

|                           |
|---------------------------|
| Meeting Date              |
| <b>March 17,<br/>2015</b> |



|          |                |
|----------|----------------|
| AGENDA   |                |
| Section  | <b>CONSENT</b> |
| Item No. | <i>II.C.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 2013-2014</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 2013-2014.

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 2013-2014. The audit was accepted by the Airport Authority Board at their regular meeting on February 19, 2015.

Fiscal Impact: There is no financial impact.

Contact Person:  
Thomas Rosenberg, Budget Director, ext. 52854 or [thomas.rosenberg@brevardcounty.us](mailto:thomas.rosenberg@brevardcounty.us)

Clerk to the Board instruction:

Exhibits Attached: Audited Financial Statements of the Titusville-Cocoa Airport Authority for FY 2013-2014.

|   |  |                             |     |                                 |    |                          |    |                          |
|---|--|-----------------------------|-----|---------------------------------|----|--------------------------|----|--------------------------|
| <b>Contract /Agreement (If attached):</b> |  | Reviewed by County Attorney | Yes | <input type="checkbox"/>        | No | <input type="checkbox"/> | PR | <input type="checkbox"/> |
| County Manager                            |  | Assistant County Manager    |     | Department Director / Extension |    |                          |    |                          |
| Stocton Whitten                           |  | Thomas Rosenberg/X-52854    |     |                                 |    |                          |    |                          |



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

Telephone: (321) 637-2001  
Fax: (321) 264-6972

March 18, 2015

MEMORANDUM

TO: Tom Rosenberg, Budget Director

RE: Item II.B.2, Acknowledge Receipt of Annual Audited Financial Statements of the Titusville-Cocoa Airport Authority for FY 2013-2014

The Board of County Commissioners, in regular session on, March 17, 2015, acknowledged receipt of Annual Audited Financial Statements of the Titusville-Cocoa Airport Authority for FY 2013-2014.

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS  
SCOTT ELLIS, CLERK

Tammy Etheridge, Deputy Clerk

/cm

cc: Finance



TIX → SPACE COAST REGIONAL AIRPORT  
COI → MERRITT ISLAND AIRPORT  
X2I → 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 23, 2015

Mr. Tom Rosenberg  
Budget Director  
Brevard County  
2725 Judge Fran Jamieson Way  
Viera , FL 32940

REFERENCE: Titusville-Cocoa Airport Authority 2013-14 Annual Audit

Dear Mr. Rosenberg:

Enclosed is a copy of the Annual Audit reflecting the financial status of the Titusville-Cocoa Airport Authority for its 2013-14 Fiscal Year. The Audit was accepted by the Airport Authority Board at their regular meeting on February 19, 2015.

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

**TITUSVILLE-COCOA AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**As of and for the years ended September 30, 2014 and 2013**

**and**

**INDEPENDENT AUDITOR'S REPORT**

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

**AUTHORITY MEMBERS**

|                     |               |
|---------------------|---------------|
| Jerry Sansom        | Chairman      |
| Dr. David L. Hosley | Vice Chairman |
| Patricia Patch      | Treasurer     |
| Harry Carswell      | Secretary     |

Jay Stalrit

Dr. Wasim Niazi

Milo Zonka

**CHIEF EXECUTIVE OFFICER**

Michael D. Powell, C.M., ACE

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

BUSINESS CONSULTANTS AND FAMILY WEALTH PLANNERS

## *Shareholders & Director*

*Stephen A. Ellis, Shareholder*  
*Todd M. Russell, Shareholder*  
*Matthew D. Trine, Shareholder*  
*G. Mitchell Krasny, Director*

## *Directors Emeritus*

*Floyd C. Lemmon*  
*William R. Kidd*  
*Robert E. Andersen, Jr.*

## INDEPENDENT AUDITOR'S REPORT

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

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, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of September 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the 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 and the schedule of funding progress, as listed on the table of contents, 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 sufficient evidence to express an opinion or provide any assurance.

### *Other 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Local Government Entity Audits*, Rules of the Auditor General of the State of Florida 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 19, 2015, 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.  
February 19, 2015  
Cocoa, Florida

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**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, 2014. 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 \$5,943,000 or 12%.
- Operating revenues decreased \$24,000 or 1%, and operating expenses increased \$235,000 or 8%. Operating expenses exceeded revenues by \$1,203,000, compared to \$944,000 in the prior year.
- Non-operating expenses decreased \$7,000, mainly due to lower amounts of note interest.
- Capital contributions from federal, state, and other third parties totaled \$7,186,000, compared to \$4,076,000 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 a section of 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 and liabilities. 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 liabilities, 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 non-financial factors, such as the condition of the Authority's runways and buildings.

## FINANCIAL ANALYSIS

### *A. Net Position*

The Authority's net position increased \$5,943,000 or 12%. In comparison, last year's net position increased \$3,084,000 or 7%. The following table summarizes these results.

|  | <u>2014</u>          | <u>2013</u>          | <u>Change</u> |
|--|----------------------|----------------------|---------------|
| Current and other assets                           | \$ 2,130,211         | \$ 3,285,067         | (35.15)%      |
| Net capital assets                                 | <u>54,308,668</u>    | <u>47,589,701</u>    | 14.12%        |
| Total assets                                       | <u>56,438,879</u>    | <u>50,874,768</u>    | 10.94%        |
| Current liabilities                                | 1,362,149            | 1,532,684            | (11.13)%      |
| Noncurrent liabilities                             | <u>758,467</u>       | <u>966,539</u>       | (21.53)%      |
| Total liabilities                                  | <u>2,120,616</u>     | <u>2,499,223</u>     | (15.15)%      |
| Net position:                                      |                      |                      |               |
| Invested in capital assets,<br>net of related debt | 53,474,326           | 46,563,253           | 14.84%        |
| Unrestricted                                       | <u>843,937</u>       | <u>1,812,292</u>     | (53.43)%      |
| Total net position                                 | <u>\$ 54,318,263</u> | <u>\$ 48,375,545</u> | 12.28%        |

### *B. Changes in Net Position*

Operating revenues decreased \$24,000 or 1%, and operating expenses increased \$235,000 or 8%, mainly due to increases in wages and benefits, repairs and maintenance, and depreciation. Operating expenses exceeded revenues by \$1,203,000, compared to \$944,000 in the prior year. Non-operating revenues decreased \$800, and non-operating expenses decreased \$7,000, mainly due to a decrease in note interest paid. Capital contributions from federal, state, and other third parties totaled \$7,186,000, compared to \$4,076,000 in the prior year. The following table summarizes these results.

