Titusville-Cocoa Airport Authority, Florida
FINANCIAL STATEMENTS
September 30, 2019

Titusville-Cocoa Airport Authority
Board of Directors and Authority Officials
As of September 30, 2019

Chairman
Jerry Samsom

Vice Chairman
Milo Zonka

Treasurer
John Craig

Secretary
Harry Carswell

Board Members
Roger Molitor
Donn Mount
Al Elebash

Chief Executive Officer
Michael D. Powell, CM, ACE

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Titusville-Cocoa Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Titusville-Cocoa Airport Authority, (the "Authority") a component unit of Brevard County, Florida as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors' consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2019, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Auditors

The financial statements of the Authority, as of and for the year ended September 30, 2018, were audited by other auditors whose report dated February 21, 2019 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9-13 and the required supplementary information on pages 50-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority. The accompanying budgetary schedule and schedule of capital projects are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary schedule, schedule of capital projects, and schedule of 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 budgetary schedule, schedule of capital projects, and the schedule of expenditures of federal awards and state financial assistance 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 March 18, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
March 18, 2020

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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, 2019. 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 $1,393,000 or 2%. In comparison, last year's net position decreased $528,000 or 1%.
- Operating revenues decreased $48,000 or 2%, and operating expenses increased $290,000 or 7%. Operating expenses exceeded revenues by $1,689,000, compared to $1,350,000 in the prior year.
- Non-operating expenses increased $2,500. This change is primarily due to a change in interest rates.
- Capital contributions from federal, state, and other third parties totaled $3,152,000, compared to $890,000 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

FINANCIAL ANALYSIS

A. Net Position

The Authority's net position increased $1,393,000 or 2%. In comparison, last year's net position decreased $528,000 or 1%. The following table summarizes these results.

Table A-1
Net Position

	2019	2018	Change
Assets			
Current and other assets	$ 3,486,726	$ 2,678,573	30%
Net capital assets	59,208,681	57,610,612	3%
Total assets	62,695,407	60,289,185	4%
Deferred outflows of resources	407,918	505,922	-19%
Liabilities			
Current liabilities	1,550,976	564,582	175%
Noncurrent liabilities	2,724,842	2,740,193	-1%
Total liabilities	4,275,818	3,304,775	29%
Deferred inflows of resources	155,365	211,236	-26%
Net position			
Invested in capital assets, net of related debt	56,727,268	55,935,078	1%
Unrestricted net position	1,944,874	1,344,018	45%
Total net position	$ 58,672,142	$ 57,279,096	2%

B. Changes in Net Position

Operating revenues decreased $48,000 or 2%, and operating expenses increased $290,000 or 7%. Operating expenses exceeded revenues by $1,689,000, compared to $1,350,000 in the prior year.

Non-operating expenses increased $2,500. This change is primarily due to a change in interest rates on long-term debt, as explained in "Notes to Financial Statements", Note 2. With the passage of The Tax Cuts and Jobs Act of 2017, effective January 1, 2018, the maximum federal corporate income tax rate decreased from 35% to 21%, resulting in an increase in the applicable interest rate by a factor of 1.21538x, or [(1 – new tax rate) divided by (1 - old tax rate)], retroactive to 1/1/18. The terms of the documents governing the Authority's tax exempt financing require that the interest rate applicable to the financing be increased as the result of a decrease in the maximum federal corporate income tax rate.

Based on the effective date of this change, while we experienced some change last year due to this legislation, this year we are experiencing the full effect. Refinance as a means to reduce expenses has been discussed with our Banker and Staff will provide additional information to the Board for discussion and direction.

FINANCIAL ANALYSIS *(continued)*

Capital contributions from federal, state, and other third parties totaled $3,152,000, compared to $890,000 in the prior year. The increase is a result of completion of major development projects during fiscal year September 30, 2019 for which the Authority is entitled to grant reimbursements. The following table summarizes these results.

Table A-2
Changes in Net Position

	2019	2018	Change
Operating revenues			
T-hangars	$ 1,090,372	$ 1,039,702	5%
Fixed base operations	468,963	468,303	0%
Other sales, houses, and mini warehouses	1,026,224	1,033,143	-1%
Other revenues	30,117	122,900	-75%
Total operating revenue	2,615,676	2,664,048	-2%
Operating expenses			
Wages and benefits	1,200,251	1,208,437	-1%
Repairs, maintenance, and other services	887,733	712,251	25%
Materials and supplies	83,985	69,331	21%
Depreciation	2,132,396	2,023,963	5%
Total operating expenses	4,304,365	4,013,982	7%
Operating loss	(1,688,689)	(1,349,934)	25%
Nonoperating revenues (expenses):			
Interest income	42	73	-42%
Interest	(70,630)	(68,157)	4%
Total nonoperating revenues (expenses)	(70,588)	(68,084)	4%
Loss before contributions	(1,759,277)	(1,418,018)	24%
Capital contributions			
Other governmental	3,152,323	889,615	254%
Change in net positions	1,393,046	(528,403)	-364%
Total net position, beginning of year	57,279,096	57,807,499	-1%
Total net position, end of year	$ 58,672,142	$ 57,279,096	2%

FINANCIAL ANALYSIS *(continued)*

C. Budgetary Highlights

T-Hangar revenues were less than budgeted by $20,728 due to the loss of rental income during the Port-A-Port (Box Hangar) Replacement project at Merritt Island Airport. However, overall revenues were more than budgeted by $36,785 due primarily to miscellaneous revenue being more than expected.

The following expenditure categories were under budget, but full results are available at “Budget to Actual Comparison, Cash Basis”.

	Budget	Actual	Difference
Salaries	$ 875,200	$ 791,047	-11%
Insurance	288,795	257,393	-12%
Communications and utilities	227,190	178,002	-28%

Repairs and Maintenance were over-budget by $80,827 due to necessary and on-going T-Hangar repairs. However, these expenses were off-set with Contingency funds totaling $67,379. The following table summarizes these results, but full results are available at “Budget to Actual Comparison, Cash Basis”.

	Budget	Actual	Difference
Repairs and maintenance	$ 248,000	$ 328,827	$ (80,827)
Contingencies	67,379	-	67,379

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The following is a summary of major capital asset additions for 2019.

Major completed projects that were capitalized:
Merritt Island:
RSA Construction $ 4,619,731

Table A-3
Summary of Changes in Capital Assets

	2019	2018	Change
Land	$ 11,130,367	$ 11,130,367	0%
Buildings and improvements	20,446,638	20,830,320	-2%
Runways and lighting	22,528,619	23,591,482	-5%
Equipment	98,061	89,857	9%
Vehicles	81,260	253,319	-68%
Construction in process	4,923,736	1,715,267	187%
Total	$ 59,208,681	$ 57,610,612	3%

CAPITAL ASSETS AND DEBT ADMINISTRATION *(continued)*

B. Long-term Debt

At year end, the Authority had $1,622,000 in notes outstanding, a decrease of $113,000 over the prior year. The Authority incurred no new debt during the year ended September 30, 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During the year ended September 30, 2019, the Authority completed the Airfield Lighting and Signage projects at Space Coast Regional Airport, and the Port-O-Port (Box Hangar) Replacement project at Merritt Island Airport. On-going at Merritt Island Airport is the mitigation and monitoring portion of the Runway Safety Area Construction project. These projects received funding assistance from the Federal Aviation Authority (FAA) and the Florida Department of Transportation (FDOT).

