

TITUSVILLE-COCOA AIRPORT AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the years ended September 30, 2011 and 2010

and

INDEPENDENT AUDITOR'S REPORT

TITUSVILLE-COCOA AIRPORT AUTHORITY
TITUSVILLE, FLORIDA

AUTHORITY MEMBERS

Jerry Sansom	Chairman
Patricia Patch	Vice Chairman/Treasurer
Veronica Clifford	Secretary

Al Elebash

Jay Stalrit

Dr. Wasim Niazi

Dr. David Hosley

EXECUTIVE DIRECTOR

Michael D. Powell, C.M., ACE

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

BUSINESS CONSULTANTS AND FAMILY WEALTH PLANNERS

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Todd M. Russell

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Titusville-Cocoa Airport Authority (the Authority), a component unit of Brevard County, Florida, as of September 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

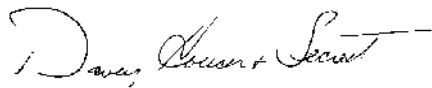
As discussed in Note 1, the financial statements present only the Authority and are not intended to present fairly the financial position of Brevard County, Florida, and the respective changes in financial position and cash flows of its proprietary and similar trust fund types, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 16, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of supplementary analysis, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Davies, Houser & Secrest, CPA, P.A.
February 16, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Titusville-Cocoa Airport Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended September 30, 2011. 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 assets increased \$2,600,000 or 7%.
- Operating revenues decreased \$12,000 or 1%, and operating expenses increased \$194,000 or 7%. Operating expenses exceeded revenues by \$743,000 compared to \$537,000 in the prior year.
- Non-operating revenues decreased \$5,000 or 61%, and non-operating expenses increased \$902,000 mainly due to capital asset write-offs.
- Capital contributions from federal, state, and other third-party grants totaled \$4,391,000, compared to \$2,243,000 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

FINANCIAL ANALYSIS

A. Net Assets

The Authority's net assets increased \$2,600,000 or 7%. In comparison, last year's net assets increased \$1,600,000 or 4%. This positive change is mainly due to the Authority receiving more capital grants this year compared to last year. The following table summarizes these results.

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and other assets	\$ 3,744,699	\$ 4,184,615	(10.51)%
Net capital assets	<u>40,587,630</u>	<u>37,390,644</u>	8.55%
Total assets	<u>44,332,329</u>	<u>41,575,259</u>	6.63%
Current liabilities	1,103,571	803,678	37.32%
Noncurrent liabilities	<u>1,210,502</u>	<u>1,386,889</u>	(12.72)%
Total liabilities	<u>2,314,073</u>	<u>2,190,567</u>	5.64%
Net assets:			
Invested in capital assets, net of related debt	39,200,741	35,834,797	9.39%
Unrestricted	<u>2,817,515</u>	<u>3,549,895</u>	(20.63)%
Total net assets	<u>\$ 42,018,256</u>	<u>\$ 39,384,692</u>	6.69%

B. Changes in Net Assets

Operating revenues decreased \$12,000 or 1%, and operating expenses increased \$194,000 or 7%. Operating expenses exceeded revenues by \$743,000, compared to \$537,000 in the prior year. Non-operating revenues decreased \$5,000 or 61%, due to lower savings rates, and non-operating expenses increased \$902,000, mainly due to capital assets write-offs. Capital contributions from federal and state grants totaled \$4,391,000, compared to \$2,243,000 in the prior year. The following table summarizes these results.

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

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Operating revenues:			
T-hangars	\$ 823,917	\$ 808,197	1.95%
Fixed base operations	411,879	414,634	(0.66)%
Other sales, houses, and mini warehouses	722,797	696,227	3.82%
Other revenues	<u>14,574</u>	<u>66,367</u>	(78.04)%
Total operating revenues	<u>1,973,167</u>	<u>1,985,425</u>	(0.62)%
Operating expenses:			
Wages and benefits	875,089	777,155	12.60%
Repairs, maintenance, and other services	591,581	611,528	(3.26)%
Materials and supplies	60,433	49,384	22.37%
Bad debt	65,208	369	N/A
Depreciation	<u>1,124,233</u>	<u>1,084,275</u>	3.69%
Total operating expenses	<u>2,716,544</u>	<u>2,522,711</u>	7.68%
Operating loss	<u>(743,377)</u>	<u>(537,286)</u>	38.36%
Non-operating revenues (expenses):			
Ad valorem taxes	71	31	129.03%
Interest income	3,333	8,795	(62.09)%
Note interest	(63,480)	(70,355)	(9.77)%
Capital asset write-off	(930,366)	0	N/A
Amortization of loan issue costs	(333)	(333)	N/A
Redevelopment and stormwater fees	<u>(23,571)</u>	<u>(45,220)</u>	(47.87)%
Excess non-operating revenues (expenses)	<u>(1,014,346)</u>	<u>(107,082)</u>	847.26%
Loss before contributions	(1,757,723)	(644,368)	172.78%
Capital contributions:			
Governmental	4,166,306	1,986,856	109.69%
Joint ventures – VAC	150,151	256,045	(41.36)%
Joint ventures – Bristow	<u>74,830</u>	<u>0</u>	N/A
Change in net assets	2,633,564	1,598,533	64.75%
Net assets, at beginning of year	<u>39,384,692</u>	<u>37,786,159</u>	4.23%
Net assets, at end of year	<u>\$ 42,018,256</u>	<u>\$ 39,384,692</u>	6.69%

C. Budgetary Highlights

Actual revenues exceeded final budgeted amounts by \$46,000, mainly due to an increase in rental income.