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

|   | <u>2014</u>          | <u>2013</u>          | <u>Change</u> |
|---|----------------------|----------------------|---------------|
| Operating revenues:                         |                      |                      |               |
| T-hangars                                   | \$ 930,393           | \$ 909,832           | 2.26%         |
| Fixed base operations                       | 420,706              | 433,528              | (2.96)%       |
| Other sales, houses, and<br>mini warehouses | 723,637              | 755,111              | (4.17)%       |
| Other revenues                              | <u>26,166</u>        | <u>26,005</u>        | 0.62%         |
| Total operating revenues                    | <u>2,100,902</u>     | <u>2,124,476</u>     | (1.11)%       |
| Operating expenses:                         |                      |                      |               |
| Wages and benefits                          | 1,058,084            | 962,151              | 9.97%         |
| Repairs, maintenance, and<br>other services | 682,018              | 612,357              | 11.38%        |
| Materials and supplies                      | 72,209               | 69,604               | 3.74%         |
| Depreciation                                | <u>1,491,157</u>     | <u>1,424,744</u>     | 4.66%         |
| Total operating expenses                    | <u>3,303,468</u>     | <u>3,068,856</u>     | 7.64%         |
| Operating loss                              | <u>(1,202,566)</u>   | <u>(944,380)</u>     | 27.34%        |
| Non-operating revenues (expenses):          |                      |                      |               |
| Interest income                             | 46                   | 825                  | (94.42)%      |
| Note interest                               | (40,665)             | (48,710)             | (16.52)%      |
| Redevelopment and stormwater fees           | <u>(51)</u>          | <u>0</u>             | N/A           |
| Excess non-operating revenues<br>(expenses) | <u>(40,670)</u>      | <u>(47,885)</u>      | (15.07)%      |
| Loss before contributions                   | (1,243,236)          | (992,265)            | 25.29%        |
| Capital contributions:                      |                      |                      |               |
| Other governmental                          | 6,987,479            | 4,020,815            | 73.78%        |
| Local governmental                          | 0                    | 16,240               | (100.00)%     |
| Joint ventures – Space Florida              | <u>198,475</u>       | <u>38,967</u>        | 409.34%       |
| Change in net position                      | 5,942,718            | 3,083,757            | 92.71%        |
| Total net position, at beginning of year    | <u>48,375,545</u>    | <u>45,291,788</u>    | 6.81%         |
| Total net position, at end of year          | <u>\$ 54,318,263</u> | <u>\$ 48,375,545</u> | 12.28%        |

*C. Budgetary Highlights*

Actual revenues were less than budgeted amounts by \$215,000, mainly due to rental income being less than expected.

## FINANCIAL ANALYSIS (continued)

Insurance expense was under budget by \$52,000; communications and utilities were under budget by \$56,000; professional services were under budget by \$53,000; advertising and marketing were under budget by \$38,000; materials and supplies were under budget by \$16,000; expense contingency was under budget by \$19,000; and payments for equipment were under budget by \$47,000. Repairs and maintenance were over budget by \$35,000, and wages and benefits were over budget by \$20,000. Overall, expenditures were under budget by \$220,000.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *A. Capital Assets*

The following is a summary of major capital asset additions for 2014.

Major completed projects that were capitalized:

Space Coast:

|                    |                |
|--------------------|----------------|
| Security system    | \$ 1,047,488   |
| ARFF vehicle       | 882,775        |
| T-hangar taxilanes | <u>432,718</u> |

Total Space Coast \$ 2,362,981

Arthur Dunn:

|               |                   |
|---------------|-------------------|
| Fire hydrants | <u>\$ 151,775</u> |
|---------------|-------------------|

Major projects reported in construction-in-process

Space Coast:

|                  |                  |
|------------------|------------------|
| ARFF facility    | \$ 3,102,727     |
| West Apron Rehab | <u>5,606,564</u> |

Total Space Coast \$ 8,709,291

Table A-3 summarizes changes in capital assets.

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

|                                    | <u>2014</u>          | <u>2013</u>          | <u>Change</u> |
|------------------------------------|----------------------|----------------------|---------------|
| Land and improvements              | \$ 15,484,379        | \$ 15,372,460        | 0.73%         |
| Building and improvements          | 13,957,228           | 13,476,076           | 3.57%         |
| Runways and lighting               | 13,498,616           | 13,772,783           | (1.99)%       |
| Furniture, fixtures, and equipment | 415,997              | 571,718              | (27.24)%      |
| Vehicles                           | 925,549              | 14,515               | 627.65%       |
| Construction-in-progress           | <u>10,026,899</u>    | <u>4,382,149</u>     | 128.81%       |
| Total                              | <u>\$ 54,308,668</u> | <u>\$ 47,589,701</u> | 14.12%        |

### *B. Long-term Debt*

At year end, the Authority had \$834,000 in notes outstanding, a decrease of \$192,000 over the prior year. The Authority incurred no new debt during the year ended September 30, 2014.

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

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

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

During the year ended September 30, 2014, the Authority purchased an ARFF Vehicle, and completed the T-Hangar Taxiway Rehabilitation and the West Apron Rehabilitation projects at Space Coast Regional Airport. The Authority completed the Fire Hydrants project at Arthur Dunn and completed the Design of the Runway Safety Area project at Merritt Island Airport. These projects are being completed with grants from the FAA and FDOT. For the fiscal year ending September 30, 2015, the Authority will complete the Design and Construction of the East Hangar and East Apron Rehabilitation projects at Space Coast Regional Airport and the Runway Safety Area project at Merritt Island Airport with the assistance of the FAA and FDOT.

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

This 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.

