

Meeting Date
<b>April 11, 2017</b>



AGENDA	
Section	<b>CONSENT</b>
Item No.	<i>II.D.2</i>

**AGENDA REPORT**  
 BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	<b>ACKNOWLEDGE RECEIPT OF ANNUAL AUDITED FINANCIAL STATEMENTS OF THE TITUSVILLE-COCOA AIRPORT AUTHORITY FOR FY 2015-2016</b>
DEPT/OFFICE:	BUDGET OFFICE

Requested Action:  
 It is requested that the Board of County Commissioners accept the annual audit for the Titusville-Cocoa Airport Authority for FY 2015-2016.

Summary Explanation & Background:

In accordance with Florida Statute 218.32(1) (b), the Titusville-Cocoa Airport Authority is providing the Brevard County Board of County Commissioners a copy of their annual audit reflecting the financial status of the authority for FY 2015-2016. The audit was accepted by the Airport Authority Board at their regular meeting on February 16, 2017.

**218.32 Annual financial reports; local governmental entities.—**

(1)(a) Each local governmental entity that is determined to be a reporting entity, as defined by generally accepted accounting principles, and each independent special district as defined in s.189.012, shall submit to the department a copy of its annual financial report for the previous fiscal year in a format prescribed by the department. The annual financial report must include a list of each local governmental entity included in the report and each local governmental entity that failed to provide financial information as required by paragraph (b). The chair of the governing body and the chief financial officer of each local governmental entity shall sign the annual financial report submitted pursuant to this subsection attesting to the accuracy of the information included in the report. The county annual financial report must be a single document that covers each county agency.

(b) Each component unit, as defined by generally accepted accounting principles, of a local governmental entity shall provide the local governmental entity, within a reasonable time period as established by the local governmental entity, with financial information necessary to comply with the reporting requirements contained in this section

Clerk to the Board instruction:

Exhibits Attached: Audited Financial Statements of the Titusville-Cocoa Airport Authority for FY 2015-2016.

Contract /Agreement (If attached):	Reviewed by County Attorney	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	PR	<input type="checkbox"/>
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County Manager		Department Director / Extension
Stockton Whitten		Assistant County Manager
		 Jill Hayes, Ext. 52857



Tammy Rowe, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001  
Fax: (321) 264-6972  
Tammy.Rowe@brevardclerk.us

April 12, 2017

MEMORANDUM

TO: Jill Hayes, Budget Director

RE: Item II.D.2., Acknowledge Receipt of Annual Audited Financial Statements of the Titusville-Cocoa Airport Authority for FY 2015-2016

The Board of County Commissioners, in regular session on April 11, 2017, acknowledged receipt of the annual audited financial statements of the Titusville-Cocoa Airport Authority for FY 2015-2016.

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS  
SCOTT ELLIS, CLERK

Tammy Rowe, Deputy Clerk

/ds

cc: Finance



TIX → SPACE COAST REGIONAL AIRPORT  
COI → MERRITT ISLAND AIRPORT  
XZI → ARTHUR DUNN AIRPARK

355 Golden Knights Blvd. → Titusville, Florida 32780 → 321.267.8780 → fax: 321.383.4284 → e-mail: [admins@flairport.com](mailto:admins@flairport.com)

February 17, 2017

Mr. Stockton Whitten  
County Manager  
Brevard County  
2725 Judge Fran Jamieson Way  
Building C-347  
Viera, FL 32940

REFERENCE: Titusville-Cocoa Airport Authority 2015-16 Annual Audit

Dear Mr. Whitten:

Enclosed is a copy of the Annual Audit reflecting the financial status of the Titusville-Cocoa Airport Authority for its 2015-16 Fiscal Year. The Audit was accepted by the Airport Authority Board at their regular meeting on February 16, 2017.

If you have any questions, please contact me at (321) 267-8780, Ext. 203.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael D. Powell".

Michael D. Powell, C.M., ACE  
Chief Executive Officer

MDP:dj

Enclosure

RECEIVED

FEB 22 2017

County Manager's  
Office

**TITUSVILLE-COCOA AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**As of and for the years ended September 30, 2016 and 2015**

**and**

**INDEPENDENT AUDITOR'S REPORT**

**RECEIVED**

**FEB 22 2017**

County Manager's  
Office

**TITUSVILLE-COCOA AIRPORT AUTHORITY**  
**TITUSVILLE, FLORIDA**

**AUTHORITY MEMBERS**

Jerry Sansom	Chairman
Jay Stalrit	Vice Chairman
Milo Zonka	Treasurer
Harry Carswell	Secretary

Dr. David Hosley

Dr. John Leavitt

Dr. Wasim Niazi

**CHIEF EXECUTIVE OFFICER**

Michael D. Powell, C.M., ACE

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# DAVIES, HOUSER & SECREST, CPA, P.A.

## *Shareholders/Director*

*Stephen A. Ellis, Shareholder  
Todd M. Russell, Shareholder  
Donna L. Young, Director*

## *Directors Emeritus*

*Floyd C. Lemmon  
Robert E. Andersen, Jr.*

## INDEPENDENT AUDITOR'S REPORT

The Chairman and Other Members  
Titusville-Cocoa Airport Authority  
Titusville, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Titusville-Cocoa Airport Authority (the Authority), a component unit of Brevard County, Florida, as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 the Authority as of September 30, 2016 and 2015, and the changes in financial position and cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statements present only the Authority and are not intended to present fairly the financial position of Brevard County, Florida, and the respective changes in financial position and cash flows of its proprietary and similar trust fund types, in conformity 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 (Pages 4 through 8) and the required supplementary information (Pages 31 through 33), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Additional Supplementary Information*

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying schedules of capital projects summary and budget comparison information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Rules of the Florida Department of Financial Services, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The schedules of capital projects summary, budget comparison information, and expenditures of federal awards and state financial assistance 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. The 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 information is 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 February 16, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Davies, Houser & Secret, CPA, P.A.  
Cocoa, Florida  
February 16, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Titusville-Cocoa Airport Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended September 30, 2016. Please read it in conjunction with the Authority's financial statements, which follows this section.

### **FINANCIAL HIGHLIGHTS** (all dollar values rounded)

- The Authority's net position increased \$2,094,000 or 4%.
- Operating revenues increased \$128,000 or 6%, and operating expenses increased \$263,000 or 7%. Operating expenses exceeded revenues by \$1,531,000, compared to \$1,397,000 in the prior year.
- Nonoperating expenses decreased \$70,000 primarily due to no financing costs.
- Capital contributions from federal, state, and other third parties totaled \$3,698,000, compared to \$4,665,000 in the prior year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual financial report consists of three parts: management's discussion and analysis (this section); the financial statements and notes to the financial statements; and supplementary information. The notes to the financial statements explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by required and other supplementary information that further explains and supports the information in the financial statements.

The financial statements include information about the Authority using accounting methods similar to those used by private sector companies. The statements of net position include all of the Authority's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position, regardless of when cash is received or paid (accrual method of accounting). These two statements report the Authority's net position and how it has changed. Net position is the difference between the Authority's assets and deferred outflows, and liabilities and deferred inflows, and is one way to measure the Authority's financial health or position.