FINANCIAL ANALYSIS (continued)

Wages and benefits were under budget by \$5,000; repairs, maintenance, and other services were under budget by \$78,000, mainly due to decreases in repairs and maintenance, insurance and communication and utilities; expense contingency was under budget by \$45,000; and payments for equipment were over budget by \$32,000. Overall expenditures were under budget by \$32,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

The following is a summary of major capital asset additions for 2011.

Major projects that were capitalized:	
Space Coast:	
Corporate terminal/administration building	\$ 2,958,208
Corporate hangar	853,178
Terminal apron	<u>648,969</u>
Total Space Coast	<u>\$ 4,460,355</u>
Merritt Island:	
RSA environmental	\$ 150,741
Building rehab	<u>405,459</u>
Total Merritt Island	<u>\$ 556,200</u>
Arthur Dunn:	
Facilities rehab	<u>\$ 53,809</u>

Table A-3 summarizes changes in capital assets.

Table A-3
Capital Assets
(Net of Depreciation)

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Land and improvements	\$ 14,421,797	\$ 14,277,839	1.01%
Building and improvements	10,449,408	6,494,806	60.89%
Runways and lighting	12,416,064	12,374,185	0.34%
Furniture, fixtures, and equipment	854,427	984,056	(13.17)%
Vehicles	40,635	54,822	(25.88)%
Construction-in-progress	<u>2,405,299</u>	<u>3,204,936</u>	(24.95)%
Total	<u>\$ 40,587,630</u>	<u>\$ 37,390,644</u>	8.55%

B. Long-term Debt

At year end, the Authority had \$1,386,900 in notes outstanding, a decrease of \$168,900 over the prior year. The Authority incurred no new debt during the year ended September 30, 2011. More detailed information about the Authority's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During the year ended September 30, 2011, the Authority completed the Administration Building at Space Coast Regional Airport with grants from FDOT and USDA, and also completed a Six Unit Box Hangar project at Merritt Island Airport with a grant from FDOT. For fiscal year ending September 30, 2012, the focus will be on completing the infrastructure improvements with an Economic Development grant from the Department of Commerce in the amount of \$2,000,000. The Authority will begin construction on an Aircraft Rescue Firefighting Facility with a \$2,000,000 FDOT grant and applications for FAA and FDOT funding will be submitted for Taxiway Rehabilitation and Apron Construction at Space Coast Regional Airport, along with purchase and installation of new security equipment at all airports.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

TITUSVILLE-COCOA AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS

September 30, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 2,594,786	\$ 3,117,035
Accounts receivable	9,241	43,651
Due from other governments	815,609	720,721
Other receivables	81,026	62,195
Prepaid expenses and other receivables	241,743	238,386
	<u>3,742,405</u>	<u>4,181,988</u>
Property and equipment:		
Land	14,204,818	14,204,818
Land improvements	489,995	339,254
Buildings and improvements	16,963,072	12,677,965
Runways and lighting	19,986,659	19,337,689
Furniture, fixtures, and equipment	2,519,433	2,483,396
Vehicles	236,453	236,453
Construction-in-progress	2,405,299	3,204,936
	<u>56,805,729</u>	<u>52,484,511</u>
Less accumulated depreciation	<u>16,218,099</u>	<u>15,093,867</u>
Net property and equipment	<u>40,587,630</u>	<u>37,390,644</u>
Unamortized loan issue costs	<u>2,294</u>	<u>2,627</u>
Total assets	<u>\$ 44,332,329</u>	<u>\$ 41,575,259</u>

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

<u>LIABILITIES AND NET ASSETS</u>	<u>2011</u>	<u>2010</u>
Current liabilities (payable from current assets):		
Accounts payable	\$ 32,280	\$ 24,298
Contracts payable	397,780	201,297
Accrued expenses and other liabilities	241,809	158,363
Refundable deposits	255,315	250,762
Long-term notes due within one year	<u>176,387</u>	<u>168,958</u>
Total current liabilities (payable from current assets)	<u>1,103,571</u>	<u>803,678</u>
Noncurrent liabilities:		
Flagler Development Company note	49,962	58,068
Notes payable to banks	<u>1,160,540</u>	<u>1,328,821</u>
Total noncurrent liabilities	<u>1,210,502</u>	<u>1,386,889</u>
Total liabilities	<u>2,314,073</u>	<u>2,190,567</u>
Net assets:		
Invested in fixed assets, net of related debt	39,200,741	35,834,797
Restricted	0	0
Unrestricted:		
Designated for development projects	759,466	1,230,579
Other	<u>2,058,049</u>	<u>2,319,316</u>
Total net assets	<u>42,018,256</u>	<u>39,384,692</u>
Total liabilities and net assets	<u>\$ 44,332,329</u>	<u>\$ 41,575,259</u>

