

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**TOGETHER WITH ADDITIONAL REPORTS**  
**YEARS ENDED**  
**SEPTEMBER 30, 2016 AND 2015**

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#### Affiliations

Florida Institute of Certified Public Accountants  
American Institute of Certified Public Accountants  
Private Companies Practice Section  
Tax Division

### **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Charlotte County Airport Authority  
28000 A-1 Airport Road  
Punta Gorda, Florida 33982

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

We have audited the accompanying basic financial statements of the business-type activities of Charlotte County Airport Authority ( the "Authority") as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Florida Retirement System Pension Plan (FRS) or the Health Insurance Subsidy Program (HIS) as of and for the year ended June 30, 2016. The Authority is required to record its proportionate share of the FRS and HIS liability in the Authority's government-wide financial statements as of September 30, 2016 and for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Charlotte County Airport Authority's Government-wide financial statements, is based on the report of the other auditors. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly,

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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 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Charlotte County Airport Authority as of September 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As discussed in Note A, the basic financial statements present only Charlotte County Airport Authority and are not intended to present fairly the financial position of Charlotte County, Florida, as of September 30, 2016 and 2015, and the results of its operations and the cash flows of its business type activities for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i - xix, Schedule of the Authority's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of Authority Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the Authority's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of Authority Contributions - Health Insurance Subsidy Pension Plan (HIS), and Notes to the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information - management's discussion and analysis (MD&A), Schedule of the Authority's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of Authority Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the Authority's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of Authority Contributions - Health Insurance Subsidy Pension Plan (HIS), and Notes to the Required Supplementary Information, as listed in the table of contents, 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 required supplementary information - management's discussion and analysis (MD&A), Schedule of the Authority's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS), Schedule of Authority Contributions - Florida Retirement System Pension Plan (FRS), Schedule of the Authority's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS), Schedule of Authority Contributions - Health Insurance Subsidy Pension Plan (HIS), and Notes to the Required Supplementary Information, as listed in the table of contents, because the limited procedures do not provide



us with sufficient evidence to express an opinion or provide any assurance.

*Other Required Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Charlotte County Airport Authority's basic financial statements. The required supplementary information other than MD&A - budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The required supplementary information other than MD&A - budgetary comparison information is the responsibility of management and was derived from and relates 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 required supplementary information other than MD&A budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Charlotte County Airport Authority that collectively comprise the Charlotte County Airport Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance for the year ended September 30, 2016 as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance for the year ended September 30, 2016 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Exhibit - Management's Response to Independent Auditor's Report to Management is not a required part of the basic financial statements but is required by Government Auditing Standards. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Section 218.415, Florida Statutes**

In accordance with Section 218.415, Florida Statutes, we have also issued a report dated January 27, 2017, on our consideration of Charlotte County Airport Authority's compliance with provisions of Section 218.415, Florida Statutes. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and to provide an opinion on compliance with the aforementioned Statute. That report is an integral part of an audit performed in accordance with Sections 218.39 and 218.415, Florida Statutes in considering Charlotte County Airport Authority's compliance with Section 218.415, Florida Statutes.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." in a cursive script.

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 27, 2017

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS  
(MD&A)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The following management discussion and analysis of the Charlotte County Airport Authority's financial performance provides an overview of the financial activities of the Airport for the fiscal year ended September 30, 2016. The information contained in this discussion should be considered in conjunction with the financial results, footnotes, and supplemental information in the Airport's basic financial statements.

### **Mission Statement**

The Charlotte County Airport Authority (the "Airport") is an independent special district pursuant to the constitution and the Laws of Florida, particularly Chapter 98-508 (codification) as amended by Laws of Florida, Chapter 2011-263, Section 4 and by Chapter 2013-254. It is not a component unit of Charlotte County. The Airport has jurisdiction, control, supervision and management of the Airport and surrounding land within its legal boundaries, governed by a five (5) member elected Board of Commissioners. The Airport is self-supporting, generating its revenues from aviation and non-aviation leases, concessions, airline revenues and fuel sales. The Airport facility is located in Charlotte County, Florida and was officially named the Punta Gorda Airport in 2010.

The Airport strives to ensure the safety and security of the traveling public. It is dedicated to maintaining a superior and reliable level of Airport services for local residents and tourists and is committed to supporting the development of air linkages and facilities, which are integral parts of its future economic growth as well as that of Southwest Florida.