Over time, increases or decreases in the Authority's net position is an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial position of the Authority, one must consider additional nonfinancial factors, such as the condition of the Authority's significant assets such as runways and buildings.

## FINANCIAL ANALYSIS

### *A. Net Position*

The Authority's net position increased \$2,094,000 or 4%. In comparison, last year's net position increased \$3,127,000 or 6%. The following table summarizes these results.

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Current and other assets	\$ 1,843,115	\$ 2,992,805	(38.42)%
Net capital assets	<u>60,272,298</u>	<u>58,115,586</u>	3.71 %
Total assets	<u>62,115,413</u>	<u>61,108,391</u>	1.65 %
Deferred outflows of resources	<u>701,690</u>	<u>288,941</u>	142.85 %
Current liabilities	561,485	1,622,664	(65.40)%
Noncurrent liabilities	<u>2,979,677</u>	<u>2,658,865</u>	12.07 %
Total liabilities	<u>3,541,162</u>	<u>4,281,529</u>	(17.29)%
Deferred inflows of resources	<u>176,141</u>	<u>110,931</u>	58.78 %
Net position:			
Invested in capital assets, net of related debt	58,420,852	56,151,722	4.04 %
Unrestricted	<u>678,948</u>	<u>853,150</u>	(20.42)%
Total net position	<u>\$ 59,099,800</u>	<u>\$ 57,004,872</u>	3.67 %

### *B. Changes in Net Position*

Operating revenues increased \$128,000 or 6%, and operating expenses increased \$263,000 or 7%, mainly due to increases in wages and benefits and depreciation. Operating expenses exceeded revenues by \$1,531,000, compared to \$1,397,000 in the prior year. Nonoperating expenses decreased \$70,000, primarily due to a reduction in financing costs. Contributions from federal, state, and other third parties totaled \$3,698,000, compared to \$4,665,000 in the prior year. The following table summarizes these results.

**FINANCIAL ANALYSIS** (continued)**Table A-2**  
**Changes in Net Position**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Operating revenues:			
T-hangars	\$ 997,546	\$ 954,818	4.47 %
Fixed base operations	427,390	401,528	6.44 %
Other sales, houses, and mini warehouses	869,120	795,441	9.26 %
Other revenues	<u>7,844</u>	<u>22,067</u>	(64.45)%
Total operating revenues	<u>2,301,900</u>	<u>2,173,854</u>	5.89%
Operating expenses:			
Wages and benefits	1,238,664	1,179,540	5.01 %
Repairs, maintenance, and other services	609,518	639,003	(4.61)%
Materials and supplies	52,804	52,621	3.48 %
Depreciation	<u>1,932,367</u>	<u>1,699,315</u>	13.71 %
Total operating expenses	<u>3,833,353</u>	<u>3,570,479</u>	7.36 %
Operating loss	<u>(1,531,453)</u>	<u>(1,396,625)</u>	(9.65)%
Nonoperating revenues (expenses):			
Interest income	143	378	(62.17)%
Note interest	(71,493)	(55,651)	(28.47)%
Note issue costs	0	(20,000)	(100.00)%
Note prepayment fee	<u>0</u>	<u>(65,849)</u>	(100.00)%
Excess nonoperating revenues (expenses)	<u>(71,350)</u>	<u>(141,122)</u>	49.44 %
Loss before contributions	(1,602,803)	(1,537,747)	(4.23)%
Capital contributions:			
Other governmental	3,697,731	4,627,470	(20.09)%
Joint ventures - Space Florida	<u>0</u>	<u>37,558</u>	(100.00)%
Changes in net position	2,094,928	3,127,281	(33.01)%
Total net position, at beginning of year	<u>57,004,872</u>	<u>53,877,591</u>	5.80 %
Total net position, at end of year	<u>\$ 59,099,800</u>	<u>\$ 57,004,872</u>	3.67 %

## FINANCIAL ANALYSIS (continued)

### *C. Budgetary Highlights*

Actual revenues were less than budgeted amounts by \$11,000, mainly due to rental income being less than expected.

The following expenditure categories were significantly under budget:

Wages and benefits	\$33,000
Insurance expense	\$39,000
Communications and utilities	\$51,000
Professional services	\$30,000
Advertising and marketing	\$16,000
Materials and supplies	\$20,000
Expense contingency	\$40,000
Equipment purchases	\$72,000

There were no expenditure categories that were significantly over budget. Overall, expenditures were under budget by \$315,000.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *A. Capital Assets*

The following is a summary of major capital asset additions for 2016.

Major completed projects that were capitalized:	
Space Coast:	
East Apron	<u>\$ 2,174,106</u>
Major projects reported in construction-in-progress	
Space Coast:	
Aircraft Storage	<u>\$ 2,024,641</u>
Merritt Island:	
RSA Construction	<u>\$ 4,351,587</u>

## **CAPITAL ASSETS AND DEBT ADMINISTRATION** (continued)

Table A-3 summarizes changes in capital assets.

**Table A-3**  
**Capital Assets**  
(Net of Depreciation)

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land and improvements	\$ 15,678,269	\$ 15,725,715	(0.30)%
Building and improvements	15,802,962	16,497,433	(4.21)%
Runways and lighting	20,270,941	19,005,439	6.66 %
Furniture, fixtures, and equipment	190,511	285,356	(33.23)%
Vehicles	553,358	737,035	(24.92)%
Construction-in-progress	<u>7,776,257</u>	<u>5,864,608</u>	32.60 %
Total	<u>\$ 60,272,298</u>	<u>\$ 58,115,586</u>	3.71 %

### *B. Long-term Debt*

At year end, the Authority had \$1,851,000 in notes outstanding, a decrease of \$112,000 over the prior year. The Authority incurred no new debt during the year ended September 30, 2016.

More detailed information about the Authority's capital assets and long-term liabilities is presented in the financial statements under Notes 2 and 3, respectively.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

During the year ended September 30, 2016, the Authority completed the Hangar Project at Space Coast Regional Airport and the Runway Safety Area Project at Merritt Island Airport with assistance from the Federal Aviation Authority (FAA) and the Florida Department of Transportation (FDOT). For fiscal year ending September 30, 2017, the Authority will complete the North Area Security and Infrastructure Project at Merritt Island Airport and begin the Construction for the Runway End Identifier Lights at Space Coast Regional Airport.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This annual financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Authority's office at (321) 267-8780, or write them at 355 Golden Knights Boulevard, Titusville, Florida 32780.