For fiscal year ending September 30, 2020, the Authority expects to complete the Building 26 (Hangar 52) Demolition project at Space Coast Regional Airport, Replace PAPI's projects at Merritt Island Airport and Arthur Dunn Airpark, and the Airfield Markings project at Arthur Dunn Airpark. On-going projects will include Rehabilitation of the South Apron and Runway 11/29 Improvements at Merritt Island Airport. Any single project offers improvements, but when considered together these projects provide dramatic enhancement of facilities for the tenants and traveling public served by the Titusville-Cocoa Airport Authority.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

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TITUSVILLE-COCOA AIRPORT AUTHORITY

Basic Financial Statements

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September 30,		2019		2018
ASSETS				
Current assets				
Cash and cash equivalents	$	1,511,375	$	1,668,306
Restricted cash and cash equivalents		234,470		231,683
Accounts receivable		49,058		210,526
Due from other governments		1,691,823		568,058
Total current assets		3,486,726		2,678,573
Noncurrent capital assets				
Land		11,130,367		11,130,367
Buildings and improvements		32,665,990		32,222,307
Runways and lighting		36,751,532		36,751,532
Furniture, fixtures, and equipment		2,632,148		2,577,350
Vehicles		1,169,867		1,232,253
Construction in process		4,923,736		1,715,267
Accumulated depreciation		(30,064,959)		(28,018,464)
Total noncurrent capital assets		59,208,681		57,610,612
Total assets		62,695,407		60,289,185
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions		407,918		505,922
Total deferred outflows of resources		407,918		505,922

The accompanying notes are an integral part of this financial statement.

September 30,	2019	2018
LIABILITIES		
Current liabilities		
Accounts payable	798,915	66,538
Retainage payable	223,552	-
Accrued expenses and other liabilities	75,371	52,445
Refundable deposits	234,470	231,683
Current portion of long-term liabilities	218,668	213,916
Total current liabilities	1,550,976	564,582
Noncurrent liabilities		
Long-term liabilities	1,409,683	1,518,250
Net pension liabilities	1,262,123	1,170,253
Post employment benefit liability	53,036	51,690
Total noncurrent liabilities	2,724,842	2,740,193
Total liabilities	4,275,818	3,304,775
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	145,122	146,260
Deferred inflows other post-employment benefits	10,243	64,976
Total deferred inflows of resources	155,365	211,236
NET POSITION		
Net investment in capital assets	56,727,268	55,935,078
Unrestricted	1,944,874	1,344,018
Total net position	$ 58,672,142	$ 57,279,096

The accompanying notes are an integral part of this financial statement.

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended September 30,	2019	2018
Operating revenues		
T-hangars	$ 1,090,372	$ 1,039,702
Fixed base operations	468,963	468,303
Other sales, houses, and mini warehouses	1,026,224	1,033,143
Miscellaneous revenue	30,117	122,900
Total operating revenues	2,615,676	2,664,048
Operating and maintenance expenses		
Wages and benefits	1,200,251	1,208,437
Repairs, maintenance, and other services	887,733	712,251
Materials and supplies	83,985	69,331
Depreciation	2,132,396	2,023,963
Total operating and maintenance expenses	4,304,365	4,013,982
Operating loss	(1,688,689)	(1,349,934)
Non-operating revenues (expenses)		
Interest income	42	73
Interest	(70,630)	(68,157)
Total non-operating revenues (expenses)	(70,588)	(68,084)
Loss before contributions	(1,759,277)	(1,418,018)
Capital contributions	3,152,323	889,615
Change in net position	1,393,046	(528,403)
Net position, beginning of year	57,279,096	57,807,499
Net position, end of year	$ 58,672,142	$ 57,279,096

The accompanying notes are an integral part of this financial statement.

For the years ended September 30,	2019	2018
Cash flows from operating activities		
Cash received from tenants	$ 2,973,366	$ 2,388,383
Cash received from other sources	30,117	100,635
Cash paid to employees for services	(1,041,976)	(1,108,527)
Cash paid to suppliers for goods and services	(1,003,001)	(627,544)
Net cash provided by operating activities	958,506	752,947
Cash flows from capital and related financing activities		
Cash received from capital grants and contributions	2,028,557	906,011
Cash paid for acquisition and construction of capital assets	(2,966,804)	(1,028,812)
Cash paid for principal on notes	(103,815)	(112,598)
Cash paid for interest on notes	(70,630)	(68,157)
Net cash used in capital and related financing activities	(1,112,692)	(303,556)
Cash flows from investing activities		
Cash received for interest income	42	73
Net cash provided by investing activities	42	73
Increase (decrease) in cash and cash equivalents	(154,144)	449,464
Cash and cash equivalents, beginning of year	1,899,989	1,450,525
Cash and cash equivalents, end of year	$ 1,745,845	$ 1,899,989

Following is a reconciliation of the cash as of September 30,	2019	2018
Cash and cash equivalents	$ 1,511,375	$ 1,668,306
Cash and cash equivalents, restricted	234,470	231,683
Total cash and cash equivalents, end of year	$ 1,745,845	$ 1,899,989

The accompanying notes are an integral part of this financial statement.

For the years ended September 30,	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (1,688,689)	$ (1,349,934)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	2,132,396	2,023,963
Change in assets, deferred outflows, liabilities and deferred inflows:		
(Increase) decrease in assets and deferred outflows:		
Accounts receivable	161,468	(166,773)
Decrease in prepaid expenses	-	154,038
Due from other governments	-	16,396
Deferred outflows from pensions	98,004	69,982
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	(31,283)	165
Retainage payable	223,552	53,467
Accrued expenses and other liabilities	22,926	(13,911)
Deposits	2,787	1,449
Net pension liability	91,870	51,718
Other post employment benefit obligation	1,346	60,143
Deferred inflows from pensions	(1,138)	(82,780)
Deferred inflows from other post employment benefits	(54,733)	(64,976)
Total adjustments	2,647,195	2,102,881
Net cash provided by operating activities	$ 958,506	$ 752,947

The accompanying notes are an integral part of this financial statement.

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 on 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).

Reporting Entity

The Authority is a dependent, special district of Brevard County, Florida under Chapter 189.403, Florida Statutes, as Brevard County approves the Authorities annual budget. The Authority is governed by a 7 member Board of Directors which consists of two members appointed by each of the respective county commissioners of Districts 2 and 4, one member appointed by the District 1 county commissioner, one member appointed by the City of Titusville, and one member-at-large appointed by the Brevard County Board of County Commissioners. The Authority does not exercise control over other government agencies or authorities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority uses the *economic resources measurement focus* and the *accrual basis of accounting* for its financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The following is a description of the sole proprietary fund of the Authority.

Enterprise Fund - The Authority operates as an enterprise fund that accounts for the construction, operation and maintenance of the Authority.

This fund is used to account for the acquisition, operation and maintenance of Authority facilities and services that are entirely or predominantly self-supported by user fees. The operations of enterprise funds are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Budgetary Information

The budgetary policy for the Board of Directors of the Authority involves establishing an annual operating expense budget. A tentative annual operating expense budget is to be adopted prior to July 1 of each year, and approved by the Brevard County Board of County Commissioners. Brevard County Board of County Commissioners action is required for the approval of a supplemental or amended budget.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary control is maintained at the line item level. The budget is prepared on an accrual basis of accounting, which is consistent with generally accepted accounting principles. All appropriations that are not expensed or committed lapse at year end.

Actual results of operations presented in accordance with generally accepted accounting principles (GAAP basis) and the Authority's accounting policies do not recognize encumbrances as expenditures until the period in which the actual goods or services are received and a liability is incurred.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and cash equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Accounts Receivable - The Authority's hangars lease agreements are billed in advance on the 1st of each month, and the Authority pursues collections for those accounts in arrears. The Authority deems all amounts collectable therefore an allowance for doubtful accounts is not necessary. The Authority charges interest on delinquent accounts.

Restricted Assets

Certain assets of the Authority are classified as restricted cash and cash equivalents on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established in the Authority's book and records to account for the sources and uses of these limited use assets as follows:

Customer deposit accounts – Deposited in non-interest bearing accounts and refunded upon termination of rental agreement with the Authority and satisfaction of all obligations due.