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

TITUSVILLE-COCOA AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
T-hangars	\$ 823,917	\$ 808,197
Fixed base operations	411,879	414,634
Other sales, houses, and mini warehouses	722,797	696,227
Other revenue	14,574	66,367
	<hr/>	<hr/>
Total operating revenues	1,973,167	1,985,425
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Operating expenses:		
Wages and benefits	875,089	777,155
Repairs, maintenance, and other services	591,581	611,528
Materials and supplies	60,433	49,384
Bad debt	65,208	369
Depreciation	1,124,233	1,084,275
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Total operating expenses	2,716,544	2,522,711
	<hr/>	<hr/>
Operating loss	(743,377)	(537,286)
	<hr/>	<hr/>
Non-operating revenues (expenses):		
Ad valorem taxes	71	31
Interest income	3,333	8,795
Note interest	(63,480)	(70,355)
Capital asset write-off	(930,366)	0
Amortization of loan issue costs	(333)	(333)
Redevelopment and stormwater fees	(23,571)	(45,220)
	<hr/>	<hr/>
Excess non-operating revenues (expenses)	(1,014,346)	(107,082)
	<hr/>	<hr/>
Loss before contributions	(1,757,723)	(644,368)
Capital contributions:		
Other governmental	4,166,306	1,986,856
Joint venture - VAC	150,151	256,045
Joint venture - Bristow	74,830	0
	<hr/>	<hr/>
Change in net assets	2,633,564	1,598,533
Net assets, at beginning of year	39,384,692	37,786,159
	<hr/>	<hr/>
Net assets, at end of year	\$ 42,018,256	\$ 39,384,692
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The notes to the financial statements are an integral part of the financial statements.

TITUSVILLE-COCOA AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from tenants	\$ 1,940,468	\$ 2,038,419
Cash paid to employees	(856,480)	(813,279)
Cash paid to suppliers	(594,928)	(665,247)
	<u>489,060</u>	<u>559,893</u>
Cash flows from non-capital financing activities:		
Cash received from ad valorem taxes	71	31
Cash paid for redevelopment and stormwater fees	(23,571)	(45,220)
	<u>(23,500)</u>	<u>(45,189)</u>
Cash flows from capital and related financing activities:		
Cash received from capital and reimbursable grants	4,296,399	2,131,255
Cash paid for acquisition and construction of capital assets	(5,055,103)	(2,914,656)
Cash received from insurance proceeds	0	0
Cash paid for principal on notes	(168,958)	(162,081)
Cash paid for interest on notes	(63,480)	(70,355)
	<u>(991,142)</u>	<u>(1,015,837)</u>
Cash flows from investing activities:		
Cash received for interest income	3,333	8,795
	<u>3,333</u>	<u>8,795</u>
Net cash flows provided by investing activities	<u>3,333</u>	<u>8,795</u>
Net change in cash	(522,249)	(492,338)
Cash and cash equivalents, at beginning of year	<u>3,117,035</u>	<u>3,609,373</u>
Cash and cash equivalents, at end of year	<u>\$ 2,594,786</u>	<u>\$ 3,117,035</u>

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

	<u>2011</u>		
	<u>Current Assets</u>	<u>Restricted Assets</u>	<u>Total</u>
Reconciliation of cash per statements of cash flows to the balance sheets:			
Cash and cash equivalents, at beginning of year	\$ 3,117,035	\$ 0	\$ 3,117,035
Net decrease	<u>(522,249)</u>	<u>0</u>	<u>(522,249)</u>
Cash and cash equivalents, at end of year	<u>\$ 2,594,786</u>	<u>\$ 0</u>	<u>\$ 2,594,786</u>

	<u>2011</u>	<u>2010</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Cash flows from operating activities:		
Operating loss	\$ <u>(743,377)</u>	\$ <u>(537,286)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,124,233	1,084,275
Decrease (increase) in accounts receivable	34,410	(18,286)
(Increase) decrease in prepaid expenses and other receivables	(22,188)	139,021
Increase (decrease) in accounts payable	7,982	(5,645)
Increase (decrease) in accrued expenses, other liabilities, and deposits	<u>88,000</u>	<u>(102,186)</u>
Total adjustments	<u>1,232,437</u>	<u>1,097,179</u>
Net cash provided by operating activities	<u>\$ 489,060</u>	<u>\$ 559,893</u>

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

TITUSVILLE-COCOA AIRPORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS As of and for the years ended September 30, 2011 and 2010

NOTE 1 - REPORTING ENTITY

The Titusville-Cocoa Airport Authority (the Authority) operates and maintains three general aviation airports within the Titusville-Cocoa Airport District (the District), Brevard County, Florida. The District is bound on the north and west by the Brevard County line, the east by the Atlantic Ocean, and the south by the Township 25 line, which is approximately three and three quarter miles north of the Pineda Causeway. The Authority and the District were created under the Titusville-Cocoa Airport District Act of 1963, Chapter 63-1143, Laws of Florida, Special Acts of 1963 (the Act). Through the year ended September 30, 2003, the Authority consisted of seven members, two appointed by each of the respective county commissioners of Districts 1, 2, and 4, and one member-at-large appointed by the Brevard County Board of County Commissioners. During the year ended September 30, 2004, the Act was amended to state that the city of Titusville will appoint one Authority member and the District 1 county commissioner will appoint one instead of two members. The Authority does not exercise control over other government agencies or authorities. As defined under Chapter 189.403, Florida Statutes, the Authority is a dependent, special district of Brevard County, Florida.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus and Basis of Accounting

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

B. Budgetary Accounting

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

C. Cash and Investments

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

- (1) Interest Rate Risk – The policy requires that the portfolio be structured with securities that maintain the greatest degree of liquidity and flexibility. The portfolio will maintain a structure with maturities staged to meet the Authority's obligations as they come due.
- (2) Credit Risk – The Authority primarily invests in banks organized under the laws of the United States and the State of Florida local government surplus trust fund pool.
- (3) Custodial Risk – All cash and securities are held in accounts bearing the name of the Authority. Securities in such accounts, held in the "street name," are considered held in the name of the Authority.
- (4) Concentration of Credit Risk – All funds are kept with the State of Florida Local Government Surplus Trust Fund pool, or with qualified public depositories which meet the requirements of Florida Statutes 280.16.