## **BASIC FINANCIAL STATEMENTS**

TITUSVILLE-COCOA AIRPORT AUTHORITY

STATEMENTS OF NET POSITION

September 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 956,690	\$ 1,433,723
Accounts receivable	19,255	23,228
Due from other governments - current portion	531,568	1,526,579
Prepaid expenses and other receivables	148,659	9,275
	<u>1,656,172</u>	<u>2,992,805</u>
Property and equipment:		
Land	14,493,599	14,493,599
Land improvements	1,614,241	1,614,241
Buildings and improvements	25,220,193	25,220,193
Runways and lighting	31,469,357	29,295,251
Furniture, fixtures, and equipment	2,577,350	2,574,025
Vehicles	1,160,131	1,160,131
Construction-in-progress	7,776,257	5,864,608
	84,311,128	80,222,048
Less accumulated depreciation	<u>24,038,830</u>	<u>20,407,147</u>
Net property and equipment	<u>60,272,298</u>	<u>58,115,586</u>
Due from other governments - long term	<u>186,943</u>	<u>0</u>
Total assets	<u>62,115,413</u>	<u>61,108,391</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Unamortized pension costs and subsequent contributions	<u>701,690</u>	<u>288,941</u>

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

<u>LIABILITIES</u>	<u>2016</u>	<u>2015</u>
Current liabilities (payable from current assets):		
Accounts payable	\$ 25,623	\$ 34,854
Contracts payable	17,113	1,051,569
Accrued expenses and other liabilities	190,899	200,495
Refundable deposits	211,069	223,328
Long-term notes due within one year	<u>116,781</u>	<u>112,418</u>
Total current liabilities (payable from current assets)	<u>561,485</u>	<u>1,622,664</u>
Noncurrent liabilities:		
Flagler Development Company note	6,253	15,437
Notes payable to banks	1,728,412	1,836,009
Net pension liability	1,120,012	682,776
Post-employment benefit obligations	<u>125,000</u>	<u>124,643</u>
Total noncurrent liabilities	<u>2,979,677</u>	<u>2,658,865</u>
Total liabilities	<u>3,541,162</u>	<u>4,281,529</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of pension earnings	<u>176,141</u>	<u>110,931</u>
<u>NET POSITION</u>		
Net investment in capital assets	58,420,852	56,151,722
Unrestricted	<u>678,948</u>	<u>853,150</u>
Total net position	<u>\$ 59,099,800</u>	<u>\$ 57,004,872</u>

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

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TITUSVILLE-COCOA AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the years ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
T-hangars	\$ 997,546	\$ 954,818
Fixed base operations	427,390	401,528
Other sales, houses, and mini warehouses	869,120	795,441
Other revenue	<u>7,844</u>	<u>22,067</u>
Total operating revenues	<u>2,301,900</u>	<u>2,173,854</u>
Operating expenses:		
Wages and benefits	1,238,664	1,179,540
Repairs, maintenance, and other services	609,518	639,003
Materials and supplies	52,804	52,621
Depreciation	<u>1,932,367</u>	<u>1,699,315</u>
Total operating expenses	<u>3,833,353</u>	<u>3,570,479</u>
Operating loss	<u>(1,531,453)</u>	<u>(1,396,625)</u>
Nonoperating revenues (expenses):		
Interest income	143	378
Note interest	(71,493)	(55,651)
Note issue costs	0	(20,000)
Note prepayment fee	<u>0</u>	<u>(65,849)</u>
Excess nonoperating revenues (expenses)	<u>(71,350)</u>	<u>(141,122)</u>
Loss before contributions	(1,602,803)	(1,537,747)
Capital contributions:		
Other governmental	3,697,731	4,627,470
Joint venture - Space Florida	<u>0</u>	<u>37,558</u>
Changes in net position	2,094,928	3,127,281
Net position, at beginning of year	<u>57,004,872</u>	<u>53,877,591</u>
Net position, at end of year	<u>\$ 59,099,800</u>	<u>\$ 57,004,872</u>

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

TITUSVILLE-COCOA AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from tenants	\$ 2,291,223	\$ 2,101,942
Cash paid to employees	(1,154,546)	(1,119,097)
Cash paid to suppliers	<u>(812,176)</u>	<u>(689,031)</u>
Net cash flows provided by operating activities	<u>324,501</u>	<u>293,814</u>
Cash flows from capital and related financing activities:		
Cash received from capital and reimbursable grants	4,505,859	3,703,434
Cash paid for acquisition and construction of capital assets	(5,123,625)	(5,099,678)
Proceeds from new debt issue	0	2,000,000
Debt issue costs and penalties	0	(85,849)
Cash paid for principal on notes	(112,418)	(870,478)
Cash paid for interest on notes	<u>(71,493)</u>	<u>(55,651)</u>
Net cash flows used by capital and related financing activities	<u>(801,677)</u>	<u>(408,222)</u>
Cash flows from investing activities:		
Cash received for interest income	<u>143</u>	<u>378</u>
Net change in cash	(477,033)	(114,030)
Cash and cash equivalents, at beginning of year	<u>1,433,723</u>	<u>1,547,753</u>
Cash and cash equivalents, at end of year	<u>\$ 956,690</u>	<u>\$ 1,433,723</u>

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

	<u>2016</u>		
	<u>Current Assets</u>	<u>Restricted Assets</u>	<u>Total</u>
Reconciliation of cash per statements of cash flows to the statements of net position:			
Cash and cash equivalents, at beginning of year	\$ 1,433,723	\$ 0	\$ 1,433,723
Net increase	<u>(477,033)</u>	<u>0</u>	<u>(477,033)</u>
Cash and cash equivalents, at end of year	<u>\$ 956,690</u>	<u>\$ 0</u>	<u>\$ 956,690</u>

	<u>2016</u>	<u>2015</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Cash flows from operating activities:		
Operating loss	\$ <u>(1,531,453)</u>	\$ <u>(1,396,625)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,932,367	1,699,315
Decrease (increase) in accounts receivable	4,003	(15,164)
(Increase) decrease in prepaid expenses and other receivables	(139,384)	134
(Decrease) increase in accounts payable	(9,231)	4,043
Decrease in accrued expenses, other liabilities, and deposits	(21,855)	(61,995)
Increase in pension and post- employment benefit obligations	<u>90,054</u>	<u>64,106</u>
Total adjustments	<u>1,855,954</u>	<u>1,690,439</u>
Net cash provided by operating activities	<u>\$ 324,501</u>	<u>\$ 293,814</u>

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

# TITUSVILLE-COCOA AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS As of and for the years ended September 30, 2016 and 2015

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

#### *A. Reporting Entity*

The Titusville-Cocoa Airport Authority (the Authority) operates and maintains three general aviation airports within the Titusville-Cocoa Airport District (the District), Brevard County, Florida. The three airports served by the District are Space Coast Regional Airport, Arthur Dunn Airpark, and Merritt Island Airport. The District is bound on the north and west by the Brevard County line, the east by the Atlantic Ocean, on and the south by the Township 25 line, which is approximately three and three quarter miles north of the Pineda Causeway. The Authority and the District were created under the Titusville-Cocoa Airport District Act of 1963, Chapter 63-1143, Laws of Florida, Special Acts of 1963 (the Act). The Authority consists of two members appointed by each of the respective county commissioners of Districts 2 and 4, one member appointed by the District 1 county commissioner, one member appointed by the City of Titusville, and one member-at-large appointed by the Brevard County Board of County Commissioners, for a total of seven members. The Authority does not exercise control over other government agencies or authorities. As defined under Chapter 189.403, Florida Statutes, the Authority is a dependent, special district of Brevard County, Florida.

#### *B. Measurement Focus and Basis of Accounting*

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to state and local governmental agencies and, as such, the Authority is accounted for as a proprietary fund. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when they are earned and expenses are recognized when incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of assets, is capitalized during the construction period, net of interest on the investment of unexpended bond proceeds. The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements, including those issued after November 30, 1989, unless those pronouncements conflict or contradict the Governmental Accounting Standards Board (GASB) pronouncements.