Bond and capital lease debt service accounts – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds or capital lease obligations.

Retainage Payable

Retainage payable consists of amounts due to construction contractors for construction in process under retainage provisions of construction contracts.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, runways, taxiways, buildings, and similar items), are reported in the financial statements. Capital assets, are defined by the Authority as assets with an initial, individual cost of more than $750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased or constructed, and at estimated fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs, which do not improve or materially extend the life of the respective assets are charged to expense. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated or amortized using the straight-line method over the following average useful lives:

Buildings and improvements	5 – 39 years
Runways, lighting, and ramps	7 – 33 years
Furniture, Fixtures, Equipment, and vehicles	3 – 10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The deferred outflows reported by the Authority are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P22*: Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria.* The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liabilities in future reporting years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: Pension Activities – *Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

The deferred inflows related to other post-employment benefits (OPEB) are an aggregate of items related to pensions as calculated in accordance with GASB Codification P52 *Postemployment Benefits other Than Pensions – Reporting for Benefits not Provided through Trusts that Meet Specified Criteria* The deferred inflows related to OPEB will be recognized as a reduction to OPEB expense in future reporting years.

Compensated Absences

The Authority's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employment of the Authority and, accordingly upon separation from service, no monetary obligation exists.

Long-Term Liabilities

Lon-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

Pensions

The Authority participates in cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State Board of Administration, the Florida Retirement System. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB) Liability

The Authority participates in a cost-sharing multiple-employer post-employment health plan administered by Brevard County, Florida. The Authority's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. There are no investments as this is a pay-as you-go plan.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Categories and Classification of Net Position

Net position flow assumption – Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and as net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

The provisions of GASB Codification P80 *Proprietary Fund Accounting and Financial Reporting*, specifies the following classifications:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted net position – Restricted net position are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. There are no restricted funds at September 30, 2019 or 2018.

Unrestricted net position – Unrestricted net position is the residual classification.

Revenues and Expenditures/Expenses

The Authority distinguishes operating revenues and expenses from nonoperating items in accordance with GASBC P80 *Proprietary Fund Accounting and Financial Reporting*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for hangar rentals, building leases, rent and fuel flowage fees from fixed base operators, revenue from mini warehouses. Operating expenses for enterprise funds and include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Leases

Leases involving buildings, hangars, mini warehouses and other airport facilities are accounted for as operating leases which recognize rental income over the term of the lease.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Grants

Grants restricted for capital asset acquisition and construction are recorded as capital contributions. Grant revenue that can be used for operating purposes is classified as nonoperating revenue. They are considered earned when all applicable eligibility requirements have been met and it is earned by the Authority.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 18, 2020 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In fiscal year 2019, the Authority has implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to provide for the measurement and accounting of legally enforceable liabilities associated with the retirement of tangible capital assets. The Authority has no tangible capital assets which fall under the requirements of the statement, and therefore no adjustments have been recorded.

The Authority has implemented GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements. The implementation of this statement did not result in any change in the Authority's financial statements. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to the financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. Additional information can be found in Note 2.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

The Authority has implemented Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest costs incurred before the end of a construction period. This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the costs are incurred for financial statements prepared using the economic resources measurement focus. The Authority incurred interest expense of $70,630 through the year ended September 30, 2019 which would have otherwise been susceptible to accrual on the balance sheet. During the year ended September 30, 2018 no interest expense was capitalized into the Authority's construction in process.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The Authority is evaluating the requirements of the above statements and the impact on reporting.

Reclassification

Certain amounts on the statements of net position, and the statements of revenues, expenses, changes in net position, the statements of cash flows, and notes to the financial statements have been reclassified to be consistent with the 2019 presentation.

Note 2: DETAILED NOTES

Deposits and Investments

As of September 30, 2019, $500,000 of the Authority's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Authority pursuant to Section 280.08, Florida Statutes.

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2019.

	Beginning Balance	Increases and transfers	Decreases and transfers	Ending Balance
Capital assets not being depreciated:				
Land(*)	$ 11,130,367	$ -	$ -	$ 11,130,367
Construction in process	1,715,267	3,652,152	(443,683)	4,923,736
Total capital assets not being depreciated	12,845,634	3,652,152	(443,683)	16,054,103
Capital assets, being depreciated:				
Runways and lighting	36,751,532	-	-	36,751,532
Buildings and improvements (*)	32,222,307	443,683	-	32,665,990
Equipment	2,577,350	54,798	-	2,632,148
Vehicles	1,232,253	23,514	(85,900)	1,169,867
Total capital assets being depreciated	72,783,442	521,995	(85,900)	73,219,537
Less accumulated depreciation for:				
Runways and lighting	13,160,050	1,062,863	-	14,222,913
Buildings and improvements (*)	11,391,987	827,365	-	12,219,352
Equipment	2,487,493	46,594	-	2,534,087
Vehicles	978,934	195,573	(85,900)	1,088,607
Total accumulated depreciation	28,018,464	2,132,395	(85,900)	30,064,959
Total capital assets, being depreciated, net	44,764,978	(1,610,400)	-	43,154,578
Total capital assets, net	$ 57,610,612	$ 2,041,752	$ (443,683)	$ 59,208,681

* Amounts of beginning balances have been reclassified to agree to the ending balance presentation

Note 2: DETAILED NOTES (Continued)

The following is a summary of changes in capital assets during the year ended September 30, 2018.

	Beginning Balance	Increases and transfers	Decreases and transfers	Ending Balance
Capital assets not being depreciated:				
Land(*)	$11,130,367	$ -	$ -	$11,130,367
Construction in process	5,650,759	973,210	(4,908,702)	1,715,267
Total capital assets not being depreciated	16,781,126	973,210	(4,908,702)	12,845,634
Capital assets, being depreciated:				
Runways and lighting	31,805,884	4,945,648	-	36,751,532
Buildings and improvements (*)	32,222,307	-	-	32,222,307
Equipment	2,577,350	-	-	2,577,350
Vehicles	1,160,131	72,122	-	1,232,253
Total capital assets being depreciated	67,765,672	5,017,770	-	72,783,442
Less accumulated depreciation for:				
Runways and lighting	12,172,903	987,147	-	13,160,050
Buildings and improvements (*)	10,588,719	803,268	-	11,391,987
Equipment	2,442,430	45,063	-	2,487,493
Vehicles	790,449	188,485	-	978,934
Total accumulated depreciation	25,994,501	2,023,963	-	28,018,464
Total capital assets, being depreciated, net	41,771,171	2,993,807	-	44,764,978
Total capital assets, net	$58,552,297	$3,967,017	$(4,908,702)	$57,610,612

* Amounts of beginning balances have been reclassified to agree to the ending balance presentation

Depreciation expense was $2,132,395 and $2,023,963 for the years ended September 30, 2019 and 2018, respectively.

Long-Term Debt and Liabilities

Revenue and refunding note series 2015 - In February 2015, the Authority entered into a note payable with a bank in the principal amount of $2,000,000 at an interest rate, of 3.69% multiplied by one minus one times the highest corporate income tax rate divided by 0.65, payable in equal installments over 15 years. The note is secured by a pledge of all income, rates, fees, rentals, other charges, and any investment income. The note includes a penalty for prepayment. In January 2018, due to a reduction of the maximum corporate income tax rate the interest rate was adjusted by the note holder from 3.69% to 4.485% effective January 1, 2018. The note was issued to refund the Authority’s Capital Improvement Refunding Note, Series 2003 and to pay for the cost of issuance. Proceeds from the issuance of the note are restricted for refunding the Capital Improvement Refunding Note, Series 2003, payment of note issuance costs, and capital projects.

