

Meeting Date
<b>January 27, 2015</b>



AGENDA	
Section	New Business
Item No.	VI F 1

## AGENDA REPORT

## BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	RESOLUTION RE: Approving a loan for the Titusville-Cocoa Airport Authority from SunTrust Bank /STI Institutional & Government, Inc.			
DEPT/OFFICE:	TITUSVILLE-COCOA AIRPORT AUTHORITY			
Requested Action:				
Approve a loan for the Titusville-Cocoa Airport Authority from SunTrust Bank/STI Institutional & Government, Inc. in the total amount of \$2,000,000.00.				
Summary Explanation & Background:				
<p>The Authority currently has a tax-exempt loan with Wells Fargo Bank in the approximate amount of \$800,000.00. Based upon prevailing interest rates and the need for additional funding for capital expenditures, SunTrust has offered a tax-exempt loan in the total amount of \$2,000,000.00; \$800,000.00 of which would payoff the existing Wells Fargo loan and the remaining balance would be utilized by the Airport Authority to fund capital expenditure projects. The refinance will allow the Authority to replenish the Development Fund and lower the Authority's monthly debt payment by approximately \$4,000.00 per month (Current loan payment is \$18,581.00 per month, new loan payment is approximately \$14,500.00 per month).</p> <p>The Airport Authority Board approved the loan at a Special Board Meeting held on October 1, 2014.</p> <p>Pursuant to Chapter 2003-361, Laws of Florida, 2003, County approval is required for the loan for the Titusville-Cocoa Airport Authority, as follows:</p> <p>“(f)To issue bonds of the authority as hereinafter provided to pay the cost of such acquisition, construction, reconstruction, improvement, extension, enlargement, or equipment, provided, however, that approval of the Board of County Commissioners of Brevard County shall be secured prior to the issuance of such bonds;</p> <p>(g) To issue refunding bonds of the Authority as hereinafter provided, provided, however, that approval of the Board of County Commissioners of Brevard County shall be secured prior to the issuance of such bonds;...”</p> <p>It is respectfully requested that the Board of County Commissioners approve the attached Resolution.</p> <p>Contact for this matter is: Michael Powell, CEO; Titusville-Cocoa Airport Authority; (321) 267-8780 x203</p>				
Clerk to the Board Instructions:				
Exhibits Attached:				
<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, Mel Scott		Department Director / Extension	
Stockton Whitten	Assistant County Manager, Venetta Valdengo			



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

January 28, 2015

MEMORANDUM

TO: Stockton Whitten, County Manager

RE: Item VI.F.1., Resolution for Approval of Loan for the Titusville-Cocoa Airport Authority from SunTrust Bank/STI Institutional & Government, Inc.

The Board of County Commissioners, in regular session on January 27, 2015, adopted Resolution No. 15-007, approving the issuance of a loan for the Titusville-Cocoa Airport Authority from SunTrust Bank/STI Institutional & Government, Inc., in the amount of \$2,000,000.00. Enclosed is a certified copy of the Resolution for your action.

Your continued cooperation is always appreciated.

Sincerely,

BOARD OF COUNTY COMMISSIONERS  
SCOTT ELLIS, CLERK

Tammy Etheridge, Deputy Clerk

/ds

Encl. (1)

cc: Budget  
Finance

RESOLUTION NO. 15-007

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF BREVARD COUNTY, FLORIDA APPROVING THE ISSUANCE BY THE TITUSVILLE-COCOA AIRPORT AUTHORITY OF A REVENUE AND REFUNDING NOTE IN A PRINCIPAL AMOUNT NOT IN EXCESS OF \$2,000,000 TO FINANCE OR REFINANCE VARIOUS AIRPORT AND AVIATION CAPITAL PROJECTS; PROVIDING OTHER DETAILS AND AN EFFECTIVE DATE.

**WHEREAS**, the Titusville-Cocoa Airport Authority (the "Authority") was created by Chapter 2003-361, Laws of Florida (the "Act"); and

**WHEREAS**, six of the seven members of the Authority are appointed by members of the Board of County Commissioners of Brevard County, Florida (the "Board") and all of the airports and other facilities owned and administered by the Authority are located in Brevard County; and

**WHEREAS**, pursuant to the terms of the Act, the Board is required to approve the issuance of bonds by the Authority, and the Authority desires to issue its Revenue and Refunding Note, Series 2015 in a principal amount not exceeding \$2,000,000 (the "Note") in order to refinance its Capital Improvement Refunding Note, Series 2003 and to finance or refinance the acquisition, construction and equipping of T-hangars, bulk storage hangars, a storage facility and other similar improvements located at Merritt Island Airport, 900 Airport Road, Merritt Island, Florida 32952, T-hangars, bulk storage hangars, box hangars, a control tower and equipment therefor, signage, a weather observation system, taxiway improvements, an administration building apron, a fuel farm and other similar improvements at Space Coast Regional Airport, 355 Golden Knights Boulevard, Titusville, Florida 32780, and hangars, the acquisition of land, apron improvements, T-hangars, box hangars, executive hangars, corporate hangars and other similar improvements at Arthur Dunn Airpark, 480 N. Williams Avenue, Titusville, Florida 32796 (collectively, the "Projects"); and

**WHEREAS**, the Board, in accordance with the requirements of the Act, desires to approve the issuance by the Authority of the Note;

**NOW, THEREFORE, BE IT RESOLVED** by the Board that:

SECTION 1. Authority. This Resolution is adopted pursuant to the laws of the State of Florida, including, in particular, the Act and other applicable provisions of law.