Punta Gorda Airport is the only public use/public owned facility serving both the general aviation and commercial aviation needs of the community. The Airport is open 24 hours a day, 7 days a week and serves as a base airport for general aviation aircraft owners and operators in the surrounding area. The Punta Gorda Airport boasts a strong personal and recreational flying community.

The Airport occupies approximately 1800 acres of land east of I-75, south of US 17, and approximately two miles south of the Peace River. It's the highest elevation in the County, at 25 feet above sea level. The Airport has within its boundaries a Foreign Trade Zone and three runways accommodating private and commercial aircraft.

The Airport plays an important role in the enhancement of community services as well. The Airport is the staging area for the First In Team for disasters and serves the U.S. Forestry Service as a temporary fire tanker base. The Airport serves as a base of operation for the Charlotte County Sheriff's Office and Charlotte County Mosquito Control. The Airport is also home to an active division of the Civil Air Patrol. The Airport began offering commercial airline passenger service in 2007.

## **GASB 34**

The Annual Financial Statement summarizes the activity of all the Airport's funds. The statements have changed in format as a result of implementing Governmental Accounting Standards Board GASB 34 for the year ended September 30, 2004, the year implementation was required. The discussion on the implications of GASB 34 can be extensive. For the purposes of the report, a brief overview is included herein.

In June, 1999, the Governmental Accounting Standards Board (GASB) - which sets accounting principles generally accepted in the United States of America (Financial reporting rules) for all state and local governments - established a new framework for the financial reports of state and local governments. The new framework or financial reporting model represents the biggest single change in the history of governmental accounting. GASB 34, known as Statement No. 34: Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, represent a fundamental revision of the current financial reporting model, which has been in place since 1979.

The GASB 34 model includes new features, such as government-wide financial reporting, narrative overview, analysis (management's discussion and analysis - MD&A) and infrastructure reporting.

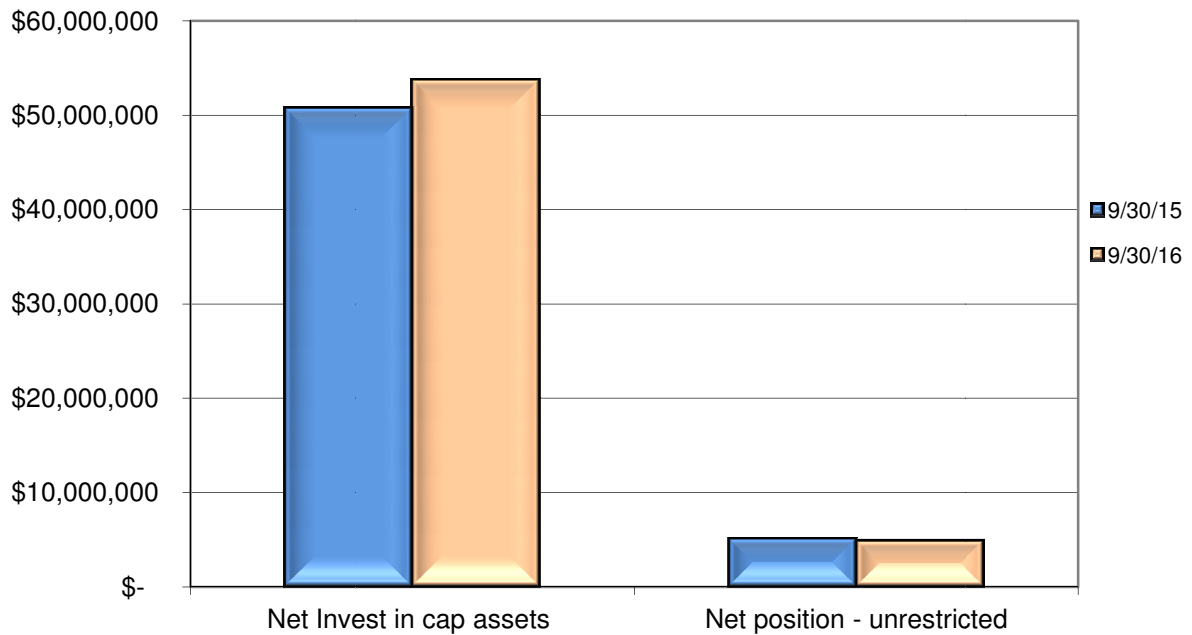
### **Overview of the Financial Statements**

The Airport is structured as an enterprise fund. The Airport's basic financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Therefore, revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except for land and construction in progress) are depreciated over their useful lives. Refer to the notes of the basic financial statements for a summary of the Airport's significant accounting policies.

