington, North Carolina

In planning and performing our audit of the financial statements of New Hanover County Airport Authority (the Authority) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when: (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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. We reported a significant deficiency in the Compliance Section of your financial statements and compliance report as of June 30, 2018.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

Annual Deposit and Investment Forms Not Timely Filed

Audit procedures identified the following forms: LGC 203 (Local Government Commission Report of Deposits and Investments) and COLL-91 (Annual Notification of Accounts by Public Depositor) as required by G.S. 159-33, were not timely filed. We recommend that control procedures be put in place to ensure these forms are filed timely.

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Review Over Deferred Rent Amortization

Audit procedures identified that the deferred revenues for a tenant who made property repairs were not properly recorded in accordance with the previously established amortization schedule. Failure to follow the amortization schedule will result in improper revenue recognition. We recommend that control procedures be put in place to ensure that deferred rent and related rental revenue is properly recorded.

This communication is intended solely for the information and use of management, the Authority and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

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Exhibit B—Significant Written Communications Between Management and Our Firm