SECTION 2. Approval of Note. The issuance by the Authority of the Note in an amount not exceeding \$2,000,000 to finance and refinance the Projects is hereby approved pursuant to and in accordance with the Act.

SECTION 3. Limitation on Approval. The approval given herein shall not be construed as an endorsement of the creditworthiness of the Authority or a recommendation to any prospective purchaser to purchase the Note or approval of any necessary zoning or rezoning applications or approval or acquiescence to the alteration of existing zoning or land use nor approval for any other regulatory permits relating to the Projects, and the Board shall not be construed by reason of its adoption of this Resolution to make or grant any such endorsement, recommendation or approval. Further, the approval by the Board of the issuance of the Note by the Authority shall not be construed to obligate Brevard County, Florida to incur any liability, pecuniary or otherwise, in connection with either the issuance of the Note or the acquisition and construction of the Projects.

SECTION 4. Effective Date. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 27 day of January, 2015.

**BOARD OF COUNTY COMMISSIONERS  
OF BREVARD COUNTY, FLORIDA**

(SEAL)

ATTEST:

By: \_\_\_\_\_

*[Signature]*  
Clerk of the Circuit Court and  
Ex-Officio Clerk to the Board of  
County Commissioners of Brevard  
County, Florida

By: \_\_\_\_\_

*[Signature]*  
Chairman, Robin Fisher

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Highlighted projects are potential NEW revenue generators

Year	Airport	Project	UPIN
2014	COI	Construction Project to Restore and Stabilize Runway 11-29 Embæ	PFL0001624
2014	TIX	Airfield Improvements Phase I - Airfield Marking	PFL0010234
2014	TIX	Administration Building Apron	PFL0009475
2014	TIX	Airport Security Enhancements	PFL0009688
2014	TIX	Wildlife Management Plan	PFL0010129
2015	COI	Rehabilitate South Apron - Design	PFL0010522
2015	COI	Wildlife Hazard Assessment	PFL0010515
2015	TIX	East Corporate Hangar Construction	PFL0010520
2015	TIX	Airfield Improvements Phase II - Obstruction Removal	PFL0010235
2016	COI	New Access Control System	PFL0003932
2016	TIX	New Access Control System	PFL0003932
2016	X21	Study for a CCTV & New Access Control System	PFL0003933
2017	COI	Construct Hangar/Office	PFL0002150
2017	COI	Construct T-Hangars or Bulk Storage Hangars	PFL0003938
2017	COI	Purchase & Construction of a Fuel Farm	PFL0009795
2017	COI	Construct T-Hangar	PFL0002152
2017	COI	Construct Box Hangars	PFL0002670
2017	TIX	Construct Hangar/Office	PFL0002150
2017	TIX	Construct T-Hangars or Bulk Storage Hangars	PFL0003938
2017	TIX	Construct T-Hangar	PFL0002152
2017	TIX	Construct Box Hangars	PFL0002670
2017	X21	Construct Set of 3 T-Hangars & 3 Box Hangars	PFL0003937
2018	COI	Rehabilitate South Apron	PFL0001644
2018	COI	Airport Master Plan & ALP Update	PFL0003921
2018	TIX	Airport Master Plan & ALP Update	PFL0003921
2018	X21	Construct Executive Hangar	150036
2018	X21	Construct Hangar Apron, Parking, and Road	150037
2018	X21	Construct T-Hangar	X2167
2018	X21	Airport Master Plan & ALP Update	PFL0003934
2018	X21	Construct Corporate Hangar	PFL0005791
2018	X21	Rehabilitate Airport Facilities (Phase #1)	X21626
2019	COI	Construct T-Hangar	155024
2019	COI	Rehabilitation of Airport Facilities	PFL0004640
2019	TIX	Construct T-Hangar	155024
2019	TIX	Rehabilitation of Airport Facilities	PFL0004640
2019	X21	Rehabilitate Airport Facilities (Phase #3)	X21624

Fed Share	State Share	Local Share	Total Project	693,797	427,467	130,000	1,375,280	1,073,685
				<u>Local Share by Year</u>				
				2014	2015	2016	2017	2018
3,973,293	220,739	220,738	4,414,770	220,738				
374,850	20,825	20,825	416,500	20,825				
	1,703,976	425,994	2,129,970	425,994				
	102,758	25,690	128,448	25,690				
9,900	550	550	11,000	550				
36,000	2,000	2,000	40,000		2,000			
89,910	4,995	4,995	99,900		4,995			
0	1,651,889	412,972	2,064,861		412,972			
135,000	7,500	7,500	150,000		7,500			
0	200,000	50,000	250,000			50,000		
0	200,000	50,000	250,000			50,000		
0	120,000	30,000	150,000			30,000		
0	652,000	163,000	815,000				163,000	
0	600,000	150,000	750,000				150,000	
0	333,120	83,280	416,400				83,280	
0	360,000	90,000	450,000				90,000	
0	800,000	200,000	1,000,000				200,000	
0	652,000	163,000	815,000				163,000	
0	600,000	150,000	750,000				150,000	
0	360,000	90,000	450,000				90,000	
0	800,000	200,000	1,000,000				200,000	
0	344,000	86,000	430,000				86,000	
1,080,000	60,000	60,000	1,200,000					60,000
232,106	12,895	12,895	257,896					12,895
232,106	12,895	12,895	257,896					12,895
0	600,000	150,000	750,000					150,000
0	140,000	35,000	175,000					35,000
0	960,000	240,000	1,200,000					240,000
232,106	12,895	12,895	257,896					12,895
0	2,000,000	500,000	2,500,000					500,000
0	200,000	50,000	250,000					50,000
0	360,000	90,000	450,000					
0	400,000	100,000	500,000					
0	360,000	90,000	450,000					
0	400,000	100,000	500,000					
0	400,000	100,000	500,000					

480,000

2019

90,000  
100,000  
90,000  
100,000  
100,000

**TITUSVILLE-COCOA AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**As of and for the years ended September 30, 2013 and 2012**

**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
Veronica Clifford	Secretary

Harry Carswell

Jay Stalrit

Dr. Wasim Niazi

**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, 2013 and 2012, 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.

## Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2013 and 2012, 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.

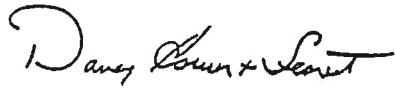
### *Other Information*

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 20, 2014, 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, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 & Secrest, CPA, P.A.  
February 20, 2014  
Cocoa, Florida

## **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, 2013. 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 \$3,084,000 or 7%.
- Operating revenues increased \$69,000 or 3%, and operating expenses increased \$77,000 or 3%. Operating expenses exceeded revenues by \$944,000 compared to \$936,000 in the prior year.
- Non-operating expenses decreased \$31,000 mainly due to redevelopment and storm water fees.
- Capital contributions from federal, state and other third-parties totaled \$4,076,000, compared to \$4,288,000 in the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual 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 \$3,084,000 or 7%. In comparison, last year's net position increased \$3,274,000 or 8%. The following table summarizes these results.

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Current and other assets	\$ 3,285,067	\$ 3,240,644	1.37%
Net capital assets	<u>47,589,701</u>	<u>44,119,054</u>	7.87%
Total assets	<u>50,874,768</u>	<u>47,359,698</u>	7.42%
Current liabilities	1,532,684	939,190	63.19%
Noncurrent liabilities	<u>966,539</u>	<u>1,128,720</u>	(14.37)%
Total liabilities	<u>2,499,223</u>	<u>2,067,910</u>	20.86%
Net position:			
Invested in capital assets, net of related debt	46,563,253	43,008,527	8.27%
Unrestricted	<u>1,812,292</u>	<u>2,283,261</u>	(20.63)%
Total net position	<u>\$ 48,375,545</u>	<u>\$ 45,291,788</u>	6.81%

### *B. Changes in Net Position*

Operating revenues increased \$69,000 or 3%, and operating expenses increased \$77,000 or 3%. Operating expenses exceeded revenues by \$944,000, compared to \$936,000 in the prior year. Non-operating revenues decreased \$1,000 and non-operating expenses decreased \$32,000, mainly due to redevelopment and stormwater fees. Capital contributions from federal, state, and other third parties totaled \$4,076,000, compared to \$4,288,000 in the prior year. The following table summarizes these results.

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

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Operating revenues:			
T-hangars	\$ 909,832	\$ 864,538	5.24%
Fixed base operations	433,528	416,536	4.08%
Other sales, houses, and mini warehouses	755,111	756,765	(0.22)%
Other revenues	<u>26,005</u>	<u>17,821</u>	45.92%
Total operating revenues	<u>2,124,476</u>	<u>2,055,660</u>	3.35%
Operating expenses:			
Wages and benefits	962,151	991,092	(2.92)%
Repairs, maintenance, and other services	612,357	661,837	(7.48)%
Materials and supplies	69,604	65,378	6.46%
Depreciation	<u>1,424,744</u>	<u>1,273,147</u>	11.91%
Total operating expenses	<u>3,068,856</u>	<u>2,991,454</u>	2.59%
Operating loss	<u>(944,380)</u>	<u>(935,794)</u>	0.92%
Non-operating revenues (expenses):			
Interest income	825	1,600	(48.44)%
Note interest	(48,710)	(56,441)	(13.70)%
Redevelopment and stormwater fees	<u>0</u>	<u>(24,282)</u>	100.00%
Excess non-operating revenues (expenses)	<u>(47,885)</u>	<u>(79,123)</u>	(39.48)%
Loss before contributions	(992,265)	(1,014,917)	(2.23)%
Capital contributions:			
Other governmental	4,020,815	3,730,465	7.78%
Local governmental	16,240	0	N/A
Joint ventures – Space Florida	38,967	0	N/A
Joint ventures – Bristow	<u>0</u>	<u>557,984</u>	N/A
Change in net position	3,083,757	3,273,532	(5.80)%
Total net position, at beginning of year	<u>45,291,788</u>	<u>42,018,256</u>	7.79%
Total net position, at end of year	<u>\$ 48,375,545</u>	<u>\$ 45,291,788</u>	6.81%

*C. Budgetary Highlights*

Actual revenues were less than budgeted amounts by \$36,000, mainly due to rental income being less than expected.

## FINANCIAL ANALYSIS (continued)

Insurance was under budget by \$23,000; communications and utilities were under budget by \$91,000; professional services were under budget by \$37,000; advertising and marketing was under budget by \$23,000; materials and supplies were under budget by \$10,000; expense contingency was under budget by \$38,000; and payments for equipment were under budget by \$30,000. Repairs and maintenance was over budget by \$26,000. Overall expenditures were under budget by \$227,500 mainly because the fire rescue operations did not get fully operational in fiscal year ended September 30, 2013.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *A. Capital Assets*

The following is a summary of major capital asset additions for 2013.