D. Receivables

Receivables are reported at their gross value and are reduced by the estimated portion that is expected to be uncollectible. There were no amounts recorded as an allowance for doubtful accounts as of September 30, 2011 and 2010.

E. Property and Equipment

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

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

Operating expenses include depreciation on all property and equipment.

F. Amortization

Bond discount and bond and loan issue costs are amortized by the interest method over the term of the related bond and loan issues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Restricted Assets

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

H. Designated Assets

The Authority's management designates funds for capital projects and other specific commitments. As of September 30, 2011 and 2010, management has designated funds for specific approved capital projects and other commitments totaling \$759,466 and \$1,230,579, respectively.

I. Capital Grants and Contributions

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

J. Ad Valorem Taxes

Ad valorem taxes, if levied, are generally levied annually on all taxable property within the district to finance the operation and maintenance of airport facilities. The annual tax levies may not exceed 1/2 mill for operations and 1 mill for debt service (refer to Note 10).

Under Florida law, the assessment of all properties and the collection of all county, municipal, special district, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The governing body of the special district is granted thirty days, after delivery of the assessment roll, to certify all millage to the County Property Appraiser. Florida Statutes regulating tax assessments are also designed to assure a consistent property valuation method statewide. A special legislative act, relating to Brevard County, prohibits Brevard County from increasing their ad valorem revenues for operating budgets in excess of 10% over the previous year, without an affirmative vote of the registered voters.

Property taxes are levied in November and attached as a lien on property, as of January 1 of each year. Taxes become delinquent on April 1 and tax certificates on all property for which taxes are delinquent are sold on or about June 1 of each year.

In accordance with professional pronouncements, property tax revenues are recognized when they become both measurable and available to finance current expenditures. Because tax certificates are sold in June, there are never any material amounts of property taxes receivable.

K. Revenue Classifications

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

Operating revenues are from the revenue sources that constitute the principal ongoing activities of the Authority's operations. The major components of the Authority's operating revenue sources consist of T-hangers, fixed base operations and other sales, houses, and mini warehouses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-operating revenues and expenses are from revenue sources related to other activities, which do not constitute the principal ongoing activities of the Authority's operations. The major components of the non-operating revenue and expense sources are interest revenue, interest expense, and gain or loss on disposal of assets.

L. Operating Leases

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

M. Compensated Absences

Employees of the Authority are permitted to accumulate unused vacation and sick leave benefits for use in future years. Accumulated, unused benefits are recorded as an accrued liability at year end. Unused benefits accumulated by employees amounted to \$108,326 and \$92,683, at September 30, 2011 and 2010, respectively.

N. Estimates

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

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2011, was as follows:

	Cost					
	Land and Improvements	Buildings and Improvements	Runways and Lighting	Furniture, Fixtures, and Equipment	Vehicles	Construction- in- progress
Balance, at beginning of year	\$ 14,544,072	\$ 12,677,965	\$ 19,337,689	\$ 2,483,396	\$ 236,453	\$ 3,204,936
Additions	150,741	4,285,107	648,970	36,037	0	5,102,424
Transfers and adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,902,061)</u>
Balance, at end of year	<u>\$ 14,694,813</u>	<u>\$ 16,963,072</u>	<u>\$ 19,986,659</u>	<u>\$ 2,519,433</u>	<u>\$ 236,453</u>	<u>\$ 2,405,299</u>

	Accumulated Depreciation					
	Land and Improvements	Buildings and Improvements	Runways and Lighting	Furniture, Fixtures, and Equipment	Vehicles	Construction- in- progress
Balance, at beginning of year	\$ 266,233	\$ 6,183,159	\$ 6,963,504	\$ 1,499,340	\$ 181,631	\$ 0
Additions	6,783	330,505	607,090	165,667	14,187	0
Transfers and adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance, at end of year	<u>\$ 273,016</u>	<u>\$ 6,513,664</u>	<u>\$ 7,570,594</u>	<u>\$ 1,665,007</u>	<u>\$ 195,818</u>	<u>\$ 0</u>

NOTE 3 - CAPITAL ASSETS (continued)

No assets were disposed of for the fiscal years ended September 30, 2011 and 2010.