#### *C. Budgetary Accounting*

The Authority employs formal budgetary accounting as a management control. An annual operating budget, prepared on the accrual basis, is adopted each year through the passage of an annual budget resolution and amended as required. All unexpended budget appropriations, except project budgets, lapse at the end of each year. The Authority budgets no material excess of expenses over revenues. However, budget to actual comparisons may reflect individual line item excesses.

#### *D. Cash and Cash Equivalents*

The Authority considers all highly liquid investments with an original maturity of three months or less when purchased, to be cash and cash equivalents.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of September 30, 2016, the carrying amount of the Authority and its subsidiaries' bank deposits was \$956,690, and the bank balance was \$1,153,623. These bank balances were only held in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and were required to be collateralized by qualifying investments held in the pledging bank's trust department by a third-party trustee.

### *E. Receivables*

Receivables are reported at their gross value and are reduced by the estimated portion that is expected to be uncollectible. There were no amounts recorded as an allowance for doubtful accounts as of September 30, 2016 and 2015. Due to contract stipulations, a portion of the receivable from the FAA, is not expected to be collected within one year as of September 30, 2016, and is reported as a long-term receivable on the statements of net position.

### *F. Property and Equipment*

Property and equipment are stated at cost or, if contributed, estimated fair values at the date of contribution. Capital additions and the cost of improvements and replacements, which extend the useful lives of the assets, are capitalized if their value is \$750 or greater. Other recurring costs for maintenance and repairs are charged to operations when incurred. Depreciation is provided on the straight-line method over the estimated useful lives of depreciable assets as follows:

Buildings and improvements	5 - 39 years
Runways, lighting, and ramps	7 - 33 years
Equipment	3 - 10 years

Operating expenses include depreciation on all property and equipment.

### *G. Restricted Assets*

The Authority occasionally will set aside certain assets for purposes such as debt services and renewal and replacement. Assets so designated are identified as restricted assets on the statement of net position

### *H. Deferred Outflows of Resources*

In addition to assets, the statements of net position reports a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense until then. The Authority currently has pension related deferred outflows that meet this criteria. The pension related deferred outflows include two components. The first component is the difference between pension experiences and actuarial assumptions. These differences will be charged to pension expense over the actuarial assumption's timeline. The second component is contributions made by the Authority after the measurement date. These contributions will be part of the pension expense in the following year.

### *I. Deferred Inflows of Resources*

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents a receipt of net position that applies to a future period and will not be recognized as revenue until then. The Authority currently has a deferred inflow of pension earnings that meets this criteria. Deferred inflows of pension earnings represent differences between actual pension experiences and

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

actuarial assumptions. These will be recognized as a reduction of pension expense over the actuarial assumption's timeline.

### *J. Net Position*

Net position is the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets is capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when legal limitations are imposed on their use by other governments, creditors, or grantors.

### *K. Capital Grants and Contributions*

Government grants for maintenance, acquisition, or construction of airport facilities are recorded as receivables and capital contributions at the time reimbursable project costs are incurred. Grants received in advance of incurring eligible costs are deferred. Property and equipment acquired by contributions are recorded as assets and nonoperating revenues at fair market value as of the date received.

### *L. Property Taxes*

Property taxes, if levied, are levied on property values as of January 1. Property taxes are due and payable as of November 1, and become delinquent on April 1. A tax certificate sale is held at the end of May on all delinquent real estate taxes, and a lien is placed on the property (refer to Note 9).

Ad valorem taxes levied by the Board of County Commissioners, for county-wide public services, against real and tangible personal property, are limited by State Statutes to 10 mills on the dollar of the assessed value unless any excess is approved by referendum of the voters. In addition, the County may levy up to 10 mills for municipal-type services within the district.

### *M. Revenue Classifications*

Revenues are recognized when earned. The Authority classifies revenues as operating and nonoperating based on the following criteria:

- Operating revenues are from the revenue sources that constitute the principal ongoing activities of the Authority's operations. The major components of the Authority's operating revenue sources consist of T-hanger rentals, fixed base operations and other sales, and mini warehouses.
- Nonoperating revenues and expenses are from revenue sources related to other activities, which do not constitute the principal ongoing activities of the Authority's operations. The major components of the nonoperating revenue and expense sources are capital contributions, interest income, interest expense, debt issue costs, and gain or loss on disposal of assets.

### *N. Operating Leases*

Leases involving buildings and other airport facilities are accounted for as operating leases, which recognizes rental income over the term of the leases.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*O. Compensated Absences*

Employees of the Authority are permitted to accumulate unused vacation and sick leave benefits for use in future years. Accumulated, unused benefits are recorded as an accrued liability at year end. Unused benefits accumulated by employees amounted to \$115,005 and \$110,129, at September 30, 2016 and 2015, respectively.

*P. Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 2 - CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2016, was as follows:

	Cost					
	Land and <u>Improvements</u>	Buildings and <u>Improvements</u>	Runways and <u>Lighting</u>	Furniture, Fixtures, and <u>Equipment</u>	<u>Vehicles</u>	Construction- in- <u>progress</u>
Balance, at beginning of year	\$ 15,819,059	\$ 22,080,654	\$ 23,068,513	\$ 2,560,559	\$ 1,160,131	\$ 10,026,899
Additions	288,781	3,139,539	6,226,738	13,466	0	4,982,462
Transfers and adjustments	0	0	0	0	0	(9,144,753)
Balance, at end of year	<u>\$ 16,107,840</u>	<u>\$ 25,220,193</u>	<u>\$ 29,295,251</u>	<u>\$ 2,574,025</u>	<u>\$ 1,160,131</u>	<u>\$ 5,864,608</u>

	Accumulated Depreciation					
	Land and <u>Improvements</u>	Buildings and <u>Improvements</u>	Runways and <u>Lighting</u>	Furniture, Fixtures, and <u>Equipment</u>	<u>Vehicles</u>	Construction- in- <u>progress</u>
Balance, at beginning of year	\$ 334,680	\$ 8,123,426	\$ 9,569,897	\$ 2,144,562	\$ 234,582	\$ 0
Additions	47,445	599,334	719,915	144,107	188,514	0
Transfers and adjustments	<u>100,000,000</u>	0	0	0	0	0
Balance, at end of year	<u>\$ 100,382,125</u>	<u>\$ 8,722,760</u>	<u>\$ 10,289,812</u>	<u>\$ 2,288,669</u>	<u>\$ 423,096</u>	<u>\$ 0</u>

Depreciation expense for the years ended September 30, 2016 and 2015, was \$1,932,367 and \$1,699,315, respectively.

### NOTE 3 - LONG-TERM DEBT

#### *A. Flagler Development Company Note*

In June 2003, the Authority entered into a note payable with Flagler Development Company as part of a land swap transaction. The swapped land is located at Space Coast Regional Airport. The note is payable, in equal monthly payments, over 15 years with a 2.5% interest rate interest. The note is collateralized by the swapped property received by the Authority.

#### *B. SunTrust Banks, Inc., Note, Series 2015*

In February 2015, the Authority entered into a note payable with SunTrust Banks, Inc. for the amount of \$2,000,000 at a fixed interest rate of 3.69%, payable in equal installments over 15 years. The authority used \$826,426 to pay off an outstanding Wells Fargo note and to pay for the cost of issuance. The balance of the note is to be used on the Authority's capital projects. The Authority has pledged all of its operating revenues as security for the note. The terms of the note include a penalty for prepayment.