Major completed projects that were capitalized:

Space Coast:	
Taxiway B rehab	\$ 1,132,678
Security fence hold short	408,930
Taxiway B AWOS	214,881
Site improvements west	182,838
Building roof replace	<u>147,623</u>
Total Space Coast	<u>\$ 2,086,950</u>

Merritt Island:	
RSA environmental II	<u>\$ 380,704</u>

Major projects reported in construction-in-process

Space Coast:	
ARFF Facility	\$ 2,965,250
ARFF Vehicle	<u>867,506</u>
Total Space Coast	<u>\$ 3,832,756</u>

Table A-3 summarizes changes in capital assets.

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

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Land and improvements	\$ 15,372,460	\$ 14,411,410	6.67%
Building and improvements	13,476,076	13,899,874	(3.05)%
Runways and lighting	13,772,783	13,078,482	5.31%
Furniture, fixtures, and equipment	571,718	713,945	(19.92)%
Vehicles	14,515	26,447	(45.12)%
Construction-in-progress	<u>4,382,149</u>	<u>1,988,896</u>	120.33%
Total	<u>\$ 47,589,701</u>	<u>\$ 44,119,054</u>	7.87%

### *B. Long-term Debt*

At year end, the Authority had \$1,026,500 in notes outstanding, a decrease of \$184,000 over the prior year. The Authority incurred no new debt during the year ended September 30, 2013.

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

More detailed information about the Authority's long-term liabilities is presented in Note 3 to the financial statements.

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

During the year ended September 30, 2013, the Authority completed the construction of the Aircraft Rescue Firefighting Facility, the Automated Weather Observation System (AWOS), and the rehabilitated Taxiway B at Space Coast Regional Airport. The Security Equipment Installation project was started at Arthur Dunn Airpark, Merritt Island Airport and Space Coast Regional Airport. The T-hangar Taxilane Rehabilitation began at Space Coast Regional Airport and the Design of the Runway Safety Area Improvement began. These projects are being completed with grants from FAA and FDOT. For fiscal year ending September 30, 2014, the Authority will complete current projects and move forward with the West Apron Construction at Space Coast Regional Airport and prepare for the construction of the Runway Safety Area Improvement Construction project at Merritt Island Airport with the assistance of 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, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 2,319,829	\$ 1,854,680
Accounts receivable	9,504	8,560
Due from other governments	910,382	1,096,851
Other receivables	38,967	0
Prepaid expenses and other receivables	<u>6,385</u>	<u>280,553</u>
Total current assets	<u>3,285,067</u>	<u>3,240,644</u>
Property and equipment:		
Land	14,204,818	14,204,818
Land improvements	1,462,466	489,995
Buildings and improvements	21,023,450	20,871,588
Runways and lighting	22,635,796	21,275,754
Furniture, fixtures, and equipment	2,560,559	2,542,796
Vehicles	236,453	236,453
Construction-in-progress	<u>4,382,149</u>	<u>1,988,896</u>
	66,505,691	61,610,300
Less accumulated depreciation	<u>18,915,990</u>	<u>17,491,246</u>
Net property and equipment	<u>47,589,701</u>	<u>44,119,054</u>
Total assets	<u>\$ 50,874,768</u>	<u>\$ 47,359,698</u>

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

<u>LIABILITIES AND NET POSITION</u>	<u>2013</u>	<u>2012</u>
Current liabilities (payable from current assets):		
Accounts payable	\$ 36,008	\$ 30,601
Contracts payable	882,328	306,853
Accrued expenses and other liabilities	220,122	193,167
Refundable deposits	202,120	224,510
Long-term notes due within one year	<u>192,106</u>	<u>184,059</u>
Total current liabilities (payable from current assets)	<u>1,532,684</u>	<u>939,190</u>
Noncurrent liabilities:		
Flagler Development Company note	33,130	41,651
Notes payable to banks	801,212	984,817
Post-employment benefit obligations	<u>132,197</u>	<u>102,252</u>
Total noncurrent liabilities	<u>966,539</u>	<u>1,128,720</u>
Total liabilities	<u>2,499,223</u>	<u>2,067,910</u>
Net position:		
Net investment in capital assets	46,563,253	43,008,527
Unrestricted	<u>1,812,292</u>	<u>2,283,261</u>
Total net position	<u>48,375,545</u>	<u>45,291,788</u>
Total liabilities and net position	<u>\$ 50,874,768</u>	<u>\$ 47,359,698</u>