Note 2: DETAILED NOTES (Continued)

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 was collateralized by the swapped property received by the Authority. The note was paid in full during the year ended September 30, 2018.

Pledged revenues and principal and interest payments for the year ended September 30, 2019 are as follows:

Pledged revenue	Amount of Issue	Future Principal and Interest	Current Pledged Revenue	Current Principal & Interest	Current Percentage of Revenue
Revenue and Refunding Note, Series 2015	$ 2,000,000	$ 1,926,576	$ 2,615,718	$ 174,445	6.7%

Pledged revenues and principal and interest payments for the year ended September 30, 2018 are as follows:

Pledged revenue	Amount of Issue	Future Principal and Interest	Current Pledged Revenue	Current Principal & Interest	Current Percentage of Revenue
Revenue and Refunding Note, Series 2015	$ 2,000,000	$ 1,692,696	$ 2,664,048	$ 174,446	6.5%
Flagler Development	118,293	6,310	2,664,048	6,310	0.2%
	$ 2,118,293	$ 1,699,006	$ 5,328,096	$ 180,756	6.8%

Annual debt service requirements to maturity for the Authority's note payable is as follows:

September 30,	Principal	Interest	Total
2020	$ 108,569	$ 65,876	$ 174,445
2021	113,539	60,906	174,445
2022	118,737	55,708	174,445
2023	124,173	50,273	174,446
2024	129,858	44,588	174,446
2025 to 2029	744,097	128,130	872,227
2030 to 2031	179,279	2,843	182,122
	$ 1,518,252	$ 408,324	$ 1,926,576

Note 2: DETAILED NOTES (Continued)

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes from direct borrowings:					
Note payable	$ 1,622,067	$ -	$ (103,815)	$ 1,518,252	$ 108,569
Total notes from direct borrowings	1,622,067	-	(103,815)	1,518,252	108,569
Compensated absences	110,099	71,250	(71,250)	110,099	110,099
Total long-term liabilties	$ 1,732,166	$ 71,250	$ (175,065)	$ 1,628,351	$ 218,668

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes from direct borrowings:					
Note payable	$ 1,728,412	$ -	$ (106,345)	$ 1,622,067	$ 103,817
Flagler Note	6,253	-	(6,253)	-	-
Total notes from direct borrowings	1,734,665	-	(112,598)	1,622,067	103,817
Compensated absences	102,529	85,348	(77,778)	110,099	110,099
Total long-term liabilties	$ 1,837,194	$ 85,348	$ (190,376)	$ 1,732,166	$ 213,916

Net Investment in Capital Assets

The details of the Authority's investment in capital assets, net of related debt, accounts payable, and retainage payable is as follows:

September 30,	2019	2018
Capital assets, net	$ 59,208,681	$ 57,610,613
Outstanding debt, payables, and retainage payable related to capital assets	(2,481,413)	(1,675,534)
Invested in capital assets	$ 59,208,681	$ 55,988,545

Note 3: RETIREMENT PLANS

The Authority participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries.

Note 3: RETIREMENT PLANS (Continued)

Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

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

The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $5. The minimum payment is $30 and the maximum payment is $150 per month, pursuant to Section 112.363, Florida Statutes.

Note 3: RETIREMENT PLANS (Continued)

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer's contribution rates as of September 30, 2019 and September 30, 2018, were as follows:

September 30,	2019		2018	
	FRS	HIS	FRS	HIS
Regular class	6.81%	1.66%	6.60%	1.66%
Special risk class	23.82%	1.66%	22.84%	1.66%
Senior management service class	23.75%	1.66%	22.40%	1.66%
Elected officials	47.16%	1.66%	47.04%	1.66%
DROP from FRS	12.94%	1.66%	12.30%	1.66%

The employer's contributions for the year ended September 30, 2019 and 2018 were $90,944 and $87,407 to the FRS Pension Plan, respectively; and $12,508 and $12,730 to the HIS Program, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows, and Deferred Inflows

In its financial statements for the year ended September 30, 2019 and 2018, the Authority reported liabilities for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2019 and June 30, 2018, respectively. The Authority's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

September 30,	2019		2018	
	FRS	HIS	FRS	HIS
Net Pension Liability	$1,010,082	$252,041	$923,704	$246,549
Proportion at:				
Measurement date, respectively	0.0029%	0.0023%	0.0031%	0.0023%
Pension expense	$ 376,705	$ 48,545	$ 376,705	$ 48,545

Note 3: RETIREMENT PLANS (Continued)

At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 59,911	$ (627)	$ 3,061	$ (309)
Change of assumptions	259,433	-	29,184	(20,600)
Net difference between projected and actual earnings on pension plan investmer	-	(55,373)	163	-
Changes in proportion and differences between Authority pension plan contributions and proportionate share of contributions	23,135	(46,351)	5,640	(21,862)
Authority pension plan contribution subsequent to the measurement date	24,327	-	3,064	-
Total	$ 366,806	$ (102,351)	$ 41,112	$ (42,771)

At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 78,259	$ (2,840)	$ 3,804	$ (422)
Change of assumptions	301,851	-	27,632	(26,269)
Net difference between projected and actual earnings on pension plan investmer	-	(71,374)	150	-
Changes in proportion and differences between Authority pension plan contributions and proportionate share of contributions	56,174	(29,144)	8,879	(16,211)
Authority pension plan contribution subsequent to the measurement date	25,599	-	3,574	-
Total	$ 461,883	$ (103,358)	$ 44,039	$ (42,902)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liabilities in the reporting period ending September 30, 2020 and 2019, respectively.

Note 3: RETIREMENT PLANS (Continued)

Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending September 30:	FRS	HIS
2020	$ 86,446	$ (2,031)
2021	26,414	(1,606)
2022	62,433	(897)
2023	48,026	661
2024	12,006	(94)
Thereafter	4,803	(756)
Total	$ 240,128	$ (4,723)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2019 and June 30, 2018, respectively. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2019, and July 1, 2018, respectively. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2019, and July 1, 2018, respectively.

The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

July 1,	2019(*)		2018	
	FRS	HIS	FRS	HIS
Inflation	2.60%	2.60%	2.60%	2.60%
Salary increases, including inflation	3.25%	3.25%	3.25%	3.25%
Investment rate of return	6.90%	N/A	7.00%	N/A
Discount rate	6.90%	3.50%	7.00%	3.87%

(*) The HIS plan used an actuarial roll forward method where the discount rate was revised however the last complete valuation was performed July 1, 2018.

	2019	2018
Mortality assumptions		
FRS	PUB-2010 with projected generations with scale MP-2018	Generational RP-2000 with projection scale BB
HIS	Generational RP-2000 with projection scale BB	
Actuarial experience study FRS and HIS	Period July 1, 2014 through June 30, 2018	Period July 1, 2008 through June 30, 2013.