Following this Management Discussion and Analysis ("MD&A") are the basic financial statements and supplemental schedules of the Airport. This information, taken collectively, is designed to provide readers with an understanding of the Airport's finances.

**The Statement of Net Position** presents information on all the Airport's assets, deferred outflows/inflows, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Airport's financial position. Below is a comparative of the components of the Airport's net position.

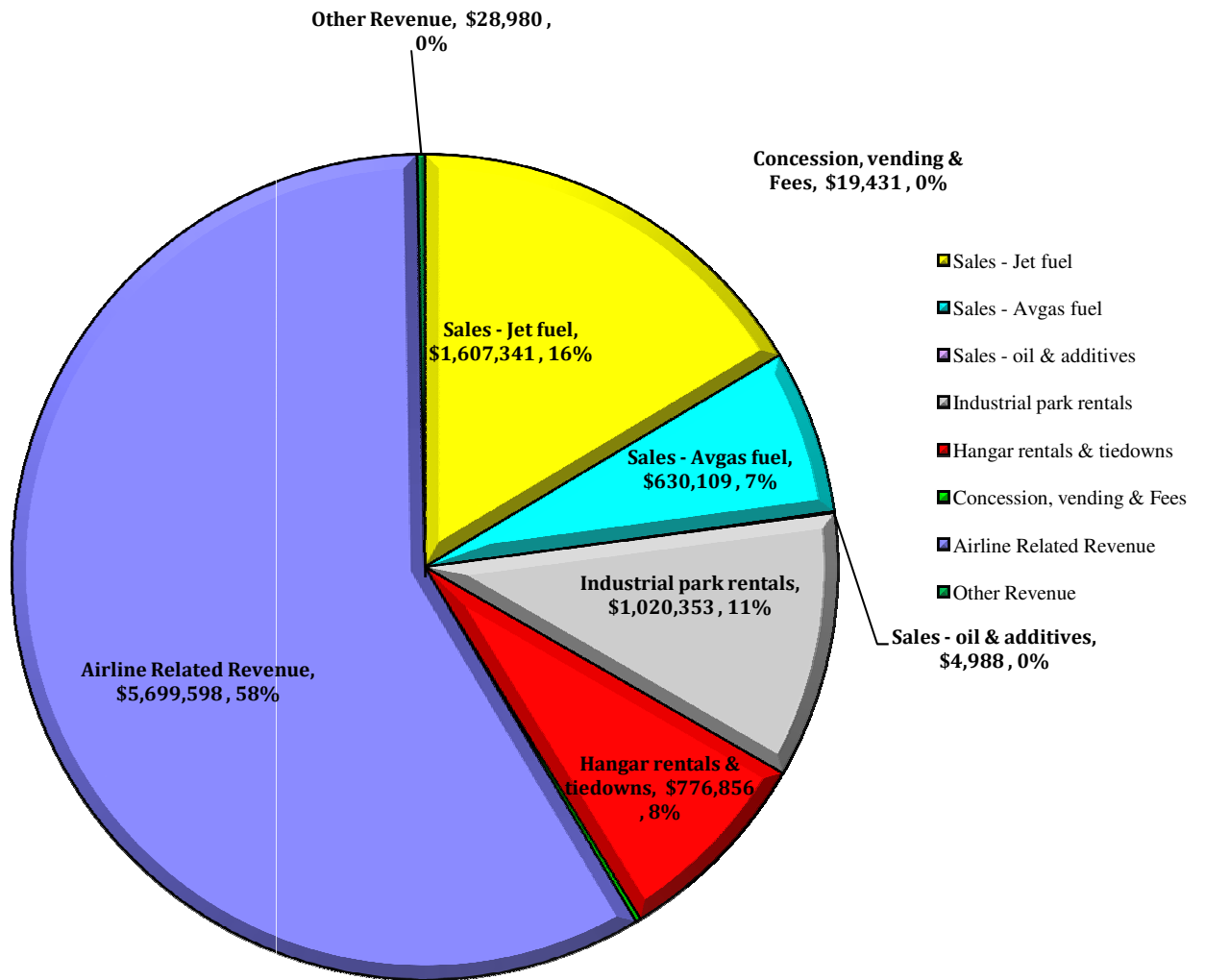