**FINANCIAL STATEMENTS**

TITUSVILLE-COCOA AIRPORT AUTHORITY

STATEMENTS OF NET POSITION  
September 30, 2014 and 2013

| <u>ASSETS</u>                          | <u>2014</u>          | <u>2013</u>          |
|--|----------------------|----------------------|
| Current assets:                        |                      |                      |
| Cash and cash equivalents              | \$ 1,547,753         | \$ 2,319,829         |
| Accounts receivable                    | 8,064                | 9,504                |
| Due from other governments             | 541,506              | 910,382              |
| Other receivables                      | 23,479               | 38,967               |
| Prepaid expenses and other receivables | 9,409                | 6,385                |
|  | <u>2,130,211</u>     | <u>3,285,067</u>     |
| Property and equipment:                |                      |                      |
| Land                                   | 14,204,818           | 14,204,818           |
| Land improvements                      | 1,614,241            | 1,462,466            |
| Buildings and improvements             | 22,080,654           | 21,023,450           |
| Runways and lighting                   | 23,068,513           | 22,635,796           |
| Furniture, fixtures, and equipment     | 2,560,559            | 2,560,559            |
| Vehicles                               | 1,160,131            | 236,453              |
| Construction-in-progress               | 10,026,899           | 4,382,149            |
|  | 74,715,815           | 66,505,691           |
| Less accumulated depreciation          | <u>20,407,147</u>    | <u>18,915,990</u>    |
| Net property and equipment             | <u>54,308,668</u>    | <u>47,589,701</u>    |
| Total assets                           | <u>\$ 56,438,879</u> | <u>\$ 50,874,768</u> |

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

| <u>LIABILITIES AND NET POSITION</u>                     | <u>2014</u>          | <u>2013</u>          |
|---|----------------------|----------------------|
| Current liabilities (payable from current assets):      |                      |                      |
| Accounts payable  | \$ 30,811            | \$ 36,008            |
| Contracts payable                                       | 645,014              | 882,328              |
| Accrued expenses and other liabilities                  | 270,522              | 220,122              |
| Refundable deposits                                     | 215,296              | 202,120              |
| Long-term notes due within one year                     | 200,506              | 192,106              |
|   | <u>1,362,149</u>     | <u>1,532,684</u>     |
| Total current liabilities (payable from current assets) |                      |                      |
| Noncurrent liabilities:                                 |                      |                      |
| Flagler Development Company note                        | 24,394               | 33,130               |
| Notes payable to banks                                  | 609,442              | 801,212              |
| Post-employment benefit obligations                     | 124,631              | 132,197              |
|   | <u>758,467</u>       | <u>966,539</u>       |
| Total non-current liabilities                           |                      |                      |
| Total liabilities                                       | <u>2,120,616</u>     | <u>2,499,223</u>     |
| Net position:   |                      |                      |
| Net investment in capital assets                        | 53,474,326           | 46,563,253           |
| Unrestricted  | 843,937              | 1,812,292            |
|   | <u>54,318,263</u>    | <u>48,375,545</u>    |
| Total net position                                      |                      |                      |
| Total liabilities and net position                      | <u>\$ 56,438,879</u> | <u>\$ 50,874,768</u> |

The notes to the financial statements are an integral part of the 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, 2014 and 2013

|  | <u>2014</u>          | <u>2013</u>          |
|--|----------------------|----------------------|
| Operating revenues:                      |                      |                      |
| T-hangars                                | \$ 930,393           | \$ 909,832           |
| Fixed base operations                    | 420,706              | 433,528              |
| Other sales, houses, and mini warehouses | 723,637              | 755,111              |
| Other revenue                            | <u>26,166</u>        | <u>26,005</u>        |
| Total operating revenues                 | <u>2,100,902</u>     | <u>2,124,476</u>     |
| Operating expenses:                      |                      |                      |
| Wages and benefits                       | 1,058,084            | 962,151              |
| Repairs, maintenance, and other services | 682,018              | 612,357              |
| Materials and supplies                   | 72,209               | 69,604               |
| Depreciation                             | <u>1,491,157</u>     | <u>1,424,744</u>     |
| Total operating expenses                 | <u>3,303,468</u>     | <u>3,068,856</u>     |
| Operating loss                           | <u>(1,202,566)</u>   | <u>(944,380)</u>     |
| Non-operating revenues (expenses):       |                      |                      |
| Interest income                          | 46                   | 825                  |
| Note interest                            | (40,665)             | (48,710)             |
| Redevelopment and stormwater fees        | <u>(51)</u>          | <u>0</u>             |
| Excess non-operating revenues (expenses) | <u>(40,670)</u>      | <u>(47,885)</u>      |
| Loss before contributions                | (1,243,236)          | (992,265)            |
| Capital contributions:                   |                      |                      |
| Other governmental                       | 6,987,479            | 4,020,815            |
| Local governmental                       | 0                    | 16,240               |
| Joint venture - Space Florida            | <u>198,475</u>       | <u>38,967</u>        |
| Changes in net position                  | 5,942,718            | 3,083,757            |
| Net position, at beginning of year       | <u>48,375,545</u>    | <u>45,291,788</u>    |
| Net position, at end of year             | <u>\$ 54,318,263</u> | <u>\$ 48,375,545</u> |

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

TITUSVILLE-COCOA AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS  
For the years ended September 30, 2014 and 2013

|   | <u>2014</u>         | <u>2013</u>         |
|---|---------------------|---------------------|
| Cash flows from operating activities:                           |                     |                     |
| Cash received from tenants                                      | \$ 2,149,753        | \$ 2,128,709        |
| Cash paid to employees  | (1,047,706)         | (933,585)           |
| Cash paid to suppliers  | <u>(764,227)</u>    | <u>(401,619)</u>    |
| Net cash flows provided by operating activities                 | <u>337,820</u>      | <u>793,505</u>      |
| Cash flows from non-capital financing activities:               |                     |                     |
| Cash paid for redevelopment and stormwater fees                 | <u>(51)</u>         | <u>0</u>            |
| Net cash flows used by non-capital financing activities         | <u>(51)</u>         | <u>0</u>            |
| Cash flows from capital and related financing activities:       |                     |                     |
| Cash received from capital and reimbursable grants              | 7,570,318           | 4,223,524           |
| Cash paid for acquisition and construction of capital assets    | (8,447,438)         | (4,319,916)         |
| Cash paid for principal on notes                                | (192,106)           | (184,079)           |
| Cash paid for interest on notes                                 | <u>(40,665)</u>     | <u>(48,710)</u>     |
| Net cash flows used by capital and related financing activities | <u>(1,109,891)</u>  | <u>(329,181)</u>    |
| Cash flows from investing activities:                           |                     |                     |
| Cash received for interest income                               | <u>46</u>           | <u>825</u>          |
| Net cash flows provided by investing activities                 | <u>46</u>           | <u>825</u>          |
| Net change in cash  | (772,076)           | 465,149             |
| Cash and cash equivalents, at beginning of year                 | <u>2,319,829</u>    | <u>1,854,680</u>    |
| Cash and cash equivalents, at end of year                       | <u>\$ 1,547,753</u> | <u>\$ 2,319,829</u> |