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable:					
Flagler Development Company Note	\$ 24,394	\$ 0	\$ 8,957	\$ 15,437	\$ 9,184
SunTrust Banks, Inc., Note, Series 2015	<u>1,939,470</u>	<u>0</u>	<u>103,461</u>	<u>1,836,009</u>	<u>107,597</u>
Total notes payable	1,963,864	0	112,418	1,851,446	116,781
Compensated absences	<u>110,129</u>	<u>90,254</u>	<u>85,378</u>	<u>115,005</u>	<u>115,005</u>
Total long-term liability activity	<u>\$ 2,073,993</u>	<u>\$ 90,254</u>	<u>\$ 197,796</u>	<u>\$ 1,966,451</u>	<u>\$ 231,786</u>

#### FLAGLER DEVELOPMENT COMPANY NOTE

Fiscal Year	Interest Rate	Principal	Interest	Total Principal and Interest	Principal Outstanding After Payment
2017	2.500%	\$ 9,184	\$ 281	\$ 9,465	\$ 6,253
2018	2.500%	<u>6,253</u>	<u>57</u>	<u>6,310</u>	\$ 0
		<u>\$ 15,437</u>	<u>\$ 338</u>	<u>\$ 15,775</u>	

**NOTE 3 - LONG-TERM DEBT** (continued)

## SUNTRUSTS BANK, INC., NOTE, SERIES 2015

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>	<u>Principal Outstanding After Payment</u>
2017	3.690%	\$ 107,597	\$ 66,849	\$ 174,446	\$1,728,412
2018	3.690%	111,692	62,754	174,446	\$1,616,720
2019	3.690%	115,942	58,504	174,446	\$1,500,778
2020	3.690%	120,204	54,242	174,446	\$1,380,574
2021	3.690%	124,931	49,515	174,446	\$1,255,643
2022-2026	3.690%	699,597	172,633	872,230	\$556,046
2027-2030	3.690%	<u>556,046</u>	<u>36,989</u>	<u>593,035</u>	\$0
		\$ <u>1,836,009</u>	\$ <u>501,486</u>	\$ <u>2,337,495</u>	

**NOTE 4 - LEASING ARRANGEMENTS**

The Authority leases facilities at its three airport locations to fixed base operators and other tenants. Buildings and service areas, both leased and available for lease, have a cost of approximately \$25,220,000, and related accumulated depreciation of approximately \$9,417,000, at September 30, 2016. Minimum future rentals on noncancelable operating leases, as of September 30, 2016, are approximately \$759,000, annually, for the next five years.

**NOTE 5 - PENSION PLANS***Florida Retirement System*

**General Information** - All of the Authority's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing, multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

For the fiscal years ended September 30, 2016 and 2015, the Authority's combined pension expenses totaled \$182,792 and \$154,708, for the FRS and the HIS plans, respectively.

## NOTE 5 - PENSION PLAN (continued)

### Pension Plan

Plan Description - The Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special risk administrative support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service or with 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior management service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for regular, senior management service, and elected officers' class members, and to age 60 or 30 years of service regardless of age for special risk and special risk administrative support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

**NOTE 5 - PENSION PLAN** (continued)

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated annually as of July 1. The employer contribution rates, by job class, for the periods from October 1, 2015 through June 30, 2016, and from July 1, 2016 through September 30, 2016, respectively, were as follows:

Regular	7.37% and 7.26%
Special risk administrative support	42.07% and 32.95%
Special risk	19.82% and 22.04%
Senior management service	21.14% and 21.43%
Elected officers	43.24% and 42.27%
DROP participants	12.28% and 12.88%

These employer contribution rates include 1.26% and 1.60% HIS Plan subsidy for the periods October 1, 2015 through June 30, 2016, and from July 1, 2016 through September 30, 2016, respectively.

The Authority's contributions, including employee contributions, to the Pension Plan totaled \$79,538 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016, the Authority reported a liability of \$823,542 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportionate share of the net pension liability was based on the Authority's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the Authority's proportionate share was .003%, which is no change from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Authority recognized pension expense of \$158,386. In addition the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 63,057	\$ 7,668
Change of assumptions	49,822	
Net difference between projected and actual earnings on pension plan investments	378,860	165,984
Changes in proportion and differences between Authority pension plan contributions and proportionate share of contributions	122,250	1,213
Authority pension plan contributions subsequent to the measurement date	<u>22,192</u>	<u>0</u>
Total	<u>\$ 636,181</u>	<u>\$ 174,865</u>

**NOTE 5 - PENSION PLAN** (continued)

The deferred outflows of resources related to the Pension Plan, totaling \$22,192 resulting from Authority contributions to the Pension Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending <u>September 30</u>	<u>Amount</u>
2017	\$43,815
2018	\$43,815
2019	\$126,807
2020	\$86,786
2021	\$12,765
Thereafter	\$4,099

Actuarial Assumptions - The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25% average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables. The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.00%	3.00%	1.70%
Fixed income	18.00%	4.70%	4.60%	4.60%
Global equity	53.00%	8.10%	6.80%	17.20%
Real estate	10.00%	6.40%	5.80%	12.00%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	<u>12.00%</u>	6.10%	5.60%	11.10%
Total	<u>100.00%</u>			
Assumed Inflation - Mean			2.60%	1.90%

**NOTE 5 - PENSION PLAN** (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.60%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60)%	Current Discount Rate (7.60)%	1% Increase (8.60)%
Authority's proportionate share of the net pension liability	\$1,516,196	\$823,542	\$246,998

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2016, the Authority reported a payable in the amount of \$2,612 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2016.

**HIS Plan**

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the HIS contribution for the period October 1, 2015 through June 30, 2016, and from July 1, 2016 through September 30, 2016, was 1.20% and 1.26%, respectively. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

**NOTE 5 - PENSION PLAN** (continued)

The Authority's contributions to the HIS Plan totaled \$13,039 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016, the Authority reported a liability of \$296,470 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportionate share of the net pension liability was based on the Authority's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the Authority's proportionate share was .003%, which is no increase from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Authority recognized pension expense of \$22,624. In addition the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 675
Change of assumptions	46,524	0
Net difference between projected and actual earnings on HIS Plan investments	150	0
Changes in proportion and differences between Authority HIS Plan contributions and proportionate share of contributions	15,359	601
Authority HIS Plan contributions subsequent to the measurement date	<u>3,476</u>	<u>0</u>
Total	\$ <u>65,509</u>	\$ <u>1,276</u>

The deferred outflows of resources related to the HIS Plan, totaling \$3,107 resulting from Authority contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2017	\$ 8,237
2018	\$ 8,237
2019	\$ 8,208
2020	\$ 8,195
2121	\$ 7,089
Thereafter	\$ 6,033

**NOTE 5 - PENSION PLAN** (continued)

**Actuarial Assumptions** - The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.85 %

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables. The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS Plan benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate:

	1% Decrease <u>(1.85)%</u>	Current Discount Rate <u>(2.85)%</u>	1% Increase <u>(3.85)%</u>
Authority's proportionate share of the net pension liability	\$340,118	\$296,470	\$260,244

**Pension Plan Fiduciary Net Position** - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS and Other State-Administered Systems Comprehensive Annual Financial Report.