NOTE 4 - LONG-TERM DEBT

A. Wachovia Bank Note, Series 2003

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

B. Flagler Development Company Note

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

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable:					
Wachovia Bank Note, Series 2003	\$ 1,489,873	\$ 0	\$ 161,052	\$ 1,328,821	\$ 168,281
Flagler Development	<u>65,974</u>	<u>0</u>	<u>7,906</u>	<u>58,068</u>	<u>8,106</u>
Total notes payable	1,555,847	0	168,958	1,386,889	176,387
Compensated absences	<u>92,683</u>	<u>45,220</u>	<u>29,577</u>	<u>108,326</u>	<u>108,326</u>
Total long-term liability activity	<u>\$ 1,648,530</u>	<u>\$ 45,220</u>	<u>\$ 198,535</u>	<u>\$ 1,495,215</u>	<u>\$ 284,713</u>

NOTE 4 - LONG-TERM DEBT (continued)

WACHOVIA BANK NOTE - SERIES 2003

Fiscal Year	Interest Rate	Principal	Interest	Total Principal Interest	Principal Outstanding After Payment
2012	4.370%	\$ 168,281	\$ 54,691	\$ 222,972	\$ 1,160,540
2013	4.370%	175,784	47,188	222,972	984,756
2014	4.370%	183,622	39,350	222,972	801,134
2015	4.370%	191,809	31,163	222,972	609,325
2016	4.370%	200,361	22,611	222,972	408,964
2017	4.370%	209,294	13,678	222,972	199,670
2018	4.370%	199,670	4,286	203,956	0
		\$ <u>1,328,821</u>	\$ <u>212,967</u>	\$ <u>1,541,788</u>	

FLAGLER DEVELOPMENT COMPANY NOTE

Fiscal Year	Interest Rate	Principal	Interest	Total Principal Interest	Principal Outstanding After Payment
2012	2.500%	\$ 8,106	\$ 1,359	\$ 9,465	\$ 49,962
2013	2.500%	8,311	1,154	9,465	41,651
2014	2.500%	8,521	944	9,465	33,130
2015	2.500%	8,736	729	9,465	24,394
2016	2.500%	8,957	508	9,465	15,437
2017	2.500%	9,184	281	9,465	6,253
2018	2.500%	6,253	57	6,310	0
		\$ <u>58,068</u>	\$ <u>5,032</u>	\$ <u>63,100</u>	

NOTE 5 - LEASING ARRANGEMENTS

The Authority leases facilities, at the three airports it operates, to fixed base operators and other tenants. Buildings and service areas on lease, and available for lease, have a cost of approximately \$17,893,000, and related accumulated depreciation of approximately \$6,514,000, at September 30, 2011. Minimum future rentals on non-cancelable operating leases, as of September 30, 2011, are approximately \$686,555 annually for the next five years.

NOTE 6 - RETIREMENT PLAN

A. Plan Description

All employees of the Authority are covered by the Florida Retirement System (FRS), which is a multiple-employer cost sharing state public employee retirement system. All employees are eligible and must participate. The FRS is non-contributory; that is, participating employers make all contributions. The FRS provides for vesting of benefits after six years of service, and employees are eligible for normal retirement after thirty years of service or attaining age 62. Employees who retire at or after age 62, with six or more years of service, are entitled to monthly pension benefits for the remainder of their lives equal to 1.60% of their average monthly compensation, times the number of years for which they participated in the FRS. Early retirement may be taken any time after six years of service; however, there is a 5% reduction in benefits for each year early retirement benefits commence prior to normal retirement. Average monthly compensation is the average salary of the employee during the highest five years of the last twenty years of creditable service prior to retirement. The FRS also provides death and disability benefits, which are established by Florida Statutes.

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

B. Contributions Required and Made

As previously noted, employees of the Authority are not required to pay into the pension plan. The Authority makes monthly contributions to the pension plan equal to the amount required by Florida Statutes. The percentage of covered payroll the Authority was required to contribute to the plan was 10.77% to 14.57%, beginning July 1, 2010.

The actual and covered payroll for employees participating in the FRS for the years ended September 30, 2011 and 2010, was \$625,299 and \$538,838, respectively.

The Authority's contributions for the years ended September 30, 2011, 2010, and 2009, were \$57,951, \$58,906, and \$53,196, respectively, and equaled the required contributions for each year per the percentage schedule noted above. In accordance with Government Accounting Standards Board No. 27, the Authority has determined there was no pension liability before or at transition.

C. Related-party Investments

During the year ended September 30, 2011, the FRS held no securities issued by the Authority or other related parties.

NOTE 7 - DEFERRED COMPENSATION PLAN

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

A. Construction Commitments

The Authority has entered into major construction and renovation projects during the years ended September 30, 2011 and 2010. While most of the funding for these projects comes from federal and state funds, the Authority is obligated to provide matching funds for these projects from 2.5% to 50%. As of September 30, 2011, the Authority has committed \$759,466 of unrestricted net assets for future construction projects.

B. Claims and Judgments

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

C. Corporate Terminal Expenditures

During the year ended September 30, 2011, the Authority completed the corporate terminal/administration building project at Space Coast Regional Airport. Due to design changes throughout the course of the project, \$930,366 of the engineering and design expenditures were written-off and included as capital asset write-off on the statements of revenues, expenses and changes in net assets. The Authority's matching portion of those costs amounted to approximately \$210,000.

NOTE 9 - IMPAIRMENT OF ASSETS AND INSURANCE REIMBURSEMENTS

During the year ended September 30, 2011, the Authority received \$50,000 for property damage incurred. The Authority has recorded these funds as deferred insurance proceeds included in accrued expenses and other liabilities on the statements of net assets. The Authority expects to use these funds to offset repairs to the damaged property during the year ending September 30, 2012.

NOTE 10 - AD VALOREM TAXES

During the years ended September 30, 2011 and 2010, the Authority voted not to include tax revenues in its budget. During the years ended September 30, 2011 and 2010, the only tax funds received by the Authority were delinquent funds from previous years.