Note 3: RETIREMENT PLANS (Continued)

The following key changes in actuarial assumptions occurred in:

	2019	2018
FRS	The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.00% to 6.90%.	The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.10% to 7.00%.
HIS	The municipal bond index rate and the discount rate used to determine the total pension liability was adjusted from 3.87% to 3.50%.	The municipal bond index rate and the discount rate used to determine the total pension liability was adjusted from 3.58% to 3.87%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation at July 1, 2019:

Asset Class	Target Allocation (1)	Annual Arithmatic Return	Compound Annual (Geometric) Return
Cash	1%	3.30%	3.30%
Fixed income	18%	4.10%	4.10%
Global equity	54%	8.00%	6.80%
Real estate	11%	6.70%	6.10%
Private equity	10%	11.20%	8.40%
Strategic investments	6%	5.90%	5.70%
Total	100%		
Assumed Inflation - Mean			

(1) As outlined in the Pension Plan's investment policy

Note 3: RETIREMENT PLANS (Continued)

For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation at July 1, 2018:

Asset Class	Target Allocation (1)	Annual Arithmatic Return	Compound Annual (Geometric) Return
Cash	1%	2.90%	2.90%
Fixed income	18%	4.40%	4.30%
Global equity	54%	7.60%	6.30%
Real estate	11%	6.60%	6.00%
Private equity	10%	10.70%	7.80%
Strategic investments	6%	6.00%	5.70%
Total	100%		
Assumed Inflation - Mean			

(1) As outlined in the Pension Plan's investment policy

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.90%, and 7.00% for the years ended June 30, 2019 and 2018, respectively. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return for both years.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.50%, and 3.87% at June 30, 2019 and 2018, respectively, was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

Note 3: RETIREMENT PLANS (Continued)

	FRS			HIS		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
September 30, 2019	5.90%	6.90%	7.90%	2.50%	3.50%	4.50%
Authority's proportionate share of the net pension liability	$ 1,746,096	$ 1,010,082	$ 395,386	$ 287,718	$ 252,041	$ 222,327

	FRS			HIS		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
September 30, 2018	6.00%	7.00%	8.00%	2.87%	3.87%	4.87%
Authority's proportionate share of the net pension liability	$ 1,704,107	$ 923,704	$ 293,897	$ 277,258	$ 246,459	$ 215,241

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Note 4: OTHER POST-EMPLOYMENT BENEFITS PLANS

Plan description

As a dependent Special District 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

Note 4: OTHER POST-EMPLOYMENT BENEFITS PLANS (Continued)

Plan membership was as follows:

Year ended September 30,	2019	2018
Active participants	12	12
Inactive retirees	2	2

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.

Funding policy

For both the year ended September 30, 2019 and 2018 the maximum employer contribution target is 56% of the annual premium cost of the Plan. The annual premium costs are between $4,056 and $8,616 for retirees and spouses under age 65 and between $1,872 and $6,312 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 six 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 earned percentage of benefits upon retirement based on years of service.

For the year ended September 30, 2019 and 2018, the portion of contribution attributed to the Authority is $1,102 and $725, respectively which includes both an estimate of the implied subsidy described above and the explicit subsidy paid on behalf of eligible retirees.

Actuarial assumptions and other inputs

These calculations are based on the Entry Age Normal cost method required by GASBC P52: *Other Post-employment Benefits*. The total OPEB liability in the September 30, 2019, and 2018 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2019	2018
Salary increases	3.50%	3.50%
Discount Rate	3.64%	4.24%
Healthcare cost trend rates		
Decreasing by 0.5% per year to 5% in 2020	6.50%	7.00%
Retirees' share of benefit-related costs	44%	44%

Note 4: OTHER POST-EMPLOYMENT BENEFITS PLANS (Continued)

The discount rate was based on the December average of the Municipal Bond Index Rate used is of the Bond Buyer GO 20-year Municipal Bond Index published by The Bond Buyer.

	2019	2018
Mortality rates	PUB-2010 General Headcount-Weighted Mortality, projected using MP-2019	RPF-2014 Fully Generational Mortality adjust to 2006 projected using scale MP-2018
Experience study	October 1, 2018	October 1, 2018
Measurement date	September 30, 2019	September 30, 2018
Disability	None assumed	None assumed
Participation	75% of active participants are assumed to participate at retirement, and will remain in the same plan as they currently are enrolled.	
Claims cost	$9,820 - $11,710	$9,178 - $10,944
Retirement marriage assumptions	70% are assumed to be married with husbands three years older than wives. Actual spouse data used for retirees not missing spouse date of birth and the assumptions that husbands are three years older than wives used for retirees missing spouse date of birth.	
Medicare eligibility	All participants are assumed to be Medicare eligible upon reaching age.	
Exposure to excise tax	An explicit load of 10% of per capita costs was added.	
Administrative expenses	Implicitly included in Per Capita Costs for all the self-insured plans and in premiums for the fully-insured plans.	
Changes since last valuation	• The mortality table was changed from the RP-2014 Fully Generational Mortality Table adjusted to 2006, projected using MP-2018 to the Pub-2010 General Headcount-Weighted Mortality, projected using MP-2019. • The discount rate was changed as shown above.	• The mortality table was changed from the RP-2014 Fully Generational Mortality Table adjusted to 2006, projected using MP-2016 to the RP-2014 Fully Generational Mortality Table adjusted to 2006, projected using MP-2018. • The discount rate was changed as shown above.

Note 4: OTHER POST-EMPLOYMENT BENEFITS PLANS (Continued)

The Authority reported an OPEB liability of $53,036, and $51,690 at September 30, 2019, and 2018, respectively.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of October 1, 2018 for FYE 2018	$ 51,690	$ -	$ 51,690
Changes for the year:			
Service cost	1,102	-	1,102
Interest	2,102	-	2,102
Changes of assumptions	2,333	-	2,333
Difference between expected and actual experience	56	-	56
Benefit payments	(4,247)	-	(4,247)
Net changes in total OPEB liability	1,346	-	1,346
Balance as of October 1, 2019 for FYE 2019	$ 53,036	$ -	$ 53,036

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of October 1, 2018 for FYE 2017	$ 111,833	$ -	$ 111,833
Changes for the year:			
Service cost	725	-	725
Interest	3,939	-	3,939
Changes of assumptions	(2,362)	-	(2,362)
Difference between expected and actual experience	(55,812)	-	(55,812)
Benefit payments	(6,633)	-	(6,633)
Net changes in total OPEB liability	(60,143)	-	(60,143)
Balance as of October 1, 2018 for FYE 2018	$ 51,690	$ -	$ 51,690

Note 4: OTHER POST-EMPLOYMENT BENEFITS PLANS (Continued)

Sensitivity of the OPEB liability

The following table represents the Authority's total OPEB liability calculated using the current discount rate as well as what the Authority's total OPEB liability would be at September 30, 2019, and 2018 if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Discount Rate	1% Increase
September 30, 2019	2.64%	3.64%	4.64%
Total OPEB Liability	$ 56,426	$ 53,036	$ 49,950

	1% Decrease	Discount Rate	1% Increase
September 30, 2018	3.24%	4.24%	5.24%
Total OPEB Liability	$ 56,426	$ 51,690	$ 49,950

The following table represents the Authority's total and net OPEB liability calculated using the health current care cost trend rate as well as what the Authority's net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

September 30, 2019	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	$ 49,539	$ 53,036	$ 56,925

September 30, 2018	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	$ 49,539	$ 51,690	$ 56,925

OPEB expense and deferred outflows of resources and deferred inflows of resourced related to OPEB

For the fiscal year ended September 30, 2019 and 2018 the Authority recognized an OPEB expense of $(53,384) and $4,833, respectively. In addition the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

Note 4: OTHER POST-EMPLOYMENT BENEFITS PLANS (Continued)

September 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (10,454)
Change of assumptions	-	211
Total	$ -	$ (10,243)

September 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (54,981)
Change of assumptions	-	(9,995)
Total	$ -	$ (64,976)

Other amounts reported as deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

Year ending September 30,	
2020	$ (1,500)
2021	(1,500)
2022	(1,500)
2023	(1,500)
2024	(1,500)
Thereafter	(2,743)
Total	$ (10,243)

Note 5: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to Employees; and natural disasters. The Authority purchases separate commercial insurance coverage for workers' compensation, liability, and property damage. Coverage for workers' compensation and automobile claims are limited to the maximum liability exposure the Authority faces under Florida statutes. Coverage for general liability claims is a maximum of $1,000,000 combined single limit.

Note 5: RISK MANAGEMENT

The commercial insurance carried is a claims incurred policy for which the Authority is covered for claims originating against the Authority during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The Authority has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended September 30, 2019 or 2018.