**Payables to the Pension Plan** - At September 30, 2016, the Authority reported a payable in the amount of \$0 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2016.

**Investment Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

**NOTE 5 - PENSION PLAN** (continued)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (regular, elected authority officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Allocations to the investment members accounts during the 2015-16 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows:

Regular	6.30%
Special risk administrative support	7.95%
Special risk	14.00%
Senior management service	7.67%
Authority elected officers	11.34%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Investment Plan pension expense totaled \$0 for the fiscal year ended September 30, 2016.

## **NOTE 6 - POST-EMPLOYMENT BENEFIT OBLIGATIONS**

### *A. Plan Description*

As a dependent Authority of Brevard County, Florida (the County), the Authority is a member of the County's benefit plan. The Brevard County Board of County Commissioners (the Board) administers a single-employer defined benefit healthcare plan (the Plan) that provides healthcare benefits, including medical coverage and prescription drug benefits, to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the Authority is required to provide eligible retirees (as defined in the County's pension plan) the opportunity to participate in this Plan at the same cost that is applicable to active employees.

Employees who are active participants in the Plan at the time of retirement, and are either age 62 with completion of six years of service or have 30 years of service, are eligible to receive benefits. The Authority's portion of the Plan includes one retiree receiving benefits and has a total of 14 active participants and dependents.

Benefit provisions can only be amended by the Board. On at least an annual basis, and prior to the enrollment process, the Board approves the rates for the coming year for the retiree, employee, and County contributions. The Board or Authority does not issue stand-alone financial statements for the Plan. All financial information related to the Plan is accounted for in the Authority's basic financial statements.

### *B. Funding Policy*

The maximum employer contribution target is 56% of the annual premium costs of the Plan. The annual premium costs are between \$4,056 and \$8,616 for retirees and spouses under age 65, and between \$240 and \$6,756 for retirees and spouses over age 65. Employees hired prior to January 1, 2006, are eligible to receive 100% of the earned percentage of benefits for their lifetime upon attainment of age 62 and completion of 6 years of service or upon completing 30 years of service, if earlier. Employees hired on or after January 1, 2006, are eligible to receive a graduated percentage of benefits upon retirement based on years of service.

For the year ended September 30, 2016, the portion of contribution attributed to the Authority is \$1,571, which includes both an estimate of the implied subsidy described above and the explicit subsidy paid on behalf of eligible retirees.

### *C. Annual OPEB Cost and Net OPEB Obligations*

The Authority's annual Other Post-Employment Benefits (OPEB) cost (expense) is calculated based on the annual required contribution (the ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting By Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the actuarial determined components of the obligation as of the years ended September 30, 2016, 2015, and 2014, based on plan provisions:

**NOTE 6 - POST-EMPLOYMENT BENEFIT OBLIGATIONS** (continued)

OPEB OBLIGATION			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 5,466	\$ 14,638	\$ 14,851
Interest on net OPEB obligation	1,247	1,245	1,244
Adjustment to annual required contribution	<u>(4,785)</u>	<u>(4,779)</u>	<u>(12,679)</u>
Annual OPEB cost (expense)	1,928	11,104	3,416
Contributions made	(1,571)	(11,092)	(10,982)
Interest on employer contributions	<u>0</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net OPEB obligation	357	12	(7,566)
Net OPEB obligation, at beginning of year	<u>124,643</u>	<u>124,631</u>	<u>132,197</u>
Net OPEB obligation, at end of year	<u>\$ 125,000</u>	<u>\$ 124,643</u>	<u>\$ 124,631</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the three fiscal years ended September 30, 2016, 2015, and 2014, are as follows:

OPEB COST			
<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2016	\$1,929	81%	\$125,000
September 30, 2015	\$11,104	99.9%	\$124,643
September 30, 2014	\$3,416	100%	\$124,631

*D. Funded Status and Funding Progress*

Because the Plan has more than 200 members, the Board is required to obtain an actuarial valuation at least every two years. The most recent actuarial valuation was performed as of October 1, 2015. Accordingly, the Board will be required to obtain a subsequent actuarial valuation within two years of that date. As of October 1, 2015, the actuarial accrued liability for benefits for the Authority was \$72,977, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$797,929, and the ratio of unfunded actuarial accrued liability (the UAAL) to the covered payroll was 9.2%.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated.

## **NOTE 6 - POST-EMPLOYMENT BENEFIT OBLIGATIONS** (continued)

The schedule of funding progress is presented as required supplementary information following the notes to the financial statements, and presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### *E. 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 sharing of benefit costs between the employer and plan members to that point.

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 of assets, consistent with long-term perspective of the calculations.

In the October 1, 2015, actuarial valuation, the projected unit credit cost method was used. The actuarial assumption included a 1% investment rate of return and an annual healthcare cost trend rate of 6.33% initially, reduced by decrements to an ultimate rate of 5% after four years.

The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The UAAL is being amortized using a level-percentage of compensation over a maximum allowable period of 30 years.

## **NOTE 7 - DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, which is administered by the International City Managers Association. The plan is available to all Authority employees and permits them to defer a portion of their salary until future years. Participation in the plan is optional. Deferred compensation balances are not available to employees until termination, retirement, death, or an unforeseeable emergency. All assets and income of the plan are held in trust for the exclusive benefit of the participants in the plan; therefore, assets of the plan are not reported in the accompanying financial statements.

## **NOTE 8 - COMMITMENTS AND CONTINGENCIES**

### *A. Construction Commitments*

The Authority entered into major construction and renovation projects during the years ended September 30, 2016 and 2015. While most of the funding for these projects comes from federal and state funds, the Authority is obligated to provide matching funds for these projects from 2.5% to 50%. As of September 30, 2016, the Authority has committed \$219,147 of unrestricted net position for future construction projects. The Authority also entered into several joint ventures to build facilities for tenants during fiscal years ended September 30, 2016 and 2015. The Authority oversees the project and ensures compliance with the funding requirements of the federal and state funds. The joint venture tenant provides the match funds. The total capital contributions from joint venture tenants were \$0 and \$37,558, for fiscal years ended September 30, 2016 and 2015, respectively.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES** (continued)

*B. Claims and Judgments*

The Authority participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other government units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed, due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government.

**NOTE 9 - AD VALOREM TAXES**

During the years ended September 30, 2016 and 2015, the Authority voted not to include tax revenues in its budget. During the years ended September 30, 2016 and 2015, the only tax funds received by the Authority were delinquent funds from previous years.