### COMPARATIVE NET POSITION



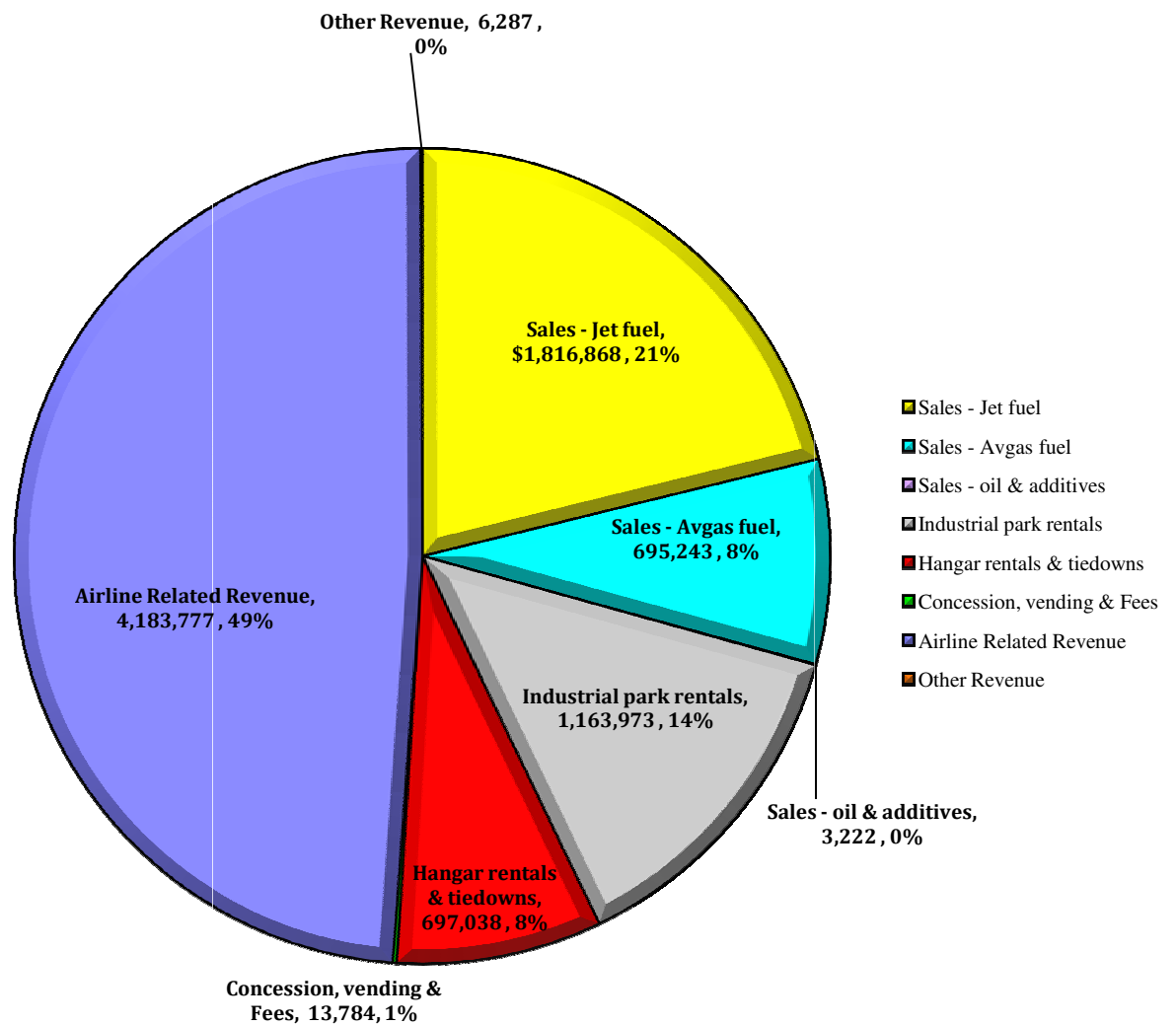
NET POSITION				Increase	% Inc
	9/30/15	9/30/16	(Decrease)	(Dec)	
Net Invest in cap assets	\$ 50,751,209	\$ 53,731,822	\$ 2,980,613		5.9%
Net position - unrestricted	5,072,216	4,889,552	(182,664)		-4%
<b>Total Net position</b>	<u>\$ 55,823,425</u>	<u>\$ 58,621,374</u>	<u>\$ 2,797,949</u>		5.0%

### Operating Revenues

The following charts show major operating revenue sources and the percentage of operating revenue for the fiscal year ending September 30, 2016.