During the ordinary course of its operation, the Authority is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Authority, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Authority or results of activities.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts not recorded, if any, to be immaterial.

The Authority has active construction projects as of September 30, 2019, and 2018. At year-end, the Authority’s commitments with contractors are as follows:

September 30,	2019	2018
Space Coast Regional Airport Authority	$ 579,080	$ -
Merritt Island Airport	4,250,673	401,219
Arthur Dunn Airpark	325,588	-
Total outstanding commitments	$ 5,155,341	$ 401,219

Note 6: 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 7: LEASING ARRANGEMENTS

The Authority leases facilities at its three airports to fixed base operators and other tenants on leases terms which range from month to month, to periods up through 2038. Buildings and service areas leased and available for lease are as follows:

Year ended September 30,	2019	2018	2019 and 2018
	Buildings and Hangars	Buildings and Hangars	Land
Historical cost	$ 27,245,000	$ 27,245,000	$ 5,020,767
Less: accumulated depreciation	11,647,706	10,868,000	-
Net book value	$ 15,597,294	$ 16,377,000	$ 5,020,767

A summary of the minimum future rentals on non-cancelable leases is as follows:

Year ending September 30,	
2020	$ 1,056,097
2021	841,516
2022	692,302
2023	577,309
2024	575,135
2025 - 2029	2,516,826
2030 - 2034	870,259
2035 - 2039	57,343
Total	7,186,787

Note 8: AD-VALOREM TAXES

The Authority has statutory authority to levy ad valorem taxes up to 1 mil annually on all taxable property within the Authority's district boundaries. The Authority has not levied a property tax since 2005.

Note 9: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2019 through March 18, 2020, the date the current year's financial statements were available to be issued. The following events occurred:

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REQUIRED SUPPLEMENTARY INFORMATION

Titusville-Cocoa Airport Authority
Schedule of Proportionate Share of Net Pension Liability
Last Six Fiscal Years

Florida Retirement System (FRS)

	2019	2018	2017	2016
Authority's proportion of the net pension liability	0.0029%	0.0031%	0.0033%	0.0033%
Authority's proportionate share of the net pension liability	$ 1,010,082	$ 923,794	$ 958,751	$ 823,542
Authority's covered payroll	824,093	790,921	776,263	797,929
Authority's proportionate share of the pension liability as a percentage of its net covered payroll	122.57%	116.80%	123.51%	103.21%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%

Health Insurance Subsidy (HIS)

	2019	2018	2017	2016
Authority's proportion of the net pension liability	0.0023%	0.0023%	0.0025%	0.0025%
Authority's proportionate share of the net pension liability	$ 252,041	$ 246,459	$ 263,220	$ 296,470
Authority's covered payroll	824,093	790,921	776,263	797,929
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	30.58%	31.16%	33.91%	37.15%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for only the years for which information is available.

	2015	2014
	0.0033%	0.0270%
	$ 422,590	$ 167,042
	792,257	768,559
	53.34%	21.73%
	92.00%	96.09%

	2015	2014
	0.0026%	0.0024%
	$ 260,186	$ 225,462
	792,257	768,559
	32.84%	29.34%
	0.50%	0.99%

Florida Retirement System (FRS)

	2019	2018	2017	2016
Contractually required contribution	$ 90,944	$ 87,407	$ 84,379	$ 79,538
Contributions in relation to the contractually required contribution	(90,944)	(87,407)	(84,379)	(79,538)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered payroll	739,555	790,971	776,273	797,929
Contributions as a percentage of covered payroll	7.84%	7.50%	7.62%	7.48%

Health Insurance Subsidy (HIS)

	2019	2018	2017	2016
Contractually required contribution	$ 12,508	$ 12,730	$ 13,028	$ 13,039
Contributions in relation to the contract	(12,508)	(12,730)	(13,028)	(13,039)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered payroll	739,555	790,971	776,263	797,929
Contributions as a percentage of covered payroll	1.62%	1.66%	1.66%	1.63%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for only the years for which information is available.

2015	2014
$ 79,768	$ 59,968
(79,768)	(59,968)
$ -	$ -
792,257	768,559
8.18%	7.80%

2015	2014
$ 9,752	$ 8,260
(9,752)	(8,260)
$ -	$ -
792,257	768,559
1.26%	1.07%

Titusville-Cocoa Airport Authority
Schedule of Changes in Other Post-Employment Benefits
Liability and Related Ratios - Last Two Fiscal Years

Fiscal year ending September 30,		2019		2018
Total OPEB liability				
Service cost	$	1,102	$	725
Interest		2,102		3,939
Differences between expected and actual experience		56		(55,812)
Changes of assumptions		2,333		(2,362)
Benefit payments		(4,247)		(6,633)
Net changes in total OPEB liability		1,346		(60,143)
Total OPEB liability - beginning		51,690		111,833
Total OPEB liability - ending	$	53,036	$	51,690
Covered-employee payroll for the measurement period	$	824,093	$	790,921
Total OPEB liability as a percentage of covered-employee payroll		6.44%		6.54%

Notes to the schedule:

The District implemented GASB 75 for the fiscal year ended September 30, 2018. As a result, this information is only available for the past 2 years.

ADDITIONAL SUPPLEMENTARY INFORMATION

Titusville-Cocoa Airport Authority
Operating Budget to Actual Comparison, Cash Basis

For the year ended September 30, 2019	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operating revenues			
T-hangars	$ 1,111,100	$ 1,090,372	$ (20,728)
Fixed base operations	439,793	468,963	29,170
Other sales, houses, and mini warehouses	1,025,498	1,026,224	726
Miscellaneous	2,500	30,117	27,617
Total operating revenues	2,578,891	2,615,676	36,785
Operating expenses			
Wages and benefits			
Salaries	875,201	791,047	84,154
Workers compensation insurance	26,000	17,527	8,473
Employee benefits	275,980	256,328	19,652
Total wages and benefits	1,177,181	1,064,902	112,279
Repairs, maintenance, and other services			
Repairs and maintenance	248,000	328,827	(80,827)
Insurance	288,795	257,393	31,402
Communications and utilities	227,190	178,002	49,188
Professional services	104,000	84,452	19,548
Advertising and marketing	25,800	5,448	20,352
Taxes and other obligations	18,000	2,381	15,619
Travel and training	19,500	2,276	17,224
Dues and subscriptions	10,300	5,694	4,606
Total repairs, maintenance, and other services	941,585	864,473	77,112
Materials and supplies	83,300	83,985	(685)
Contingencies	67,379	-	67,379
Total operating expenses	2,269,445	2,013,360	256,085
Operating revenues less operating expenses	$ 309,446	$ 602,316	$ 292,870