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

|  | <u>2014</u>               |                              |                     |
|--|---------------------------|------------------------------|---------------------|
|  | <u>Current<br/>Assets</u> | <u>Restricted<br/>Assets</u> | <u>Total</u>        |
| Reconciliation of cash per statements<br>of cash flows to the statements<br>of net position: |                           |                              |                     |
| Cash and cash equivalents,<br>at beginning of year   | \$ 2,319,829              | \$ 0                         | \$ 2,319,829        |
| Net increase   | <u>(772,076)</u>          | <u>0</u>                     | <u>(772,076)</u>    |
| Cash and cash equivalents,<br>at end of year   | <u>\$ 1,547,753</u>       | <u>\$ 0</u>                  | <u>\$ 1,547,753</u> |

|   | <u>2014</u>           | <u>2013</u>         |
|---|-----------------------|---------------------|
| Reconciliation of operating loss to net<br>cash provided by operating activities:           |                       |                     |
| Cash flows from operating activities:   |                       |                     |
| Operating loss  | \$ <u>(1,202,566)</u> | \$ <u>(944,380)</u> |
| Adjustments to reconcile operating loss<br>to net cash provided by operating<br>activities: |                       |                     |
| Depreciation  | 1,491,157             | 1,424,744           |
| (Increase) decrease in accounts<br>receivable   | 1,440                 | (944)               |
| (Increase) decrease in prepaid<br>expenses and other receivables                            | (3,024)               | 274,168             |
| Increase (decrease) in accounts<br>payable  | (5,197)               | 5,407               |
| Increase in accrued expenses,<br>other liabilities, and deposits                            | 63,576                | 34,510              |
| Decrease in post-employment<br>benefit obligations  | <u>(7,566)</u>        | <u>0</u>            |
| Total adjustments   | <u>1,540,386</u>      | <u>1,737,885</u>    |
| Net cash provided by operating activities   | <u>\$ 337,820</u>     | <u>\$ 793,505</u>   |

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

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TITUSVILLE-COCOA AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
As of and for the years ended September 30, 2014 and 2013

**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, 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 seven members, 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. 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, including pooled cash, with an original maturity of three months or less when purchased, to be cash and equivalents. A portion of the

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

Authority's cash resources, excess cash, including restricted cash, is pooled and invested with the Florida State Board of Administration. Earnings from pooled investments are distributed to the appropriate accounts based upon monthly cash balances.

As of September 30, 2014, the carrying amount of the Authority and its subsidiaries' bank deposits was \$1,547,753, and the bank balance was \$1,548,888. These bank balances were fully insured by the Federal Deposit Insurance Corporation or 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, 2014 and 2013.

*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's policy is to either use restricted assets first to fund appropriations or to use restricted assets only after the unrestricted resources are depleted.

*H. Net Position*

Net position is the difference between assets plus deferred outflows and liabilities plus deferred inflows. There were no deferred outflows or inflows for the years ended September 30, 2014 and 2013. 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.

*I. 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 non-operating revenues at fair market value as of the date received.

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

*J. 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 10).

Ad valorem taxes levied by the Board of County Commissioners, for countywide 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.

*K. Revenue Classifications*

Revenues are recognized when earned. The Authority classifies revenues as operating and non-operating 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 rentals of T-hangers, fixed base operations and other sales, and mini warehouses.

Non-operating 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 non-operating revenue and expense sources are capital contributions, interest income, interest expense, and gain or loss on disposal of assets.

*L. 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.

*M. 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 \$115,303 and \$107,288, at September 30, 2014 and 2013, respectively.

*N. 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, 2014, was as follows:

|                               | Cost                               |   |                                   |   |                     |   |
|-------------------------------|------------------------------------|---|-----------------------------------|---|---------------------|---|
|                               | Land<br>and<br><u>Improvements</u> | Buildings<br>and<br><u>Improvements</u> | Runways<br>and<br><u>Lighting</u> | Furniture,<br>Fixtures, and<br><u>Equipment</u> | <u>Vehicles</u>     | Construction-<br>in-<br><u>progress</u> |
| Balance, at beginning of year | \$ 15,667,284                      | \$ 21,023,450                           | \$ 22,635,796                     | \$ 2,560,559                                    | \$ 236,453          | \$ 4,382,149                            |
| Additions                     | 151,775                            | 1,057,204                               | 432,717                           | 0   | 923,678             | 6,774,847                               |
| Transfers and adjustments     | 0                                  | 0                                       | 0                                 | 0   | 0                   | (1,130,097)                             |
| Balance, at end of year       | <u>\$ 15,819,059</u>               | <u>\$ 22,080,654</u>                    | <u>\$ 23,068,513</u>              | <u>\$ 2,560,559</u>                             | <u>\$ 1,160,131</u> | <u>\$ 10,026,899</u>                    |

|                               | Accumulated Depreciation           |   |                                   |   |                   |   |
|-------------------------------|------------------------------------|---|-----------------------------------|---|-------------------|---|
|                               | Land<br>and<br><u>Improvements</u> | Buildings<br>and<br><u>Improvements</u> | Runways<br>and<br><u>Lighting</u> | Furniture,<br>Fixtures, and<br><u>Equipment</u> | <u>Vehicles</u>   | Construction-<br>in-<br><u>progress</u> |
| Balance, at beginning of year | \$ 294,824                         | \$ 7,547,374                            | \$ 8,863,013                      | \$ 1,988,841                                    | \$ 221,938        | \$ 0                                    |
| Additions                     | 39,856                             | 576,052                                 | 706,884                           | 155,721   | 12,644            | 0                                       |
| Transfers and adjustments     | 0                                  | 0                                       | 0                                 | 0   | 0                 | 0                                       |
| Balance, at end of year       | <u>\$ 334,680</u>                  | <u>\$ 8,123,426</u>                     | <u>\$ 9,569,897</u>               | <u>\$ 2,144,562</u>                             | <u>\$ 234,582</u> | <u>\$ 0</u>                             |

Depreciation expense for the years ended September 30, 2014 and 2013, was \$1,491,157 and \$1,424,744, respectively.

## NOTE 3 - LONG-TERM DEBT

### *A. Wells Fargo Bank, N.A., Note, Series 2003*

In August 2003, the Authority entered into a note payable with Wells Fargo Bank, N.A. The Authority borrowed \$2,450,000 at a fixed interest rate of 4.37%, payable in equal installments over 15 years. The Authority used \$2,250,000 to pay off the Florida Local Government Finance Commission Pooled Commercial Paper Loan Program. The balance of the loan proceeds was used to pay loan costs and to fund planned capital improvement projects. The Authority has pledged all of its operating revenues as security for the loan. The terms of the note include a penalty for prepayment.