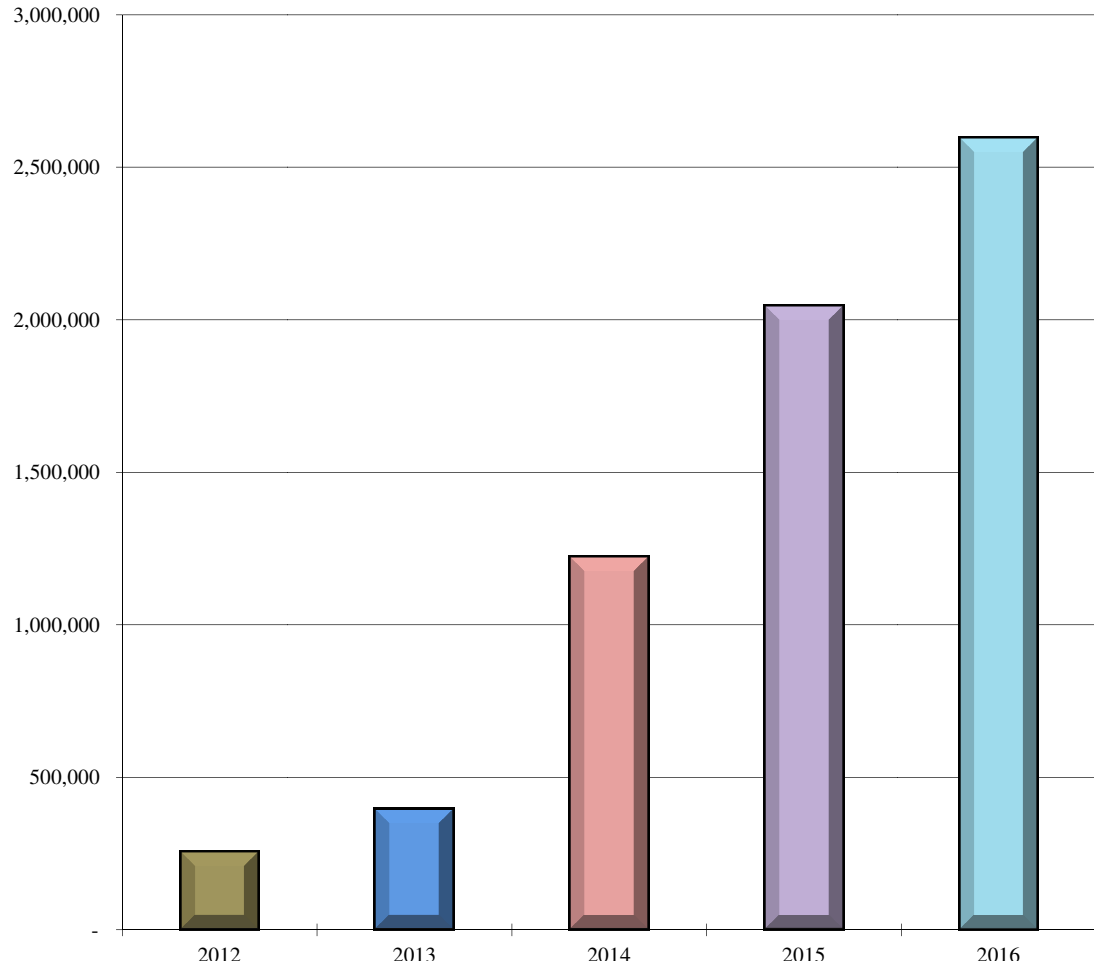
In comparison with the previous fiscal year ending September 30, 2015





The following schedule shows net operating income (loss) before Depreciation for the past five fiscal years ending September 30, 2016:

## **OPERATING INCOME (LOSS) BEFORE DEPRECIATION**



2011	593,198
2012	254,875
2013	395,238
2014	1,221,924
2015	2,045,892
2016	2,595,302

**The Statement of Revenues, Expenses, and Changes in Net Position** presents information showing how the Airport's net position changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses for some items are reported in this Statement that will result in cash flows in future periods.