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

TITUSVILLE-COCOA AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
T-hangars	\$ 909,832	\$ 864,538
Fixed base operations	433,528	416,536
Other sales, houses, and mini warehouses	755,111	756,765
Other revenue	26,005	17,821
	<u>2,124,476</u>	<u>2,055,660</u>
Operating expenses:		
Wages and benefits	962,151	991,092
Repairs, maintenance, and other services	612,357	661,837
Materials and supplies	69,604	65,378
Depreciation	1,424,744	1,273,147
	<u>3,068,856</u>	<u>2,991,454</u>
Operating loss	<u>(944,380)</u>	<u>(935,794)</u>
Non-operating revenues (expenses):		
Interest income	825	1,600
Note interest	(48,710)	(56,441)
Redevelopment and stormwater fees	0	(24,282)
	<u>(47,885)</u>	<u>(79,123)</u>
Loss before contributions	(992,265)	(1,014,917)
Capital contributions:		
Other governmental	4,020,815	3,730,465
Local governmental	16,240	0
Joint venture - Space Florida	38,967	0
Joint venture - Bristow	0	557,984
	<u>3,083,757</u>	<u>3,273,532</u>
Change in net position	3,083,757	3,273,532
Net position, at beginning of year	<u>45,291,788</u>	<u>42,018,256</u>
Net position, at end of year	<u>\$ 48,375,545</u>	<u>\$ 45,291,788</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from tenants	\$ 2,128,709	\$ 2,101,432
Cash paid to employees	(933,585)	(878,827)
Cash paid to suppliers	<u>(401,619)</u>	<u>(819,268)</u>
Net cash flows provided by operating activities	<u>793,505</u>	<u>403,337</u>
Cash flows from non-capital financing activities:		
Cash paid for redevelopment and stormwater fees	<u>0</u>	<u>(24,282)</u>
Net cash flows used by non-capital financing activities	<u>0</u>	<u>(24,282)</u>
Cash flows from capital and related financing activities:		
Cash received from capital and reimbursable grants	4,223,524	3,971,410
Cash paid for acquisition and construction of capital assets	(4,319,916)	(4,909,701)
Cash received from insurance proceeds	0	50,000
Cash paid for principal on notes	(184,079)	(176,362)
Cash paid for interest on notes	<u>(48,710)</u>	<u>(56,108)</u>
Net cash flows used by capital and related financing activities	<u>(329,181)</u>	<u>(1,120,761)</u>
Cash flows from investing activities:		
Cash received for interest income	<u>825</u>	<u>1,600</u>
Net cash flows provided by investing activities	<u>825</u>	<u>1,600</u>
Net change in cash	465,149	(740,106)
Cash and cash equivalents, at beginning of year	<u>1,854,680</u>	<u>2,594,786</u>
Cash and cash equivalents, at end of year	<u>\$ 2,319,829</u>	<u>\$ 1,854,680</u>

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

	<u>2013</u>		
	<u>Current Assets</u>	<u>Restricted Assets</u>	<u>Total</u>
Reconciliation of cash per statements of cash flows to the statements of net position:			
Cash and cash equivalents, at beginning of year	\$ 1,854,680	\$ 0	\$ 1,854,680
Net increase	<u>465,149</u>	<u>0</u>	<u>465,149</u>
Cash and cash equivalents, at end of year	<u>\$ 2,319,829</u>	<u>\$ 0</u>	<u>\$ 2,319,829</u>

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Cash flows from operating activities:		
Operating loss	\$ <u>(944,380)</u>	\$ <u>(935,794)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,424,744	1,273,147
(Increase) decrease in accounts receivable	(944)	681
Decrease in prepaid expenses and other receivables	274,168	44,177
Increase (decrease) in accounts payable	5,407	(1,679)
Increase in accrued expenses, other liabilities, and deposits	<u>34,510</u>	<u>22,805</u>
Total adjustments	<u>1,737,885</u>	<u>1,339,131</u>
Net cash provided by operating activities	<u>\$ 793,505</u>	<u>\$ 403,337</u>

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

## TITUSVILLE-COCOA AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS As of and for the years ended September 30, 2013 and 2012

#### **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, 2013, the carrying amount of the Authority and its subsidiaries' bank deposits was \$2,319,829 and the bank balance was \$2,324,898. These bank balances were fully insured by the Federal Deposit Insurance Corporation (FDIC) 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, 2013 and 2012.

*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, 2013 and 2012. 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 payables as of November 1 and become delinquent on April 1. A tax certificate sale is held 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 \$107,288 and \$110,788, at September 30, 2013 and 2012, 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.

### *O. Subsequent Events*

Subsequent events have been evaluated through February 20, 2014 which is the date the financial statements were available to be issued.

**NOTE 2 - CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2013, was as follows:

	Cost					
	Land and <u>Improvements</u>	Buildings and <u>Improvements</u>	Runways and <u>Lighting</u>	Furniture, Fixtures, and <u>Equipment</u>	<u>Vehicles</u>	Construction- in- <u>progress</u>
Balance, at beginning of year	\$ 14,694,813	\$ 20,871,588	\$ 21,275,754	\$ 2,542,796	\$ 236,453	\$ 1,988,896
Additions	972,471	151,862	1,360,042	17,763	0	4,874,065
Transfers and adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,480,812)</u>
Balance, at end of year	<u>\$ 15,667,284</u>	<u>\$ 21,023,450</u>	<u>\$ 22,635,796</u>	<u>\$ 2,560,559</u>	<u>\$ 236,453</u>	<u>\$ 4,382,149</u>

	Accumulated Depreciation					
	Land and <u>Improvements</u>	Buildings and <u>Improvements</u>	Runways and <u>Lighting</u>	Furniture, Fixtures, and <u>Equipment</u>	<u>Vehicles</u>	Construction- in- <u>progress</u>
Balance, at beginning of year	\$ 283,404	\$ 6,971,714	\$ 8,197,271	\$ 1,828,852	\$ 210,005	\$ 0
Additions	11,420	575,660	665,742	159,989	11,933	0
Transfers and adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance, at end of year	<u>\$ 294,824</u>	<u>\$ 7,547,374</u>	<u>\$ 8,863,013</u>	<u>\$ 1,988,841</u>	<u>\$ 221,938</u>	<u>\$ 0</u>

Depreciation expense for the years ended September 30, 2013 and 2012 was \$1,424,744 and \$1,273,147, respectively.

**NOTE 3 - LONG-TERM DEBT**

*A. Wells Fargo Bank Note, Series 2003*

In August 2003, the Authority entered into a note payable with Wells Fargo Bank, National Association. 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.