### *B. 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% rate of interest. The note is collateralized by the swapped property received by the Authority.

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

Long-term liability activity for the year ended September 30, 2014, was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Notes payable:                               |                              |                  |                   |                           |                                |
| Wells Fargo Bank, N.A., Note,<br>Series 2003 | \$ 984,797                   | \$ 0             | \$ 183,585        | \$ 801,212                | \$ 191,770                     |
| Flagler Development                          | <u>41,651</u>                | <u>0</u>         | <u>8,521</u>      | <u>33,130</u>             | <u>8,736</u>                   |
| Total notes payable                          | 1,026,448                    | 0                | 192,106           | 834,342                   | 200,506                        |
| Compensated absences                         | <u>107,288</u>               | <u>83,377</u>    | <u>75,362</u>     | <u>115,303</u>            | <u>115,303</u>                 |
| Total long-term liability activity           | \$ <u>1,133,736</u>          | \$ <u>83,377</u> | \$ <u>267,468</u> | \$ <u>949,645</u>         | \$ <u>315,809</u>              |

**WELLS FARGO BANK, N.A., NOTE - SERIES 2003**

| <u>Fiscal<br/>Year</u> | <u>Interest<br/>Rate</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total<br/>Principal<br/>and Interest</u> | <u>Principal<br/>Outstandin<br/>After<br/>Payment</u> |
|------------------------|--------------------------|-------------------|------------------|---|---|
| 2015                   | 4.370%                   | \$ 191,790        | \$ 31,163        | \$ 222,953                                  | \$609,422   |
| 2016                   | 4.370%                   | 200,300           | 22,611           | 222,911                                     | \$409,122   |
| 2017                   | 4.370%                   | 209,252           | 13,678           | 222,930                                     | \$199,870   |
| 2018                   | 4.370%                   | <u>199,870</u>    | <u>4,286</u>     | <u>204,156</u>                              | \$0   |
|                        |                          | \$ <u>801,212</u> | \$ <u>71,738</u> | \$ <u>872,950</u>                           |   |

**FLAGLER DEVELOPMENT COMPANY NOTE**

| <u>Fiscal<br/>Year</u> | <u>Interest<br/>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total<br/>Principal<br/>and Interest</u> | <u>Principal<br/>Outstandin<br/>After<br/>Payment</u> |
|------------------------|--------------------------|------------------|-----------------|---|---|
| 2015                   | 2.500%                   | \$ 8,736         | \$ 729          | \$ 9,465                                    | \$24,394  |
| 2016                   | 2.500%                   | 8,957            | 508             | 9,465                                       | \$15,437  |
| 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>33,130</u> | \$ <u>1,575</u> | \$ <u>34,705</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 \$22,081,000, and related accumulated depreciation of approximately \$8,123,000, at September 30, 2014. Minimum future rentals on non-cancelable operating leases, as of September 30, 2014, are approximately \$693,000, annually, for the next five years.

#### **NOTE 5 - RETIREMENT PLAN**

All employees of the Authority are covered by the Florida Retirement System (FRS), which is a multiple-employer, cost-sharing state public employee retirement system. All employees are eligible and must participate and are required to contribute 3% of their pay to fund the plan. The FRS provides for vesting of benefits after six years of service, and employees are eligible for normal retirement after thirty years of service or attaining age 62. Benefits are computed on the basis of age, average final compensation, and service credit. Average final compensation is the average of the five highest fiscal years of earnings. Early retirement may be taken any time after six years of service; however, there is a 5% reduction in benefits for each year early retirement benefits commence prior to normal retirement. The FRS also provides death and disability benefits, which are established by Florida Statutes.

As previously noted, employees of the Authority contribute 3% of their pay into the pension plan. In addition, the Authority makes monthly contributions to the pension plan equal to the amount required by Florida Statutes. The percentage of covered payroll the Authority was required to contribute to the plan was 5.18% to 14.57%, beginning July 1, 2012, 6.30% to 18.31%, beginning July 1, 2013, and 7.37% to 21.14%, beginning July 1, 2014.

The Authority's contributions for the years ended September 30, 2014, 2013, and 2012, were \$75,682, \$47,338, and \$34,222, respectively, and equaled the required contributions for each year per the percentage schedule noted above. The actual and covered payroll for employees participating in the FRS for the years ended September 30, 2014 and 2013, was \$768,559 and \$680,522, respectively.

The Florida Division of Retirement issues a publicly available financial report that includes financial statements and supplementary information for the FRS. The report may be obtained by writing to the Florida Division of Retirement, 2639 Monroe Street, Building C, Tallahassee, Florida 32399-1560.

#### **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 health care 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 1 retiree receiving benefits and has a total of 14 active participants and dependents.

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

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 this 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 \$8,854 and \$16,954 for retirees and spouses under age 65, and between \$3,211 and \$5,768 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, 2014, the portion of contribution attributed to the Authority is \$10,982, 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 Government Accounting Standards Board Statement No. 45, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, (GASB 45). 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, 2012, 2013, and 2014, based on plan provisions:

|  | <u>2012</u>       | <u>2013</u>       | <u>2014</u>       |
|--|-------------------|-------------------|-------------------|
| Annual required contribution               | \$ 31,217         | \$ 32,156         | \$ 14,851         |
| Interest on net OPEB obligation            | 1,614             | 2,044             | 1,244             |
| Adjustment to annual required contribution | <u>(2,886)</u>    | <u>4,254</u>      | <u>(12,679)</u>   |
| Annual OPEB cost (expense)                 | 29,945            | 38,454            | 3,416             |
| Contributions made                         | (8,342)           | (8,509)           | (10,982)          |
| Interest on employer contributions         | <u>0</u>          | <u>0</u>          | <u>0</u>          |
| Increase (decrease) in net OPEB obligation | 21,603            | 29,945            | (7,566)           |
| Net OPEB obligation - beginning of year    | <u>80,649</u>     | <u>102,252</u>    | <u>132,197</u>    |
| Net OPEB obligation - end of year          | <u>\$ 102,252</u> | <u>\$ 132,197</u> | <u>\$ 124,631</u> |

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

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, 2012, 2013, and 2014, are as follows:

| <u>Year Ended</u>  | <u>Annual Pension Cost (APC)</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------|----------------------------------|---|----------------------------|
| September 30, 2012 | \$29,945                         | 28%   | \$102,252                  |
| September 30, 2013 | \$38,454                         | 22%   | \$132,197                  |
| September 30, 2014 | (\$7,566)                        | N/A   | \$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, 2013. Accordingly, the Board will be required to obtain a subsequent actuarial valuation within two years of that date. As of October 1, 2013, the actuarial accrued liability for benefits for the Authority was \$190,580, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$768,559, and the ratio of unfunded actuarial accrued liability (the UAAL) to the covered payroll was 24.8%.