**The Statement of Cash Flows** relates to the flow of cash and cash equivalents. Consequently, only transactions that affect the Airport's cash accounts are recorded in this statement. The reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

### **Budgetary Highlights**

#### **September 30, 2016**

After the close of the year ended September 30, 2016, the Board of Commissioners did convene and resolved to increase the FY16 budget on November 17, 2016. As such, the budgeted revenue and expenses were increased to \$17,570,338.

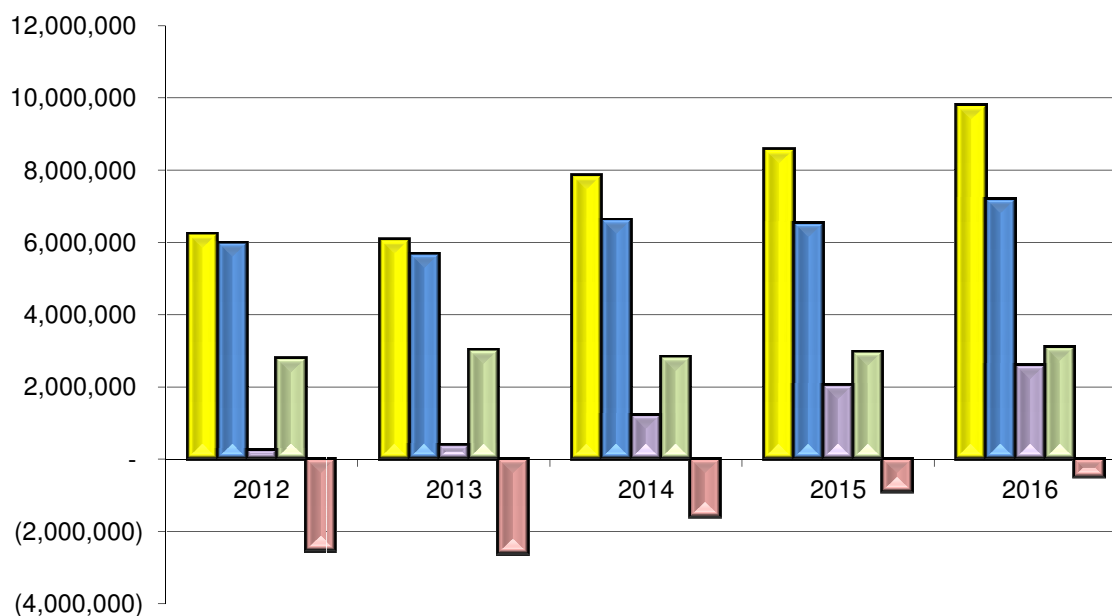
For the years ended September 30, 2016 and 2015, the Airport completed its required audit in a timely manner.

#### **Original Budget to Actual Variance**

Total operating revenues were \$9,787,656, which was \$283,420 (3.0%) more than the original budgeted amount of \$9,504,236. This was due to an increase in Airline revenues.

Total operating expenses were \$7,192,354, which was \$701,491 (9.2%) less the original budget amount of \$7,701,491.