*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, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable:					
Wells Fargo Bank Note, Series 2003	\$ 1,160,565	\$ 0	\$ 175,768	\$ 984,797	\$ 183,585
Flagler Development	<u>49,962</u>	<u>0</u>	<u>8,311</u>	<u>41,651</u>	<u>8,521</u>
Total notes payable	1,210,527	0	184,079	1,026,448	192,106
Compensated absences	<u>110,788</u>	<u>79,066</u>	<u>82,566</u>	<u>107,288</u>	<u>107,288</u>
Total long-term liability activity	\$ <u>1,321,315</u>	\$ <u>79,066</u>	\$ <u>266,645</u>	\$ <u>1,133,736</u>	\$ <u>299,394</u>

**WELLS FARGO BANK NOTE - SERIES 2003**

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal Interest</u>	<u>Principal Outstanding After Payment</u>
2014	4.370%	183,585	39,387	222,972	801,212
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>984,797</u>	\$ <u>111,125</u>	\$ <u>1,095,922</u>	

**FLAGLER DEVELOPMENT COMPANY NOTE**

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal Interest</u>	<u>Principal Outstanding After Payment</u>
2014	2.500%	8,521	944	9,465	33,130
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>41,651</u>	\$ <u>2,519</u>	\$ <u>44,170</u>	

#### **NOTE 4 - LEASING ARRANGEMENTS**

The Authority leases facilities, at the three airports it operates, to fixed base operators and other tenants. Buildings and service areas currently leased and available for lease, have a cost of approximately \$21,023,000, and related accumulated depreciation of approximately \$7,547,000, at September 30, 2013. Minimum future rentals on non-cancelable operating leases, as of September 30, 2013, are approximately \$689,349 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 4.91% to 6.27%, beginning July 1, 2011, 5.18% to 6.30%, beginning July 1, 2012, and 6.30% to 7.67%, beginning July 1, 2013.

The Authority's contributions for the years ended September 30, 2013, 2012, and 2011, were \$47,338, \$34,222, and \$57,951, 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, 2013 and 2012, was \$680,522 and \$657,607, 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 OBLIGATION**

##### *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 19 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 cost of the Plan. The annual premium costs are between \$7,529 and \$16,197 for retirees and spouses under age 65 and between \$4,328 and \$7,585 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, 2013, the portion of contribution attributed to the Authority is \$8,509, 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 components of the Authority's annual OPEB cost for the year ended September 30, 2013, the amount actually contributed to the Plan and changes in the Authority's net OPEB obligation to the Plan.

Annual required contribution	\$ 32,156
Interest on net OPEB obligation	2,044
Adjustment to annual required contribution	4,254
Annual OPEB cost (expense)	<u>38,454</u>
Contributions made	(8,509)
Interest on employer contributions	-
Increase in net OPEB obligation	<u>29,945</u>
Net OPEB obligation - beginning of year	102,252
Net OPEB obligation - end of year	<u><u>\$ 132,197</u></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 ending September 30, 2013 are as follows:

Year Ending	Annual Pension Cost (APC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2011	\$ 30,000	28%	\$ 80,645
September 30, 2012	\$ 29,945	28%	\$ 102,252
September 30, 2013	\$ 38,454	22%	\$ 132,197

### *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, 2011. Accordingly, the Board will be required to obtain a subsequent actuarial valuation within two years of that date. As of October 1, 2011, the actuarial accrued liability for benefits for the Authority was \$402,542, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$680,522, and the ratio of unfunded actuarial accrued liability (the "UAAL") to the covered payroll was 59.2%.

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

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, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumption included a 7.75% investment rate of return and an annual healthcare cost trend rate of 7.67% initially, reduced by decrements to an ultimate rate of 5% after seven years. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The UAAL is being amortized using a level-percentage of compensation over a maximum allowable period of 30 years.

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

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

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

##### *A. Construction Commitments*

The Authority has entered into major construction and renovation projects during the years ended September 30, 2013 and 2012. 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, 2013, the Authority has committed \$1,165,896 of unrestricted net position for future construction projects. The Authority has also entered into several joint ventures to build facilities for tenants during fiscal years ended September 30, 2013 and 2012. 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 \$38,967 and \$557,984 for fiscal years ended September 30, 2013 and 2012, 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 - IMPAIRMENT OF ASSETS AND INSURANCE REIMBURSEMENTS**

During the year ended September 30, 2012, the Authority reported \$100,000 in insurance proceeds received, for damages incurred to property located at Arthur Dunn Airpark as a reduction in capital costs in accordance with generally accepted accounting standards related to the reporting of impairment of assets.

#### **NOTE 10 – AD VALOREM TAXES**

During the years ended September 30, 2013 and 2012, the Authority voted not to include tax revenues in its budget. During the years ended September 30, 2013 and 2012, the only tax funds received by the Authority were delinquent funds from previous years.

#### **NOTE 11 - INVESTMENT POOL FUNDS**

As discussed in Note 2C, the Authority invests 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.

The SBA's Florida Prime, formerly the LGIP and "Pool B", 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, 2013, the Authority has \$0 and \$22,183 invested in Florida Prime and Pool B, respectively. The estimated fair value of the Pool B funds as of September 30, 2013, was \$25,100.

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, 2013, the Authority's investment in Pool B was unrated.

(2) Interest Rate Risk – As of September 30, 2013, Pool B had a weighted average life of 4.08 years. 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, 2013.

(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.