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.

Although the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may be, deviations in any of several factors, such as future interest rates, medical costs inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

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, 2013, 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 7% initially, reduced by decrements to an ultimate rate of 5% after seven years.

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

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, 2014 and 2013. 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, 2014, the Authority has committed \$956,000 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, 2014 and 2013. 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 \$198,475 and \$38,967, for fiscal years ended September 30, 2014 and 2013, respectively.

*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 non-compliance 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, 2014 and 2013, the Authority voted not to include tax revenues in its budget. During the years ended September 30, 2014 and 2013, the only tax funds received by the Authority were delinquent funds from previous years.

**NOTE 10 - INVESTMENT POOL FUNDS**

During the years ended September 30, 2014 and 2013, the Authority invested a portion of its excess cash with the State Board of Administration (SBA) - Local Government Surplus Funds Trust Fund which is governed by the State of Florida under Section 218.407, Florida Statutes. This investment pool consists largely of corporate notes and commercial paper.

## **NOTE 10 - INVESTMENT POOL FUNDS** (continued)

The SBA's Florida Prime, formerly the LGIP, is considered a Securities and Exchange Commission (SEC) 2a7-like fund, with fair value of the investment equal to the account balance. A 2a7-like fund is not registered with the SEC as an investment company, but has a policy that it operates in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940, the rules governing money market funds. Thus, the pool operates essentially as a money market fund, but is classified as an external investment pool.

The SBA Pool B participants are prohibited from withdrawing any amount from Pool B. As securities mature in Pool B, funds are transferred to Florida Prime, at which time the funds are available to withdraw without any restrictions. As of September 30, 2014 and 2013, the Authority had \$0 and \$22,183 invested in Florida Prime and Pool B, respectively.

The Authority's investment policy addresses and mitigates the risk types as follows:

(1) Credit Risk - Fixed income securities have inherent financial risks, including credit risk and interest rate risk. Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. As of September 30, 2014 and 2013, Pool B investments were unrated.

(2) Interest Rate Risk - As of September 30, 2014 and 2013, Pool B had an estimated weighted average life of 2.86 and 4.08 years, respectively. However, because Pool B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life.

(3) Foreign Currency Risk - Pool B was not exposed to any foreign currency risk during the period of October 1, 2012 through September 30, 2014.

(4) Concentration of Credit Risk - Florida Statutes authorize the Authority to invest in the following: Local Government Surplus Funds Trust Fund, which is administered by the State Board of Administration; debt obligations, the principal and interest of which are unconditionally guaranteed by the United States Government; interest-bearing time deposits or savings accounts in banks and savings and loans organized under the laws of the United States; debt obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, and the Federal National Mortgage Association; or debt obligations guaranteed by the Government National Mortgage Association.

## **NOTE 11 - SUBSEQUENT EVENTS**

In January 2015, the Authority voted to secure a \$2,000,000 note payable to be used to pay off the Wells Fargo Bank, N.A., note and to provide cash flow and matching funds for planned capital improvement projects.

Subsequent events have been evaluated through February 19, 2015, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS  
 For the year ended September 30, 2014

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets (a) | Actuarial<br>Accrued<br>Liability<br>AAL (b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded Ratio<br>(a/b) | Covered<br>Payroll (c) | UAAL<br>a % of<br>Covered<br>Payroll<br>((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%   |

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
 (EXCLUDING CAPITAL PROJECTS)  
 For the year ended September 30, 2014

|                              | Original<br>and<br>Final<br>Budget | Actual              | Actual<br>Over (Under)<br>Final Budget |
|------------------------------|------------------------------------|---------------------|--|
| Operating revenues:          |                                    |                     |  |
| Rentals                      | \$ 2,313,173                       | \$ 2,074,736        | \$ (238,437)                           |
| Miscellaneous                | <u>0</u>                           | <u>26,166</u>       | <u>26,166</u>                          |
| Total operating revenues     | <u>2,313,173</u>                   | <u>2,100,902</u>    | <u>(212,271)</u>                       |
| Non-operating revenues:      |                                    |                     |  |
| Interest income              | <u>2,500</u>                       | <u>46</u>           | <u>(2,454)</u>                         |
| Total non-operating revenues | <u>2,500</u>                       | <u>46</u>           | <u>(2,454)</u>                         |
| Total revenues               | <u>\$ 2,315,673</u>                | <u>\$ 2,100,948</u> | <u>\$ (214,725)</u>                    |

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
(EXCLUDING CAPITAL PROJECTS)  
For the year ended September 30, 2014

|   | <u>Original<br/>and<br/>Final<br/>Budget</u> | <u>Actual</u>       | <u>Actual<br/>Over (Under)<br/>Final Budget</u> |
|---|--|---------------------|---|
| Operating expenses:                               |  |                     |   |
| Wages and benefits:                               |  |                     |   |
| Salaries  | \$ 748,602                                   | \$ 768,559          | \$ 19,957                                       |
| Workers' compensation insurance                   | 15,000                                       | 17,232              | 2,232   |
| Employee benefits                                 | 217,256                                      | 224,527             | 7,271   |
| Post-employment benefit obligation                | 0  | (7,566)             | (7,566)   |
| Taxes   | 57,268                                       | 55,332              | (1,936)   |
| Total wages and benefits                          | <u>1,038,126</u>                             | <u>1,058,084</u>    | <u>19,958</u>                                   |
| Repairs, maintenance, and other services:         |  |                     |   |
| Repairs and maintenance                           | 159,050                                      | 193,841             | 34,791  |
| Insurance   | 279,000                                      | 227,055             | (51,945)  |
| Communications and utilities                      | 186,225                                      | 130,594             | (55,631)  |
| Professional services                             | 118,100                                      | 64,881              | (53,219)  |
| Advertising and marketing                         | 72,944                                       | 35,300              | (37,644)  |
| Taxes and other obligations                       | 13,000                                       | 13,971              | 971   |
| Dues and subscriptions                            | 11,800                                       | 16,376              | 4,576   |
| Total repairs, maintenance, and<br>other services | <u>840,119</u>                               | <u>682,018</u>      | <u>(158,101)</u>                                |
| Materials and supplies                            | <u>88,315</u>                                | <u>72,209</u>       | <u>(16,106)</u>                                 |
| Bad debt  | <u>0</u>                                     | <u>0</u>            | <u>0</u>  |
| Contingency expense                               | <u>18,872</u>                                | <u>0</u>            | <u>(18,872)</u>                                 |
| Total operating expenses                          | <u>1,985,432</u>                             | <u>1,812,311</u>    | <u>(173,121)</u>                                |
| Non-operating expenditures:                       |  |                     |   |
| Property, plant, equipment, and fees:             |  |                     |   |
| Equipment   | 97,800                                       | 50,618              | (47,182)  |
| Redevelopment and stormwater fees                 | 0  | 51                  | 51  |
| Total property, plant, equipment, and<br>fees     | <u>97,800</u>                                | <u>50,669</u>       | <u>(47,131)</u>                                 |
| Debt service:                                     |  |                     |   |
| Notes payable to banks:                           |  |                     |   |
| Principal and interest                            | <u>232,440</u>                               | <u>232,771</u>      | <u>331</u>                                      |
| Total debt service                                | <u>232,440</u>                               | <u>232,771</u>      | <u>331</u>                                      |
| Total non-operating expenditures                  | <u>330,240</u>                               | <u>283,440</u>      | <u>(46,800)</u>                                 |
| Total expenditures                                | <u>\$ 2,315,672</u>                          | <u>\$ 2,095,751</u> | <u>\$ (219,921)</u>                             |

TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF CAPITAL PROJECTS SUMMARY

As of and for the year ended September 30, 2014

| Project                                      | Funding Source | Item Number                      | Funding            |              |                           | Expenditures       |                   |              |                           |                   |
|--|----------------|----------------------------------|--------------------|--------------|---------------------------|--------------------|-------------------|--------------|---------------------------|-------------------|
|  |                |                                  | Balance 09/30/2013 | Additions    | Transfers and Adjustments | Balance 09/30/2014 | Balance 9/30/2013 | Additions    | Transfers and Adjustments | Balance 9/30/2014 |
| 119 TTX ARFF Facility<br>Status: open        | FDOT AUTH      | 409470                           | \$ 2,372,200       | \$ 109,981   | \$ 0                      | \$ 2,482,181       | \$ 2,965,250      | \$ 137,477   | \$ 0                      | \$ 3,102,727      |
|  |                |                                  | 593,050            | 27,496       | 0                         | 620,546            |                   |              |                           |                   |
| 122 Spaceport License<br>Status: open        | AUTH SPACE FL  |                                  | 86,678             | 198,475      | 0                         | 285,153            | 125,645           | 396,950      | 0                         | 522,595           |
|  |                |                                  | 38,967             | 198,475      |                           | 237,442            |                   |              |                           |                   |
| 126 Security System<br>Status: closed        | FDOT AUTH      | 404925, 420840<br>420841, 429792 | 240,808            | 773,137      | (1,013,945)               | 0                  | 240,808           | 806,680      | (1,047,488)               | 0                 |
|  |                |                                  | 0                  | 33,543       | (33,543)                  | 0                  |                   |              |                           |                   |
| 128 ARFF Vehicle Procure<br>Status: closed   | FDOT AUTH      | 409472                           | 694,005            | 11,947       | (705,952)                 | 0                  | 867,506           | 15,269       | (882,775)                 | 0                 |
|  |                |                                  | 173,501            | 3,322        | (176,823)                 | 0                  |                   |              |                           |                   |
| 131 T Hangar Taxilanes<br>Status: closed     | FDOT AUTH      | 409478                           | 12,547             | 333,627      | (346,174)                 | 0                  | 15,684            | 417,034      | (432,718)                 | 0                 |
|  |                |                                  | 3,137              | 83,407       | (86,544)                  | 0                  |                   |              |                           |                   |
| 132 TTX West Apron Rehab<br>Status: open     | FAA FDOT AUTH  | 31200802512<br>409818            | 104,827            | 3,549,631    | 0                         | 3,654,458          | 116,475           | 5,490,089    | 0                         | 5,606,564         |
|  |                |                                  | 0                  | 1,429,016    | 0                         | 1,429,016          |                   |              |                           |                   |
|  |                |                                  | 11,648             | 511,442      | 0                         | 523,090            |                   |              |                           |                   |
| 133 TTX Aircraft Storage<br>Status: open     | FDOT AUTH      | 431574                           | 34,945             | 97,928       | 0                         | 132,873            | 43,682            | 122,409      | 0                         | 166,091           |
|  |                |                                  | 8,737              | 24,481       | 0                         | 33,218             |                   |              |                           |                   |
| 130134 TTX Airfield Markings<br>Status: open | FAA FDOT AUTH  | 312008002614<br>409819           | 0                  | 29,294       | 0                         | 29,294             | 0                 | 32,549       | 0                         | 32,549            |
|  |                |                                  | 0                  | 1,627        | 0                         | 1,627              |                   |              |                           |                   |
|  |                |                                  | 0                  | 1,628        | 0                         | 1,628              |                   |              |                           |                   |
| 134 COI - RSA Design<br>Status: open         | FAA FDOT AUTH  | 31200131813<br>433521            | 900                | 391,016      | 0                         | 391,916            | 1,000             | 434,462      | 0                         | 435,462           |
|  |                |                                  | 50                 | 21,126       | 0                         | 21,176             |                   |              |                           |                   |
|  |                |                                  | 50                 | 22,320       | 0                         | 22,370             |                   |              |                           |                   |
| 135B East Apron<br>Status: open              | FDOT AUTH      | 433529                           | 0                  | 128,340      | 0                         | 128,340            | 0                 | 160,425      | 0                         | 160,425           |
|  |                |                                  | 0                  | 32,085       | 0                         | 32,085             |                   |              |                           |                   |
| 135 X21 Fire Hydrants<br>Status: closed      | FDOT AUTH      | 409449                           | 4,880              | 115,254      | (120,134)                 | 0                  | 6,100             | 145,675      | (151,775)                 | 0                 |
|  |                |                                  | 1,220              | 30,421       | (31,641)                  | 0                  |                   |              |                           |                   |
| 136 COIRSA Construction<br>Status: open      | AUTH           |                                  | 0                  | 486          | 0                         | 486                | 0                 | 486          | 0                         | 486               |
| Totals                                       |                |                                  | \$ 4,382,150       | \$ 8,159,505 | \$ (2,514,756)            | \$ 10,026,899      | \$ 4,382,150      | \$ 8,159,505 | \$ (2,514,756)            | \$ 10,026,899     |