NOTE 11 - INVESTMENT POOL FUNDS

As discussed in Note 2C, the Authority invests a portion of its excess cash with the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration (SBA) implemented a temporary freeze on the assets held in the Pool, due to an unprecedented amount of withdrawals from the Pool, coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the SBA restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current Pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Pool B participants are only allowed to withdraw a portion of their funds when the SBA makes it available. As of September 30, 2011, the Authority has \$0 and \$58,878 invested in Pool A and B, respectively. The estimated fair value of the Pool B funds as of September 30, 2011, was \$44,561.

TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 (EXCLUDING CAPITAL PROJECTS)
 For the year ended September 30, 2011

	Original and Final Budget	Actual	Actual Over (Under) Final Budget
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Rentals	\$ 1,925,574	\$ 1,958,593	\$ 33,019
Miscellaneous	<u> 0</u>	<u> 14,574</u>	<u> 14,574</u>
Total operating revenues	<u>1,925,574</u>	<u>1,973,167</u>	<u>47,593</u>
Non-operating revenues:			
Ad valorem taxes	0	71	71
Interest income	<u>5,000</u>	<u>3,333</u>	<u>(1,667)</u>
Total non-operating revenues	<u>5,000</u>	<u>3,404</u>	<u>(1,596)</u>
Total revenues	<u>\$ 1,930,574</u>	<u>\$ 1,976,571</u>	<u>\$ 45,997</u>

TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(EXCLUDING CAPITAL PROJECTS)
For the year ended September 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Operating expenses:			
Wages and benefits:			
Salaries	\$ 606,150	\$ 625,299	\$ 19,149
Workers' compensation insurance	14,000	11,810	(2,190)
Employee benefits	213,980	195,247	(18,733)
Taxes	46,370	42,733	(3,637)
Total wages and benefits	<u>880,500</u>	<u>875,089</u>	<u>(5,411)</u>
Repairs, maintenance, and other services:			
Repairs and maintenance	133,450	109,248	(24,202)
Insurance	243,050	203,937	(39,113)
Communications and utilities	141,725	116,787	(24,938)
Professional services	100,750	122,632	21,882
Advertising and marketing	30,050	20,790	(9,260)
Taxes and other obligations	13,000	11,182	(1,818)
Dues and subscriptions	7,500	7,005	(495)
Total repairs, maintenance, and other services	<u>669,525</u>	<u>591,581</u>	<u>(77,944)</u>
Materials and supplies	<u>60,700</u>	<u>60,433</u>	<u>(267)</u>
Bad debt	<u>0</u>	<u>65,208</u>	<u>65,208</u>
Contingency expense	<u>45,479</u>	<u>0</u>	<u>(45,479)</u>
Total operating expenses	<u>1,656,204</u>	<u>1,592,311</u>	<u>(63,893)</u>
Non-operating expenditures:			
Property, plant, equipment, and fees:			
Equipment	41,929	50,492	8,563
Redevelopment and stormwater fees	0	23,571	23,571
Total property, plant, equipment, and fees	<u>41,929</u>	<u>74,063</u>	<u>32,134</u>
Debt service:			
Notes payable to banks:			
Principal and interest	<u>232,440</u>	<u>232,438</u>	<u>(2)</u>
Total debt service	<u>232,440</u>	<u>232,438</u>	<u>(2)</u>
Total non-operating expenditures	<u>274,369</u>	<u>306,501</u>	<u>32,132</u>
Total expenditures	<u>\$ 1,930,573</u>	<u>\$ 1,898,812</u>	<u>\$ (31,761)</u>

TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF CAPITAL PROJECTS SUMMARY

As of and for the year ended September 30, 2011

Project	Funding Source	Item Number	Funding				Expenditures			
			Balance	Additions	Transfers and Adjustments	Balance	Balance	Additions	Transfers and Adjustments	Balance
			09/30/2010			09/30/2011				
67-90 SC Corp Terminal/Admin Bldg 97 Status: closed	FDOT TOPS USDA FDOT AUTH	413150 412988 591061002 247353	\$ 979,896 349,625 194,282 16,000 345,919	\$ 407,706 0 1,055,718 334,000 205,428	\$ (1,387,602) (349,625) (1,250,000) (350,000) (551,347)	\$ 0 0 0 0 0	\$ 1,885,722	\$ 2,002,852	\$ (3,888,574)	\$ 0
89 SC Terminal Apron Status: closed	FDOT AUTH	411943	46,644 18,798	412,619 170,908	(459,263) (189,706)	0 0	65,442	583,527	(648,969)	0
99 AD R/W, T/W Phase A Status: open	FAA FDOT AUTH	312010101209 423939	214,040 5,117 6,149	19,536 1,051 3,924	0 0 (3,105)	233,576 6,168 6,968	225,306	21,406	0	246,712
99B MI Facilities Rehab Status: closed	FDOT AUTH	409787	24,118 6,030	0 0	(24,118) (6,030)	0 0	30,148	0	(30,148)	0
100 AD R/W, T/W Phase B Status: open	FAA FDOT AUTH	312010101309 423939	341,548 8,848 9,128	202,106 38,536 2,927	0 0 3,105	543,654 47,384 15,160	359,524	246,674	0	606,198
101 SC Disadvantaged Business Status: closed	AUTH		11,713	1,370	(13,083)	0	11,713	1,370	(13,083)	0
106 Corporate Hangar Status: closed	FDOT VAC AUTH	414428	256,045 256,045 0	143,955 150,151 46,982	(400,000) (406,196) (46,982)	0 0 0	512,090	341,088	(853,178)	0
108 COI Box Hangar Const. Status: open	FDOT AUTH	409459	18,484 4,620	324,000 81,000	0 0	342,484 85,620	23,104	405,000	0	428,104
109 COI NW Taxilane Status: open	FAA FDOT AUTH	312001301610 429017	15,548 45 774	70,888 1,881 1,849	0 0 0	86,436 1,926 2,623	16,367	74,618	0	90,985
110 TIX R/W 9 Safety Area Status: open	FAA FDOT AUTH	312008002210 409469	21,382 132 993	151,518 3,897 24,439	0 0 0	172,900 4,029 25,432	22,507	179,854	0	202,361
Sub-totals			<u>3,151,923</u>	<u>3,856,389</u>	<u>(5,433,952)</u>	<u>1,574,360</u>	<u>3,151,923</u>	<u>3,856,389</u>	<u>(5,433,952)</u>	<u>1,574,360</u>