**SUPPLEMENTARY INFORMATION**

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS  
 For the year ended September 30, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability AAL (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL a % of Covered Payroll ((b-a)/c)</u>
10/1/2011	\$ -	\$ 386,115	\$ 386,115	0.0%	\$ 657,607	58.7%
10/1/2012	\$ -	\$ 402,542	\$ 402,542	0.0%	\$ 680,522	59.2%

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
 (EXCLUDING CAPITAL PROJECTS)  
 For the year ended September 30, 2013

	Original and Final Budget	Actual	Actual Over (Under) Final Budget
Operating revenues:			
Rentals	\$ 2,160,089	\$ 2,098,471	\$ (61,618)
Miscellaneous	<u>0</u>	<u>26,005</u>	<u>26,005</u>
Total operating revenues	<u>2,160,089</u>	<u>2,124,476</u>	<u>(35,613)</u>
Non-operating revenues:			
Interest income	<u>1,000</u>	<u>825</u>	<u>(175)</u>
Total non-operating revenues	<u>1,000</u>	<u>825</u>	<u>(175)</u>
Total revenues	<u>\$ 2,161,089</u>	<u>\$ 2,125,301</u>	<u>\$ (35,788)</u>

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
 (EXCLUDING CAPITAL PROJECTS)  
 For the year ended September 30, 2013

	Original and Final Budget	Actual	Actual Over (Under) Final Budget
Operating expenses:			
Wages and benefits:			
Salaries	\$ 697,942	\$ 680,522	\$ (17,420)
Workers' compensation insurance	14,000	15,640	1,640
Employee benefits	198,837	181,858	(16,979)
Post-employment benefit obligation	0	29,945	29,945
Taxes	53,393	54,186	793
Total wages and benefits	<u>964,172</u>	<u>962,151</u>	<u>(2,021)</u>
Repairs, maintenance, and other services:			
Repairs and maintenance	100,541	126,415	25,874
Insurance	259,210	236,313	(22,897)
Communications and utilities	208,635	117,580	(91,055)
Professional services	116,700	79,393	(37,307)
Advertising and marketing	55,500	32,288	(23,212)
Taxes and other obligations	13,000	7,633	(5,367)
Dues and subscriptions	6,250	12,735	6,485
Total repairs, maintenance, and other services	<u>759,836</u>	<u>612,357</u>	<u>(147,479)</u>
Materials and supplies	<u>79,641</u>	<u>69,604</u>	<u>(10,037)</u>
Bad debt	<u>0</u>	<u>0</u>	<u>0</u>
Contingency expense	<u>38,000</u>	<u>0</u>	<u>(38,000)</u>
Total operating expenses	<u>1,841,649</u>	<u>1,644,112</u>	<u>(197,537)</u>
Non-operating expenditures:			
Property, plant, equipment, and fees:			
Equipment	52,000	22,003	(29,997)
Redevelopment and stormwater fees	0	0	0
Total property, plant, equipment, and fees	<u>52,000</u>	<u>22,003</u>	<u>(29,997)</u>
Debt service:			
Notes payable to banks:			
Principal and interest	<u>232,440</u>	<u>232,457</u>	<u>17</u>
Total debt service	<u>232,440</u>	<u>232,457</u>	<u>17</u>
Total non-operating expenditures	<u>284,440</u>	<u>254,460</u>	<u>(29,980)</u>
Total expenditures	<u>\$ 2,126,089</u>	<u>\$ 1,898,572</u>	<u>\$ (227,517)</u>

TITUSVILLE-COCOA AIRPORT AUTHORITY  
 SCHEDULE OF CAPITAL PROJECTS SUMMARY  
 As of and for the year ended September 30, 2013

Project	Funding Source	Item Number	Funding			Expenditures				
			Balance 09/30/2012	Additions	Transfers and Adjustments	Balance 09/30/2013	Balance 9/30/2012	Additions	Transfers and Adjustments	Balance 9/30/2013
117 TIX Fence, Signs & Wildlife Status: closed	FAA	312008002311	367,195	21,288	(388,483)	0	386,521	22,409	(408,930)	0
	FDOT	418281	8,520	560	(9,080)	0				
	FDOT	418280	495	0	(495)	0				
	AUTH		10,311	561	(10,872)	0				
118 COIRSA Environmental Status: closed	FAA	312001301711	336,048	25,621	(361,669)	0	353,735	26,969	(380,704)	0
	FDOT	418296	8,796	722	(9,518)	0				
	AUTH		8,891	626	(9,517)	0				
119 TIX ARFF Facility Status: open	FDOT	409470	815,109	1,557,091	0	2,372,200	1,018,886	1,946,364	0	2,965,250
	AUTH		203,777	389,273	0	593,050				
121 TIX Tie Downs Status: closed	AUTH		12,483	0	(12,483)	0	12,483	0	(12,483)	0
	AUTH		45,964	40,714	0	86,678	45,964	79,681	0	125,645
123/ TIX TWB/AWOS & Rehab 125 Status: closed	FAA	312008002412	71,911	1,140,892	(1,212,803)	0	79,901	1,267,658	(1,347,559)	0
	FDOT	414425	1,439	9,305	(10,744)	0				
	FDOT	247282	2,461	54,173	(56,634)	0				
	AUTH		4,090	63,288	(67,378)	0				
126 Security System Status: open	FDOT	404925, 420840	78,831	161,977	0	240,808	78,831	161,977	0	240,808
	AUTH	420841, 429792								
127 TIX Site Improvements Status: closed	FDOT	431534	0	83,299	(83,299)	0	7,640	175,198	(182,838)	0
	TITUSVILLE		0	16,240	(16,240)	0				
	AUTH		7,640	75,659	(83,299)	0				
128 ARFF Vehicle Procure Status: open	FDOT	409472	3,947	690,058	0	694,005	4,934	862,572	0	867,506
	AUTH		987	172,514	0	173,501				
Sub-totals			\$ 1,988,895	\$ 4,542,828	\$ (2,332,514)	\$ 4,199,209	\$ 1,988,895	\$ 4,542,828	\$ (2,332,514)	\$ 4,199,209