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE

For the year ended September 30, 2014

Federal employer's identification number 59-1061002

| Grantor/Pass Through Grantor<br>Program Title and Contract Number   | Federal<br>CFDA<br>Number | State<br>CSFA<br>Number | State<br>Item<br>Number | Expenditures        |
|---|---------------------------|-------------------------|-------------------------|---------------------|
| Federal Awards:   |                           |                         |                         |                     |
| Direct Federal Awards:  |                           |                         |                         |                     |
| U.S. Department of Transportation - Federal Aviation<br>Administration - Airport Improvement Program:       |                           |                         |                         |                     |
| Project No. 31200800252012 (TIX West Apron Rehab)   | 20.106                    | NA                      | NA                      | \$ 3,549,631        |
| Project No. 31200130182013 (COI RSA Design)   | 20.106                    | NA                      | NA                      | 391,016             |
| Project No. 31200800262014 (TIX Airfield Markings)  | 20.106                    | NA                      | NA                      | <u>29,294</u>       |
| Total expenditures of federal awards  |                           |                         | Total                   | <u>3,969,941</u>    |
| State Financial Assistance:   |                           |                         |                         |                     |
| Florida Department of Transportation - Transportation Systems<br>Development - Aviation Development Grants: |                           |                         |                         |                     |
| AQA94 (TIX AREF Facility)   | NA                        | 55.004                  | 409470                  | 109,981             |
| AQM87 (Security System)   | NA                        | 55.004                  | 404925                  | 773,137             |
| AQ073 (ARFF Vehicle Procure)  | NA                        | 55.004                  | 409472                  | 11,947              |
| AQV83 (T Hangar Taxilanes)  | NA                        | 55.004                  | 409478                  | 333,627             |
| AR703 (West Apron)  | NA                        | 55.004                  | 409818                  | 1,429,016           |
| AR342 (TIX Aircraft Storage)  | NA                        | 55.004                  | 431574                  | 97,928              |
| AR740 (COI RSA Design)  | NA                        | 55.004                  | 433521                  | 21,126              |
| AR147 (X21 Fire Hydrants)   | NA                        | 55.004                  | 409449                  | 115,254             |
| ARD62 (TIX Airfield Markings)   | NA                        | 55.004                  | 409819                  | 1,627               |
| ARD63 (East Apron)  | NA                        | 55.004                  | 433529                  | <u>128,340</u>      |
| Total expenditures of state financial assistance  |                           | 55.004                  | Total                   | <u>3,021,983</u>    |
| Total federal awards and state financial assistance   |                           |                         |                         | <u>\$ 6,991,924</u> |

TITUSVILLE-COCOA AIRPORT AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
For the year ended September 30, 2014

**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 the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the OMB A-133 Compliance Supplement, 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.

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

BUSINESS CONSULTANTS AND FAMILY WEALTH PLANNERS

**Shareholders & Director**

Stephen A. Ellis, Shareholder  
Todd M. Russell, Shareholder  
Matthew D. Trine, Shareholder  
G. Mitchell Krasny, Director

**Directors Emeritus**

Floyd C. Lemmon  
William R. Kidd  
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, 2014, and the related notes to the financial statements and have issued our report thereon dated February 19, 2015.

**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.

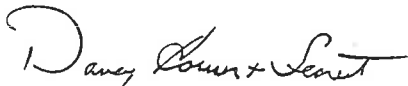
We noted certain matters that we have reported to management of the Authority, in a separate letter dated February 19, 2015.

### **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 & Secret, CPA, P.A.  
Cocoa, Florida  
February 19, 2015



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

BUSINESS CONSULTANTS AND FAMILY WEALTH PLANNERS

## *Shareholders & Director*

*Stephen A. Ellis, Shareholder*  
*Todd M. Russell, Shareholder*  
*Matthew D. Trine, Shareholder*  
*G. Mitchell Krasny, Director*

## *Directors Emeritus*

*Floyd C. Lemmon*  
*William R. Kidd*  
*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 OMB CIRCULAR A-133 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) Circular A-133 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, 2013. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, 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, 2014.


### **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 OMB Circular A-133 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 OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

  
Davies, Houser & Secrest, CPA, P.A.  
Cocoa, Florida  
February 19, 2015

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FEDERAL AWARDS PROGRAMS  
 For the year ended September 30, 2014

| I. Summary of Auditor's Results   | Answers   |
|---|---|
| 1. Type of report issued on financial statements  | Unmodified  |
| 2. 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. 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 by Paragraph .510 of OMB Circular A-133   | None  |
| 7. Identification of major federal program  | U.S. Department of<br>Transportation<br>FAA Grant<br>CFDA #20.106 |
| 8. Dollar threshold for Type A programs   | \$300,000   |
| 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 for federal awards, as defined in Paragraph .510 of OMB Circular A-133, for the current year | None  |

TITUSVILLE-COCOA AIRPORT AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FEDERAL AWARDS PROGRAMS  
For the year ended September 30, 2014

No prior year findings.

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE FINANCIAL ASSISTANCE PROJECTS  
For the year ended September 30, 2014

| I. Summary of Auditor's Results  | Answers  |
|--|--|
| 1. Type of report issued on financial statements   | Unmodified   |
| 2. 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. 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<br>Transportation -<br>Transportation Systems Development -<br>Aviation Development Grants<br>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   |

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

BUSINESS CONSULTANTS AND FAMILY WEALTH PLANNERS

## **Shareholders & Director**

Stephen A. Ellis, Shareholder  
Todd M. Russell, Shareholder  
Matthew D. Trine, Shareholder  
G. Mitchell Krasny, Director

## **Directors Emeritus**

Floyd C. Lemmon  
William R. Kidd  
Robert E. Andersen, Jr.

## **Independent Auditor's Management Letter**

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

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

We have audited the financial statements of the Titusville-Cocoa Airport Authority (the Authority) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated February 19, 2015.

### **Auditor's Responsibility**

We conducted our audit 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General,

### **Other Reports and Schedules**

We have issued our independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; independent auditor's report on compliance for each major federal program and state project and report on internal control over compliance required by OMB Circular A-133 and Chapter 10.550, Rules of the Florida Auditor General; and schedules of findings and questioned costs. Disclosures in those reports and schedule, which are dated February 19, 2015, should be considered in conjunction with this management letter.

### **Other Matters**

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, there were no findings or recommendations made in the preceding annual financial report.

- 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 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)4., 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 19, 2015