Project	Funding Source	Item Number	Funding				Expenditures			
			Balance 9/30/2010	Additions	Transfers and Adjustments	Balance 9/30/2011	Balance 9/30/2010	Additions	Transfers and Adjustments	Balance 9/30/2011
111 COI RSA Environment Status: closed	FAA FDOT AUTH	312001301610 428965	\$ 8,398 158 284	\$ 132,431 3,548 5,922	\$ (140,829) (3,706) (6,206)	\$ 0 0 0	\$ 8,840	\$ 141,901	\$ (150,741)	\$ 0
112 TIX T Hangar Const Status: open	FDOT AUTH	404922	26,253 6,563	292,299 73,075	0 0	318,552 79,638	32,816	365,374	0	398,190
113 X21 Facilities Rehab Status: closed	FDOT AUTH	416333	7,604 1,901	35,443 8,861	(43,047) (10,762)	0 0	9,505	44,304	(53,809)	0
114 TIX-EDA Project Status: open	EDA BRI AUTH	47906342	0 0 1,851	188,635 74,307 0	1,328 523 (1,851)	189,963 74,830 0	1,851	262,942	0	264,793
115 COI Building Rehab Status: closed	FDOT AUTH	409787	0 0	324,367 81,092	(324,367) (81,092)	0 0	0	405,459	(405,459)	0
116 COI South Apron Lighting Status: open	FAA FDOT AUTH	312001301610 429016	0 0 0	31,432 827 827	0 0 0	31,432 827 827	0	33,086	0	33,086
117 TIX Fence, Signs & Wwildlife Status: open	FAA FDOT FDOT AUTH	312008002311 418281 418280	0 0 0 0	24,616 0 0 1,297	0 0 0 0	24,616 0 0 1,297	0	25,913	0	25,913
118 COI RSA Environmental Status: open	FAA FDOT AUTH	312001301711 418296	0 0 0	1,805 48 47	0 0 0	1,805 48 47	0	1,900	0	1,900
60 SC Master Plan update Status: open	AUTH		0	4,549	0	4,549	0	4,549	0	4,549
119 TIX ARFF Facility Status: open	FDOT AUTH	409470	0 0	82,007 20,501	0 0	82,007 20,501	0	102,508	0	102,508
Totals			\$ 3,204,935	\$ 5,244,325	\$ (6,043,961)	\$ 2,405,299	\$ 3,204,935	\$ 5,244,325	\$ (6,043,961)	\$ 2,405,299

SUPPLEMENTARY INFORMATION

TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the year ended September 30, 2011

Federal employer's identification number: 59-1061002

Grantor/Pass Through Grantor Program Title and Contract Number	Federal CFDA Number	State CSFA Number	State Item Number	Expenditures
Federal Awards:				
Direct Federal Awards:				
U.S. Department of Transportation - Federal Aviation Administration - Airport Improvement Program:				
Project No. 31201010122009 (AD R/W, T/W Phase A)	20.106	NA	NA	\$ 19,536
Project No. 31201010132009 (AD R/W, T/W Phase B)	20.106	NA	NA	202,086
Project No. 31200130162010 (South Apron Lighting)	20.106	NA	NA	31,432
Project No. 31200130172011 (COI RSA Environmental II)	20.106	NA	NA	1,805
Project No. 31200800232011 (TIX Fence, Signs & Wildlife)	20.106	NA	NA	24,616
Project No. 31200800222010 (TIX R/W 9 Safety Areas)	20.106	NA	NA	151,518
Project No. 31200130162010 (COI NW Taxilane/So Apron)	20.106	NA	NA	70,888
Project No. 31200130162010 (COI RSA Environmental)	20.106	NA	NA	132,431
	20.106		Total	634,312
U.S. Department of Economic Development - EDA Grant:				
04-7906342	11.300		Total	188,635
U.S. Department of Agriculture - Rural Business Enterprise Grant:				
09-005-591061002	10.769		Total	1,055,718
Total expenditures of federal awards				1,878,665
State Financial Assistance:				
Florida Department of Transportation - Transportation Systems Development - Aviation Development Grants:				
APG59 (AD R/W, T/W Phase A & B)	NA	55.004	423939	39,587
AL874 (SC-Corporate Terminal/Admin Bldg)	NA	55.004	413150	407,706
AL874 (SC-Corporate Terminal/Admin Bldg)	NA	55.004	247353	334,000
APX16 (COI Building Rehab)	NA	55.004	409787	324,367
AQ159 (South Apron Lighting)	NA	55.004	429016	827
AQG73 (COI RSA Environmental II)	NA	55.004	418296	48
AQA94 (TIX AREF Facility)	NA	55.004	409470	82,007
ANL64 (SC Terminal Apron)	NA	55.004	411943	412,619
APD65 (Corporate Hangar)	NA	55.004	414428	143,955
AQ157 (TIX R/W 9 Safety Areas)	NA	55.004	409469	3,897
APX14 (TIX T Hangar Construction)	NA	55.004	404922	292,299
APX17 (X21 Facilities Rehab)	NA	55.004	416333	35,443
APX15 (COI Box Hangar Construction)	NA	55.004	409459	324,000
AQ159 (COI NW Taxilane/So/Apron)	NA	55.004	429017	1,881
AQ158 (COI RSA Environmental)	NA	55.004	428965	3,548
Total expenditures of state financial assistance		55.004	Total	2,406,184
Total federal awards and state financial assistance				\$ 4,284,849