Project	Funding Source	Item Number	Funding			Expenditures				
			Balance 9/30/2012	Additions	Transfers and Adjustments	Balance 9/30/2013	Balance 9/30/2012	Additions	Transfers and Adjustments	Balance 9/30/2013
129 SLF Status: closed	AUTH		0	675	(675)	0	0	675	(675)	0
130 Building Roof Replace Status: closed	FDOT AUTH	414421	0	117,680	(117,680)	0	0	147,623	(147,623)	0
131 T Haagar Taxilanes Status: open	FDOT AUTH	409478	0	12,547	0	12,547	0	15,684	0	15,684
132 ITX West Apron Rehab Status: open	FAA AUTH	31200802512	0	104,827	0	104,827	0	116,475	0	116,475
133 ITX Aircraft Storage Status: open	FDOT AUTH	431574	0	34,945	0	34,945	0	43,682	0	43,682
134 COI - RSA Design Status: open	FAA FDOT AUTH	31200131813 433521	0	900	0	900	0	1,000	0	1,000
135 X21 Fire Hydrants Status: open	FDOT AUTH	409449	0	4,880	0	4,880	0	6,100	0	6,100
Totals			\$ 1,988,895	\$ 4,874,067	\$ (2,480,812)	\$ 4,382,150	\$ 1,988,895	\$ 4,874,067	\$ (2,480,812)	\$ 4,382,150

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
For the year ended September 30, 2013

Federal employer's identification number: 59-1061002

Grantor/Pass Through Grantor Program Title and Contract Number	Federal CFDA Number	State CSFA Number	State Item Number	<u>Expenditures</u>
Federal Awards:				
Direct Federal Awards:				
U.S. Department of Transportation - Federal Aviation Administration - Airport Improvement Program:				
Project No. 31200130172011 (COI RSA Environmental II)	20.106	NA	NA	\$ 25,621
Project No. 31200800232011 (TIX Fence, Signs & Wildlife)	20.106	NA	NA	21,288
Project No. 31200800242012 (TIX TWB / AWOS & Rehab)	20.106	NA	NA	1,140,892
Project No. 31200800252012 (TIX West Apron Rehab)	20.106	NA	NA	104,827
Project No. 31200130182013 (COI RSA Design)	20.106	NA	NA	<u>900</u>
	20.106		Total	<u>1,293,528</u>
Total expenditures of federal awards				<u>1,293,528</u>
State Financial Assistance:				
Florida Department of Transportation - Transportation Systems Development - Aviation Development Grants:				
AQG73 (COI RSA Environmental II)	NA	55.004	418296	722
AQA94 (TIX AREF Facility)	NA	55.004	409470	1,557,091
AQG71 (TIX Wildlife)	NA	55.004	418281	560
AQN36 (TIX Taxiway B Rehab)	NA	55.004	247282	54,173
AQQ37 (TIX TWOB/AWOS)	NA	55.004	414425	9,305
AQM87 (Security System)	NA	55.004	404925	161,977
AQ073 (ARFF Vehicle Procure)	NA	55.004	409472	690,058
AQV84 (TIX Site Improvements)	NA	55.004	431534	83,299
AQV25 (Building Roof Replace)	NA	55.004	414421	117,680
AQV83 (T Hangar Taxilanes)	NA	55.004	409478	12,547
AR342 (TIX Aircraft Storage)	NA	55.004	431574	34,945
AR740 (COI RSA Design)	NA	55.004	433521	50
AR147 (X21 Fire Hydrants)	NA	55.004	409449	<u>4,880</u>
Total expenditures of state financial assistance		55.004	Total	<u>2,727,287</u>
Total federal awards and state financial assistance				<u>\$ 4,020,815</u>

TITUSVILLE-COCOA AIRPORT AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
For the year ended September 30, 2013

**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 to 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 2A of the Authority's financial statements.



# 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, 2013, and the related notes to the financial statements and have issued our report thereon dated February 20, 2014.

**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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We noted certain matters that we have reported to management of the Authority, in a separate letter dated February 20, 2014.

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 20, 2014



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

BUSINESS CONSULTANTS AND FAMILY WEALTH PLANNERS

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## *Directors Emeritus*

*Floyd C. Lemmon*  
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*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's) 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.

#### *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, 2013.

**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 & Secret, CPA, P.A.  
Cocoa, Florida  
February 20, 2014

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FEDERAL AWARDS PROGRAMS  
 For the year ended September 30, 2013

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 Transportation FAA Grant 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, 2013

No prior year findings.

## TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 STATE FINANCIAL ASSISTANCE PROJECTS  
 For the year ended September 30, 2013

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 Transportation - Transportation Systems Development - Aviation Development Grants CSFA #55.004
8. Dollar threshold for Type A programs	\$300,000
II. Findings required to be reported in accordance with generally accepted <i>Government Auditing Standards</i>	None
III. Findings and questioned costs for state projects defined under Chapter 10.554 (1)(1)(4) of the Rules of the Auditor General	None
IV. Prior year's audit findings	None



# 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

We have audited the financial statements of the Titusville-Cocoa Airport Authority (the Authority) as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated February 20, 2014.

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. 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 with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Florida Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 20, 2014, should be considered in conjunction with this management letter.

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 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., 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.

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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 member's 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 violations of provisions of contracts or grant agreements, fraud, illegal acts, 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Refer to Note 1, page 14 of the audit report for a description of the specific legal authority that established the Authority.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. The Authority is a component unit of Brevard County, Florida. As such Brevard County includes the required financial information within its audit report.

- Pursuant to sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, 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.  
February 20, 2014