**NOTE 10 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 16, 2017, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

## TITUSVILLE-COCOA AIRPORT AUTHORITY

FLORIDA RETIREMENT SYSTEM PENSION PLAN  
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY

Last three fiscal years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	0.0033%	0.0033%	0.0027%
Authority's proportionate share of the net pension liability	\$ 823,542	\$ 422,590	\$ 167,042
Authority's covered-employee payroll	\$ 797,929	\$ 792,257	\$ 768,559
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	103.21%	53.34%	21.17%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

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

## SCHEDULE OF AUTHORITY CONTRIBUTIONS

Last three fiscal years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 79,538	\$ 79,768	\$ 59,968
Contractually in relation to the contractually required contribution	<u>(79,538)</u>	<u>(79,768)</u>	<u>(59,968)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	<u>\$ 797,929</u>	<u>\$ 792,257</u>	<u>\$ 768,559</u>
Contributions as a percentage of covered-employee payroll	10.04%	10.06%	7.8%

*Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.*

## TITUSVILLE-COCOA AIRPORT AUTHORITY

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY

Last three fiscal years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	0.0026%	0.0026%	0.0024%
Authority's proportionate share of the net pension liability	\$ 296,470	\$ 260,186	\$ 225,462
Authority's covered-employee payroll	\$ 797,929	\$ 792,257	\$ 768,559
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.16%	32.84%	29.34%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

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

## SCHEDULE OF AUTHORITY CONTRIBUTIONS

Last three fiscal years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 13,039	\$ 9,752	\$ 8,260
Contractually in relation to the contractually required contribution	<u>(13,039)</u>	<u>(9,752)</u>	<u>(8,260)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	<u>\$ 797,929</u>	<u>\$ 792,257</u>	<u>\$ 768,559</u>
Contributions as a percentage of covered employee payroll	1.63%	1.23%	1.07%

*Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.*

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS  
 For the year ended September 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL % of Covered Payroll ((b-a)/c)
10/1/2011	\$0	\$386,115	\$386,115	0.0%	\$657,607	58.7%
10/1/2012	\$0	\$402,542	\$402,542	0.0%	\$680,522	59.2%
10/1/2013	\$0	\$190,580	\$190,580	0.0%	\$768,559	24.8%
10/1/2014	\$0	\$183,245	\$183,245	0.0%	\$792,257	23.1%
10/1/2015	\$0	\$72,977	\$72,977	0.0%	\$797,929	9.2%

**ADDITIONAL SUPPLEMENTARY INFORMATION**

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
 (EXCLUDING CAPITAL PROJECTS)  
 For the year ended September 30, 2016

	Original and Final Budget	Actual	Actual Over (Under) Final Budget
Operating revenues:			
Rentals	\$ 2,310,697	\$ 2,294,056	\$ (16,641)
Miscellaneous	<u>0</u>	<u>7,844</u>	<u>7,844</u>
Total operating revenues	<u>2,310,697</u>	<u>2,301,900</u>	<u>(8,797)</u>
Non-operating revenues:			
Interest income	<u>2,500</u>	<u>143</u>	<u>(2,357)</u>
Total nonoperating revenues	<u>2,500</u>	<u>143</u>	<u>(2,357)</u>
Total revenues	<u>\$ 2,313,197</u>	<u>\$ 2,302,043</u>	<u>\$ (11,154)</u>

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
 (EXCLUDING CAPITAL PROJECTS)  
 For the year ended September 30, 2016

	Original and Final Budget	Actual	Actual Over (Under) Final Budget
Operating expenses:			
Wages and benefits:			
Salaries	\$ 819,517	\$ 797,929	\$ (21,588)
Workers' compensation insurance	17,950	26,413	8,463
Employee benefits	281,890	250,352	(31,538)
Taxes	62,693	73,916	11,223
Total wages and benefits	<u>1,182,050</u>	<u>1,148,610</u>	<u>(33,440)</u>
Repairs, maintenance, and other services:			
Repairs and maintenance	129,000	120,326	(8,674)
Insurance	284,505	245,846	(38,659)
Communications and utilities	199,732	149,107	(50,625)
Professional services	97,000	67,207	(29,793)
Advertising and marketing	17,300	1,349	(15,951)
Taxes and other obligations	13,000	10,866	(2,134)
Travel and training	13,696	5,189	(8,507)
Dues and subscriptions	5,300	9,628	4,328
Total repairs, maintenance, and other services	<u>759,533</u>	<u>609,518</u>	<u>(150,015)</u>
Materials and supplies	<u>72,703</u>	<u>52,804</u>	<u>(19,899)</u>
Bad debt	<u>0</u>	<u>0</u>	<u>0</u>
Contingency expense	<u>40,000</u>	<u>0</u>	<u>(40,000)</u>
Total operating expenses	<u>2,054,286</u>	<u>1,810,932</u>	<u>(243,354)</u>
Nonoperating expenditures:			
Property, plant, equipment, and fees:			
Equipment	<u>75,000</u>	<u>3,325</u>	<u>(71,675)</u>
Total property, plant, equipment, and fees	<u>75,000</u>	<u>3,325</u>	<u>(71,675)</u>
Debt service:			
Notes payable to banks:			
Principal and interest	<u>183,911</u>	<u>183,910</u>	<u>(1)</u>
Total debt service	<u>183,911</u>	<u>183,910</u>	<u>(1)</u>
Total nonoperating expenditures	<u>258,911</u>	<u>187,235</u>	<u>(71,676)</u>
Total expenditures	<u>\$ 2,313,197</u>	<u>\$ 1,998,167</u>	<u>\$ (315,030)</u>

TITUSVILLE-COCOA AIRPORT AUTHORITY  
 SCHEDULE OF CAPITAL PROJECTS SUMMARY  
 As of and for the year ended September 30, 2016

Project	Funding Source	Item Number	Funding			Expenditures			
			Balance 09/30/2015	Additions	Transfers and Adjustments	Balance 09/30/2016	Additions	Transfers and Adjustments	Balance 09/30/2016
122 TIX - Spaceport License Status: open	SPACE FL AUTH		\$ 275,000 376,135	\$ 0 18,483	\$ 0 0	\$ 275,000 394,618	\$ 18,483	\$ 0	\$ 669,618
133 TIX - Aircraft Storage Status: open	FDOT AUTH	431574	929,343 232,333	673,038 189,927	0 0	1,602,381 422,260	862,965	0	2,024,641
13034 TIX - Airfield Markings Status: open	FAA FDOT FDOT FDOT AUTH	312008002614 409819 431575 431535	265,105 13,650 984 0 14,822	37,769 0 1,091 550 2,556	0 (2,979) 2,979 0 0	302,874 10,671 5,054 550 17,378	41,966	0	336,527
135B TIX - East Apron Status: closed	FDOT AUTH	433529	1,739,285 434,821	0 0	(1,739,285) (434,821)	0 0	0	(2,174,106)	0
136 COI - RSA Construction Status: open	FAA FDOT AUTH	312001301914 433520	1,424,380 77,051 81,699	2,492,048 140,528 135,880	0 0 (47,000)	3,916,428 217,579 170,579	2,768,456	(47,000)	4,304,586
137 COI - Bldg 26 Demolition Status: open	FDOT AUTH	420841	0 0	319,469 79,868	0 0	319,469 79,868	399,337	0	399,337
138 COI - North Area Security Status: open	FDOT AUTH	435310	0 0	33,238 8,310	0 0	33,238 8,310	41,548	0	41,548
Totals			\$ 5,864,608	\$ 4,132,755	\$ (2,221,106)	\$ 7,776,257	\$ 4,132,755	\$ (2,221,106)	\$ 7,776,257

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
For the year ended September 30, 2016