TITUSVILLE-COCOA AIRPORT AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the year ended September 30, 2011

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards and state financial assistance presents the activity of all federal awards programs and state financial assistance projects of the Titusville-Cocoa Airport Authority (the Authority). The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. The accounting policies and presentation of the Single Audit Report have been designed to conform to accounting principles generally accepted in the United States of America applicable to proprietary fund types of government units. Conformance also includes the reporting and compliance requirements of the OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," the OMB A-133 Compliance Supplement, and the Florida Single Audit Act.

NOTE 2 - BASIS OF ACCOUNTING

The schedule of expenditures of federal awards and state financial assistance is maintained on the full accrual basis of accounting for the proprietary fund types, which is described in Note 2A of the Authority's financial statements.



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

BUSINESS CONSULTANTS AND FAMILY WEALTH PLANNERS

Shareholders/Directors

Edward R. Christensen

Stephen A. Ellis

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Directors Emeritus

Floyd C. Lemmon

William R. Kidd

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Titusville-Cocoa Airport Authority (the Authority) as of and for the year ended September 30, 2011, and have issued our report thereon dated **February 16, 2012**. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the Authority, in a separate letter dated February 16, 2012.

This report is intended solely for the information and use of Authority members, others within the organization, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Davies, Houser & Secrest".

Davies, Houser & Secrest, CPA, P.A.
February 16, 2012



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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.550**

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

Compliance

We have audited the compliance of the Titusville-Cocoa Airport Authority (the Authority), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that are applicable to each of its major Federal programs and State projects for the year ended September 30, 2011. The Authority's major Federal programs and State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State projects is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards; generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or State project occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

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In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs and State projects for the year ended September 30, 2011.

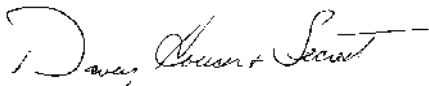
Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major Federal program or State project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. A material weakness in internal control is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program or State project will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Authority members, others within the organization, Federal and State awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Davies, Houser & Secrest, CPA, P.A.
February 16, 2012

TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FEDERAL AWARDS PROGRAMS
 For the year ended September 30, 2011

I. Summary of Auditor's Results	Answers
1. Type of report issued on financial statements	Unqualified
2. Significant deficiencies in internal control disclosed by the audit of the financial statements	None
3. Non-compliance which is material to the audited financial statements	None
4. Significant deficiencies in internal control over major programs disclosed by the audit	None
5. Type of report on compliance for major programs	Unqualified
6. Audit findings required to be reported by Paragraph .510 of OMB Circular A-133	None
7. Identification of major federal program	U.S. Department of Agriculture - Rural Business Enterprise Grant CFDA #10.769
8. Dollar threshold for Type A programs	\$300,000
9. Low risk auditee	Yes
II. Findings required to be reported in accordance with generally accepted <i>Government Auditing Standards</i>	None
III. Findings and questioned costs for federal awards, as defined in Paragraph .510 of OMB Circular A-133, for the current year	None

TITUSVILLE-COCOA AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEDERAL AWARDS PROGRAMS
For the year ended September 30, 2011

No prior year findings.

TITUSVILLE-COCOA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE FINANCIAL ASSISTANCE PROJECTS
For the year ended September 30, 2011

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



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Management Letter

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

We have audited the financial statements of the Titusville-Cocoa Airport Authority (the Authority) as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated February 16, 2012.

In planning and performing our audit of the financial statements of the Authority as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph, and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, during our audit we noted the following control deficiencies:

Lack of Separation of Duties

Since the Authority employs a small number of office personnel, one person is primarily responsible for performing all accounting duties. Accordingly, the Authority's ability to use segregation of duties to establish internal accounting control is limited. This limitation is offset by the Authority's member's monthly participation in the accounting and reporting function by way of detailed reviews of budgets and monthly comparisons of budgeted versus actual data. While these procedures were generally effective for internal accounting control purposes

during the past year, it should be clearly understood that changes in personnel, or the extent of participation by the Authority members, could have a material effect on internal accounting controls.

View of Responsible Official

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

This report is intended solely for the information and use of Authority members, others within the organization, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Davies, Houser & Secrest". The signature is written in black ink and is positioned above the typed name of the firm.

Davies, Houser & Secrest, CPA, P.A.
February 16, 2012