Titusville-Cocoa Airport Authority

Schedule of Capital Projects Summary

	Project	Funding Source	Item Number	Funding				Expenditures			
				Balance 9/30/2018	Additions and Adjustments	Transfers and Adjustments	Balance 9/30/2019	Balance 9/30/2018	Additions and Adjustments	Transfers and Adjustments	Balance 9/30/2019
TIX	Spaceport License	SPACE FL		$ 275,000	$ -	$ -	$ 275,000	$ 678,521	$ -	$ -	$ 678,521
	Status: OPEN	TCAA		403,521	-	-	403,521				
TIX	Airfield Lighting	FAA	3-12-0080-028-2018	168,867	1,595,691	-	1,764,558	190,130	1,772,902	-	1,963,032
	Status: OPEN	FDOT	247401-1-94-01								
			247401-2-94-01								
			247401-3-94-01	9,382	137,129	-	146,511				
		TCAA		11,881	40,082	-	51,963				
TIX	Bldg 26 Demo and E Apron Rehab	FDOT	420841-2-91-01	354,946	-	(354,946)	-	443,683	-	(443,683)	-
	Status: CLOSED	TCAA		88,737	-	(88,737)	-				
COI	RSA Mitigation	FDOT	433520-1	-	3,051	-	3,051	-	61,011	-	61,011
	Status: OPEN	TCAA		-	57,960	-	57,960				
COI	North Area Security & Infrastructure	FDOT	435310-1-94-01	122,648	10,946	-	133,594	153,310	13,683	-	166,993
	Status: OPEN	TCAA		30,662	2,737	-	33,399				
COI	Port-A-Port Replacement	FDOT	441448-1-94-01								
			438463-1-94-01	147,653	1,187,585	-	1,335,238	184,567	1,484,482	-	1,669,049
	Status: OPEN	TCAA		36,914	296,897	-	333,811				
COI	Runway 11/29 Rehabilitation	FAA	3-12-0013-021-2019	58,550	-	-	58,550	65,056	-	-	65,056
	Status: OPEN	FDOT design	443338-1	3,253	-	-	3,253				
		FDOT construction	443338-2	-	-	-	-				
		TCAA		3,253	-	-	3,253				
COI	South Apron Rehabilitation	FAA	3-12-0013-021-2019	-	234,537	-	234,537	-	260,597	-	260,597
	Status: OPEN	FDOT design	438462-1	-	14,216	-	14,216				
		FDOT construction	438462-2	-	-	-	-				
		TCAA		-	11,844	-	11,844				
COI	Replace Precision Approach Path Indicator (PAPI)	FDOT	409457-2-94-01	-	15,319	-	15,319	-	19,148	-	19,148

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INDEPENDENT AUDITORS' 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*

To the Board of Directors
Titusville-Cocoa Airport Authority

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 as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Titusville-Cocoa Airport Authority's basic financial statements, and have issued our report thereon dated March 18, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items MW 2019-001 and MW 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items SD 2019-003 and SD 2019-004 to be significant deficiencies.

Compliance and Other Matters

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

Titusville-Cocoa Airport Authority's Response to Findings

Titusville-Cocoa Airport Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Titusville-Cocoa Airport Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 result 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.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
March 18, 2020

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANICAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE FLORIDA AUDITOR GENERAL

To the Board of Directors
Titusville-Cocoa Airport Authority

Report on Compliance for Each Major Federal Program and State Project

We have audited the Titusville-Cocoa Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and State of Florida Projects Compliance Supplement that could have a direct and material effect on the Titusville-Cocoa Airport Authority's major federal program or major state project for the year ended September 30, 2019. The Titusville-Cocoa Airport Authority's major federal program and state project are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Titusville-Cocoa Airport Authority's major federal program and state project 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance and Chapter 10.550, 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 Titusville-Cocoa Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Titusville-Cocoa Airport Authority's compliance.

Opinion on Each Major Federal Program and Major State Project

In our opinion, the Titusville-Cocoa Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program and state project for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the Titusville-Cocoa Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Titusville-Cocoa Airport 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 major state project and to test and report on internal control over compliance in accordance with Uniform Guidance and Chapter 10.550*,* Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Titusville-Cocoa Airport Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 a 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 Uniform Guidance and Chapter 10.550*,* Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
March 18, 2020

Titusville-Cocoa Airport Authority
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2019

Federal Agency, Pass-through Entity, Federal Program	CFDA No.	Grant/ Contract No.	Federal Expenditures	Transfers to Subrecipients
U.S. Department of Transportation				
Airport Improvement Program - 2018	20.106	3-12-0013-020-2018	$ 234,537	$ -
Airport Improvement Program - 2018	20.106	3-12-0080-028-2018	1,454,377	-
Airport Improvement Program - 2019	20.106	3-12-0101-014-2019	30,626	-
Total US Department of Transportation			1,719,540	$ -
Total Expenditures of Federal Awards			**$ 1,719,540**	**$ -**

State Agency, Pass-through Entity, State Project	CSFA No.	Grant/ Contract No.	State Expenditures	Transfers to Subrecipients
Florida Department of Transportation				
Joint Participation Agreements				
Aviation Grant Programs	55.004	435310-1-94-01	$ 10,946	$ -
Aviation Grant Programs	55.004	438463-1-94-01	1,134,355	-
Total Florida Department of Transportation			1,145,301	-
Total Expenditures of State Financial Assistance			**$ 1,145,301**	**$ -**

Note 1:

The Schedule of Expenditures of Federal Awards and State of Florida Financial Assistance is a summary of the activity of the Titusville-Cocoa Airport Authority Federal and State award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

Note 2:

The Uniform Guidance allows the Titusville-Cocoa Airport Authority to elect a 10% de minimus indirect cost rate. For the year ended September 30, 2019, the Titusville-Cocoa Airport Authority elected not to use the rate.

Note 3:

The Titusville-Cocoa Airport Authority did not receive any noncash assistance during the year ended September 30, 2019.

Section I–Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued:	Unmodified
2. Internal control over major financial reporting:	
a. Material weakness identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the financial statements noted?	No

Federal Awards and State Projects

1. Type of auditors' report issued on compliance for major federal awards and state projects	Unmodified
2. Internal control over major programs:	
a. Material weakness identified?	No
b. Significant deficiency identified?	None noted
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or Rule 10.654(1)(h)(4) Rules of the Auditor General?	No

4. Identification of major federal programs and state projects:

CFDA Number	State Program
20.106	Airport Improvement Program

CSFA Number	State Program
55.004	Aviation Grant Programs

5. Dollar threshold used to distinguish between type A and B programs :

   $750,000 for federal programs $343,590 for state programs

6. Auditee qualified as a low-risk auditee for federal purpose?	No

Section II–Financial Statement Findings

MW 2019-001 REVIEW OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF EXPENDITURES OF STATE FINANCAL ASSISTANCE

Criteria: The Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA), should be prepared in accordance with the Uniform Guidance in 2 CFR 200, and in accordance with the Florida Single Audit Act contained in Florida Statute 215.97 prior to being provided to the auditors for audit.

Condition: The SEFA was missing accounts payable expenditures.

Cause of condition: The entity did not have a control to review and reconcile the SEFA to the general ledger to ensure accounts payable was recorded.

Potential effect of condition: Without review there is an increased likelihood of errors or misstatements in the SEFA. As a result, the SEFA was incomplete and contained the following issues:

- Invoices totaling $627,739 were omitted from the SEFA. These invoices were primarily for costs incurred but not paid in FY 2019.
- Invoices totaling $1,166,243 were coded to the incorrect state award or other FDOT funding source. However, upon inquiry of Authority Staff, they realized the incorrect grant number had been entered and corrected the issue.

Recommendation: The Authority should implement procedures to review the SEFA, which would include reconciliation of the amounts recorded to the grant agreements and the general ledger to ensure all accounts payable are recorded on an accrual basis.

Management's Response: Acknowledges the audit finding and corrective action has been taken. Reconciliation of the amounts recorded to the grant agreements is not an issue with the current staffing levels. However, due to the increased work load in order to fully implement the recommendations and perform accounts payable and accounts receivable functions on the accrual basis, additional staff may be required. Staff will review the schedule of federal awards and state financial assistance and provide a complete and accurate report in time for the FY 2019/2020 audit.

MW 2019-002 REVIEW OF JOURNAL ENTRIES

Criteria: Best practices in internal control include evidence of review and approval of general journal entries.

Condition: Journal entries do not have evidence of review and approval.

Cause of condition: Journal entries are prepared and posted by the same person. The accounting system is only accessible by one person within the Authority.

occur and not be identified in a timely manner. Prior year audit entries were recorded incorrectly, and periodic cash adjustments recorded during the year resulted in a cash account being reported inaccurately.

Recommendation: The Authority should implement procedures to ensure all general journal entries are reviewed by someone independent of the preparer, and there should be sufficient evidence retained to determine the review occurred and by whom.