Federal Employers Identification Number 59-1061002

Grantor/Passthrough Grantor Program Title and Contract Number	Federal CFDA Number	State CSFA Number	State Item Number	Expenditures
Federal awards:				
Direct federal awards:				
U.S. Department of Transportation - Federal Aviation				
Administration - Airport Improvement Program:				
Project No. 31200800262014 (TIX Airfield Markings)	20.106	NA	NA	\$ 37,769
Project No. 31200130192014 (RSA Construction)	20.106	NA	NA	<u>2,492,048</u>
Total expenditures of federal awards				<u>2,529,817</u>
State financial assistance:				
Florida Department of Transportation - Transportation Systems				
Development - Aviation Development Grants:				
ARS42 (RSA Construction)	NA	55.004	433520	140,528
AR342 (TIX Aircraft Storage)	NA	55.004	431574	673,038
ARP44 (TIX Airfield Markings - AGIS)	NA	55.004	431575	1,091
ARP45 (TIX Airfield Markings - Wildlife Mgmt)	NA	55.004	431535	550
G0851(COI Building 26 Demolition)	NA	55.004	420841	319,469
G0205 (COI North Area Security and Infrastructure)	NA	55.004	435310	<u>33,238</u>
Total expenditures of state financial assistance				<u>1,167,914</u>
Total federal awards and state financial assistance				<u>\$ 3,697,731</u>

TITUSVILLE-COCOA AIRPORT AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
For the year ended September 30, 2016

**NOTE 1 - GENERAL**

The accompanying schedule of expenditures of federal awards and state financial assistance presents the activity of all federal awards programs and state financial assistance projects of the Titusville-Cocoa Airport Authority (the Authority). The Authority's reporting entity is defined in Note 1 of the Authority's financial statements. The accounting policies and presentation of the Single Audit Report have been designed to conform to accounting principles generally accepted in the United States of America applicable to proprietary fund types of government units. Conformance also includes the reporting and compliance requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Florida Single Audit Act.

**NOTE 2 - BASIS OF ACCOUNTING**

The schedule of expenditures of federal awards and state financial assistance is maintained on the full accrual basis of accounting for the proprietary fund types, which is described in Note 1B of the Authority's financial statements.



# DAVIES, HOUSER & SECREST, CPA, P.A.

*Shareholders/Director*

*Stephen A. Ellis, Shareholder  
Todd M. Russell, Shareholder  
Donna L. Young, Director*

*Directors Emeritus*

*Floyd C. Lemmon  
Robert E. Andersen, Jr.*

**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**

The Chairman and Other Members  
Titusville-Cocoa Airport Authority  
Titusville, Florida

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 Titusville-Cocoa Airport Authority (the Authority) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 16, 2017.

## **Internal Control over Financial Reporting**

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

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

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

We noted certain matters that we have reported to management of the Authority, in a separate letter dated February 16, 2017.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Davies, Houser & Secrest, CPA, P.A.  
Cocoa, Florida  
February 16, 2017



# DAVIES, HOUSER & SECREST, CPA, P.A.

## *Shareholders/Director*

*Stephen A. Ellis, Shareholder  
Todd M. Russell, Shareholder  
Donna L. Young, Director*

## *Directors Emeritus*

*Floyd C. Lemmon  
Robert E. Andersen, Jr.*

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

The Chairman and Other Members  
Titusville-Cocoa Airport Authority  
Titusville, Florida

### **Report on Compliance for Each Major Federal Program and State Project**

We have audited the Titusville-Cocoa Airport Authority's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Authority's major Federal programs and State projects for the year ended September 30, 2016. The Authority's major Federal programs and State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Authority is a component unit of Brevard County, Florida.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs and State projects.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major Federal programs and State projects 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); and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, 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 State project occurred. An audit includes examining, on a test basis, evidence about the 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 each major Federal program and State project. However, our audit does not provide a legal determination of the Authority's compliance.

### **Opinion on Each Major Federal Program and State Project**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs and State projects for the year ended September 30, 2016.

### **Report on Internal Control over Compliance**

Management of the 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 the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program or State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and State project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, 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 the 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 or State project 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 or State project 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 the type of compliance requirement of a Federal program or State project 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 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Davies, Houser & Secret, CPA, P.A.  
Cocoa, Florida  
February 16, 2017

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FEDERAL AWARDS PROGRAMS  
 For the year ended September 30, 2016

I.	Summary of Auditor's Results	Answers
1.	Type of report issued on financial statements	Unmodified
2.	Material weaknesses or significant deficiencies in internal control disclosed by the audit of the financial statements	None
3.	Noncompliance which is material to the audited financial statements	None
4.	Material weaknesses or significant deficiencies in internal control over major programs disclosed by the audit	None
5.	Type of report on compliance for major programs	Unmodified
6.	Audit findings required to be reported in accordance with 2 CFR 200.516(a)	None
7.	Identification of major federal program	U.S. Department of Transportation FAA Grant CFDA #20.106
8.	Dollar threshold for Type A programs	\$750,000
9.	Low risk auditee	Yes
II.	Findings required to be reported in accordance with generally accepted <i>Government Auditing Standards</i>	None
III.	Findings and questioned costs relating to federal awards	None

TITUSVILLE-COCOA AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FEDERAL AWARDS PROGRAMS  
For the year ended September 30, 2016

No prior year findings.

TITUSVILLE-COCOA AIRPORT AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 STATE FINANCIAL ASSISTANCE PROJECTS  
 For the year ended September 30, 2016

I.	Summary of Auditor's Results	Answers
	1. Type of report issued on financial statements	Unmodified
	2. Material weaknesses or significant deficiencies in internal control disclosed by the audit of the financial statements	None
	3. Non-compliance which is material to the audited financial statements	None
	4. Material weaknesses or significant deficiencies in internal control over major projects disclosed by the audit	None
	5. Type of report on compliance for major projects	Unmodified
	6. Audit findings required to be disclosed under Chapter 10.557 of the Rules of the Auditor General	None
	7. Identification of major state project	Florida Department of Transportation - Transportation Systems Development - Aviation Development Grants CSFA #55.004
	8. Dollar threshold for Type A programs	\$300,000
II.	Findings required to be reported in accordance with generally accepted <i>Government Auditing Standards</i>	None
III.	Findings and questioned costs for state projects defined under Chapter 10.554 (1)(1)(4) of the Rules of the Auditor General	None
IV.	Prior year's audit findings	None

### **Other Matters**

Section 10.544(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we make the following recommendations.

#### *Lack of Separation of Duties*

Since the Authority employs a small number of office personnel, one person is primarily responsible for performing all accounting duties. Accordingly, the Authority's ability to use segregation of duties to establish internal accounting control is limited. This limitation is offset by the Authority's members' monthly participation in the accounting and reporting function by way of detailed reviews of budgets and monthly comparisons of budgeted versus actual data. While these procedures were generally effective for internal accounting control purposes during the past year, it should be clearly understood that changes in personnel, or the extent of participation by the Authority's members, could have a material effect on internal accounting controls.

#### *View of Responsible Official*

We will continue to produce timely financial information in the form of monthly budget to actual statements, so the Authority's members can review monthly budget variances in order to address operational changes in a timely manner.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Authority's members and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Davies, Houser & Secret, CPA, P.A.  
Cocoa, Florida  
February 16, 2017