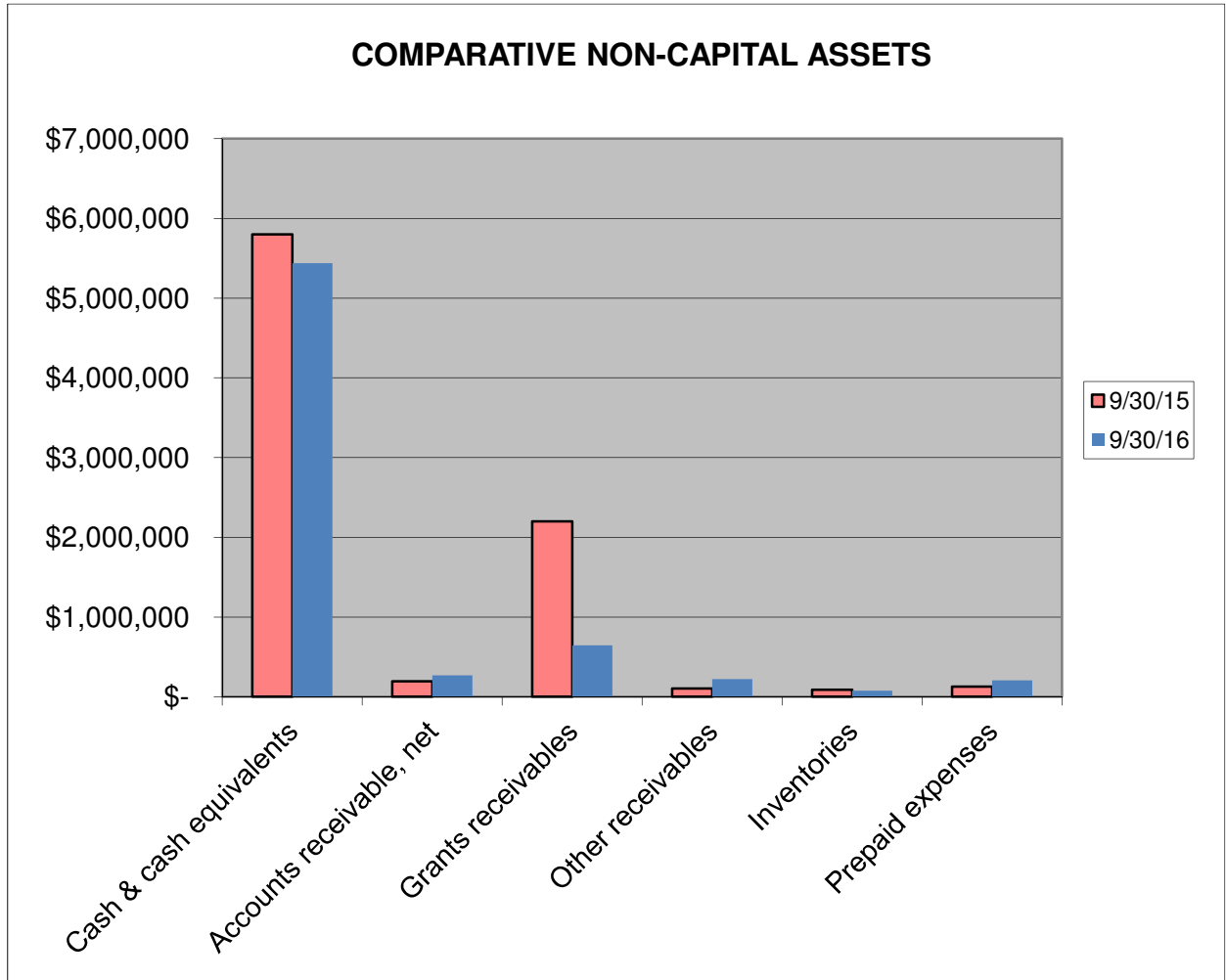
## COMPARATIVE OPERATING ACTIVITIES



	Operating Revenue	Operating Expenses Before Depr	Operating Inc (Loss) Before Depr	Non-Cash Depreciation Expense	Operating Inc (Loss)
<u>Fiscal Year</u>					
2011	6,133,849	5,540,651	593,198	2,981,949	(2,388,751)
2012	6,243,408	5,988,533	254,875	2,795,810	(2,540,935)
2013	6,075,763	5,680,526	395,237	3,021,771	(2,626,534)
2014	7,848,227	6,626,303	1,221,924	2,829,426	(1,607,502)
2015	8,580,192	6,534,300	2,045,892	2,967,210	(921,318)
2016	9,787,656	7,192,354	2,595,302	3,104,269	(508,967)

### **Non-Capital Assets**

The Airport's non-capital assets as of September 30, 2016, and 2015 amounted to \$6,845,928 and \$8,507,092 respectively. This decrease of \$1,661,164 is substantially due to a \$1,555,031 in grants receivable and an increase of \$116,321 in other receivables in cash & cash equivalents.