Management's Response: Acknowledges the audit finding and corrective action has been taken. Authority staff will implement procedures to ensure all general journal entries are reviewed by someone independent of the preparer. Further, staff will provide sufficient evidence to determine the review occurred and by whom for the FY 2019/2020 audit.

SD 2019-003 ACCRUAL ACCOUNTING

Criteria: The Authority's annual financial reporting is on an accrual basis of accounting as prescribed under GASBC 1600 *Basis of Accounting.*

Condition: Amounts due to construction contractors for work performed prior to fiscal year-end where the invoices were submitted to the Authority after year-end, together with the related amounts due from granting agencies but not yet submitted for reimbursement, and the related capitalized construction costs were not identified prior to the start of the audit.

Cause of condition: Due to the increase in construction and capital asset acquisition in the current year, the Authority did not identify, prior to the audit, all amounts payable to construction contractors, and reimbursable for construction and related costs from granting agencies at year-end.

Potential effect of condition: The Authority may not recognize, in the proper period for financial statement reporting purposes, the amounts due to others for construction related activities and the amounts due the Authority from granting agencies, which, depending on timing, may affect the Authority's financial statements.

Recommendation: Prior to the start of the audit, Authority staff should provide the auditors with a listing of all accounts payable.

Management's Response: Acknowledges the audit finding and corrective action has been taken. Authority staff will work toward implementing the recommendations made by Auditors and will have a complete listing of all accounts payable in time for the FY 2019/2020 audit.

SD 2019-004 REVIEW OF SERVICE ORGANIZATION CONTROL REPORT

Criteria: The Authority should review the Service Organization Control report for its third party service provider to determine any impacts to the Authority and its system of controls. Additionally, the Authority should review the required complimentary user controls specified by the third party service organization to determine these controls are operating at the Authority so as to be able to rely on the data received from the third party service provider.

Condition: The Authority did not review the Service Organization Control (SOC) Report at the Authority's third party service provider prior to the audit. During the audit, we did obtain the SOC report and determine there were no significant exceptions noted.

Cause of condition: The Service Organization Control report and the associated required complimentary user controls did not have evidence of review.

Potential effect of condition: Controls provided by the third party service provider may not be operating effectively and controls at the Authority to rely on the service provider may not be appropriately designed.

Recommendation: The Authority should request the Service Organization Control report from its third party service provider to determine controls at the service provider are operating effectively, and the Authority has implemented the complimentary controls required by the service provider.

Management's Response: Acknowledges the audit finding and corrective action has been taken. Authority staff is currently in possession of the Paychex Payroll Processing SOC1 audit report by KPMG Audit Services as of 9/30/2019. This report includes a review of the controls placed in operation and tests of operating effectiveness for the period 10/1/2018 through 9/30/2019. Per the Auditors' recommendation, Authority Staff will have the subsequent report in time for the FY 2019/2020 audit.

Section III–Federal Award Findings and Questioned Costs

No matters were reported.

Section IV–State Project Findings and Questioned Costs

No matters were reported.

Section V–Prior Findings and Questioned Costs for Federal Awards

No matters were reported in the prior year.

TIX ✈ SPACE COAST REGIONAL AIRPORT
COI ✈ MERRITT ISLAND AIRPORT
X21 ✈ ARTHUR DUNN AIRPARK

355 Golden Knights Blvd. ✈ Titusville, Florida 32780 ✈ 321.267.8780 ✈ fax: 321.383.4284 ✈ e-mail: admins@flairport.com

MEMO TO: Titusville-Cocoa Airport Authority Board Of Directors
The State Auditor General

FROM: Michael D. Powell, C.M., ACE, CEO

DATE: March 19, 2020

SUBJECT: Corrective Action Plan

The Titusville-Cocoa Airport Authority respectfully submits the following corrective action plan for the year ended September 30, 2019.

Name and address of independent public accounting firm:
Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, FL 32940

Audit Period:
Fiscal Year October 1, 2018 – September 30, 2019

The Findings from the Schedule of Findings and Questioned Costs is discussed below. The finding number corresponds to the number assigned in the schedule.

MW 2019-001 REVIEW OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Recommendation: The Authority should implement procedures to review the SEFA, which would include reconciliation of the amounts recorded to the grant agreements and the general ledger to ensure all accounts payable are recorded on an accrual basis.

Corrective Action: Acknowledges the audit finding and corrective action has been taken. Reconciliation of amounts recorded to the grant agreements is not an issue with the current staffing levels. However, due to the increased work load in order to fully implement the recommendations and perform accounts payable and accounts receivable functions on the accrual basis, additional staff may be required. Staff will review the schedule of expenditures of federal awards and state financial assistance and provide a complete and accurate report in time for the FY 2019/2020 audit.

MW 2019-002 REVIEW OF JOURNAL ENTRIES

Recommendation: The Authority should implement procedures to ensure all general journal entries are reviewed by someone independent of the preparer, and there should be sufficient evidence retained to determine the review occurred and by whom.

Corrective Action: Acknowledges the audit finding and corrective action has been taken. Authority staff will implement procedures to ensure all general journal entries are reviewed by someone independent of the preparer. Further, staff will provide sufficient evidence to determine the review occurred and by whom for the FY 2019/2020 audit.

SD 2019-003 ACCRUAL ACCOUNTING

Recommendation: Prior to the start of the audit, Authority staff should provide the auditors with a listing of all accounts payable.

Corrective Action: Acknowledges the audit finding and corrective action has been taken. Authority staff will work toward implementing the recommendations made by Auditors and will have a complete listing of all accounts payable in time for the FY 2019/2020 audit.

SD 2019-004 REVIEW OF SERVICE ORGANIZATION CONTROL REPORT

Recommendation: The Authority should request the Service Organization Control report from its third party service provider to determine controls at the service provider are operating effectively, and the Authority has implemented the complimentary controls required by the service provider.

Corrective Action: Acknowledges the audit finding and corrective action has been taken. Authority staff is currently in possession of the Paychex Payroll Processing SOC1 audit report by KPMG Audit Services as of 9/30/2019. The report includes a review of the controls placed in operation and tests of operating effectiveness for the period 10/1/2018 through 9/30/2019. Per the Auditor's recommendation, Authority Staff will have the subsequent report in time for the FY 2019/2020 audit.

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Board of Directors
Titusville-Cocoa Airport Authority

Report on the Financial Statements

We have audited the financial statements of the Titusville-Cocoa Airport Authority, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated March 18, 2020.

Auditors' 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 and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' 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* and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 18, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report as noted below.

Lack of segregation of duties	Corrected
Improper disposal of property	Corrected

Official Title and Legal Authority

Section 10.554(1)(i)4., 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. The legal authority of the Titusville-Cocoa Airport Authority is disclosed in the footnotes. Titusville-Cocoa Airport Authority has no component units.

Financial Condition and Management

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Titusville-Cocoa Airport Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Titusville-Cocoa Airport Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.d. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Titusville-Cocoa Airport Authority. It is management's responsibility to monitor the Titusville-Cocoa Airport Authority's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note any such findings.

Purpose of this Letter

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, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C

Melbourne, Florida
March 18, 2020

Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

To the Board of Directors
Titusville-Cocoa Airport Authority

We have examined Titusville-Cocoa Airport Authority's compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2019. Management of Titusville-Cocoa Airport Authority is responsible for Titusville-Cocoa Airport Authority's compliance with the specified requirements. Our responsibility is to express an opinion on Titusville-Cocoa Airport Authority's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Titusville-Cocoa Airport Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Titusville-Cocoa Airport Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including as assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on Titusville-Cocoa Airport Authority's compliance with specified requirements.

In our opinion, Titusville-Cocoa Airport Authority complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, for the year ended September 30, 2019.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
March 18, 2020