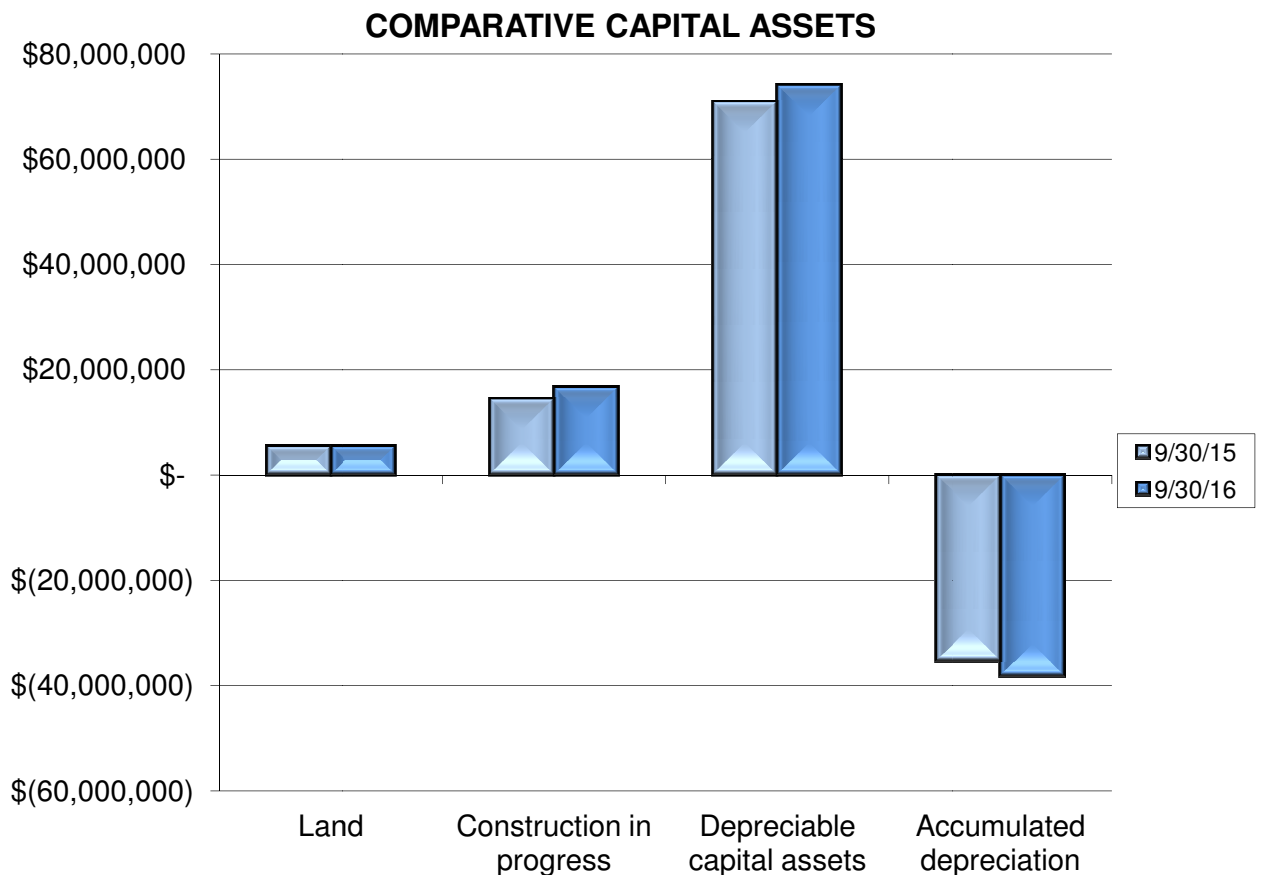


	9/30/15	9/30/16	Increase (Decrease)
Cash & cash equivalents	\$ 5,798,830	\$ 5,437,144	\$ (361,686)
Accounts receivable, net	192,625	267,238	74,613
Grants receivables	2,198,211	643,180	(1,555,031)
Other receivables	103,598	219,919	116,321
Inventories	87,950	75,244	(12,706)
Prepaid expenses	125,878	203,202	77,324
<b>Total Non-Capital Assets</b>	<b>\$ 8,507,092</b>	<b>\$ 6,845,927</b>	<b>\$ (1,661,165)</b>

## Capital Assets

The Airport's net capital assets as of September 30, 2016, and 2015 amounted to \$58,080,759 and \$55,633,581, respectively. This difference of \$2,447,178 accounts for a \$2,189,794 increase in construction in progress and \$3,162,378 increase in capital assets and an increase in depreciation of 2,904,994. Additional information on the Airport's capital asset activity can be found in Note E of the Financial Statements.

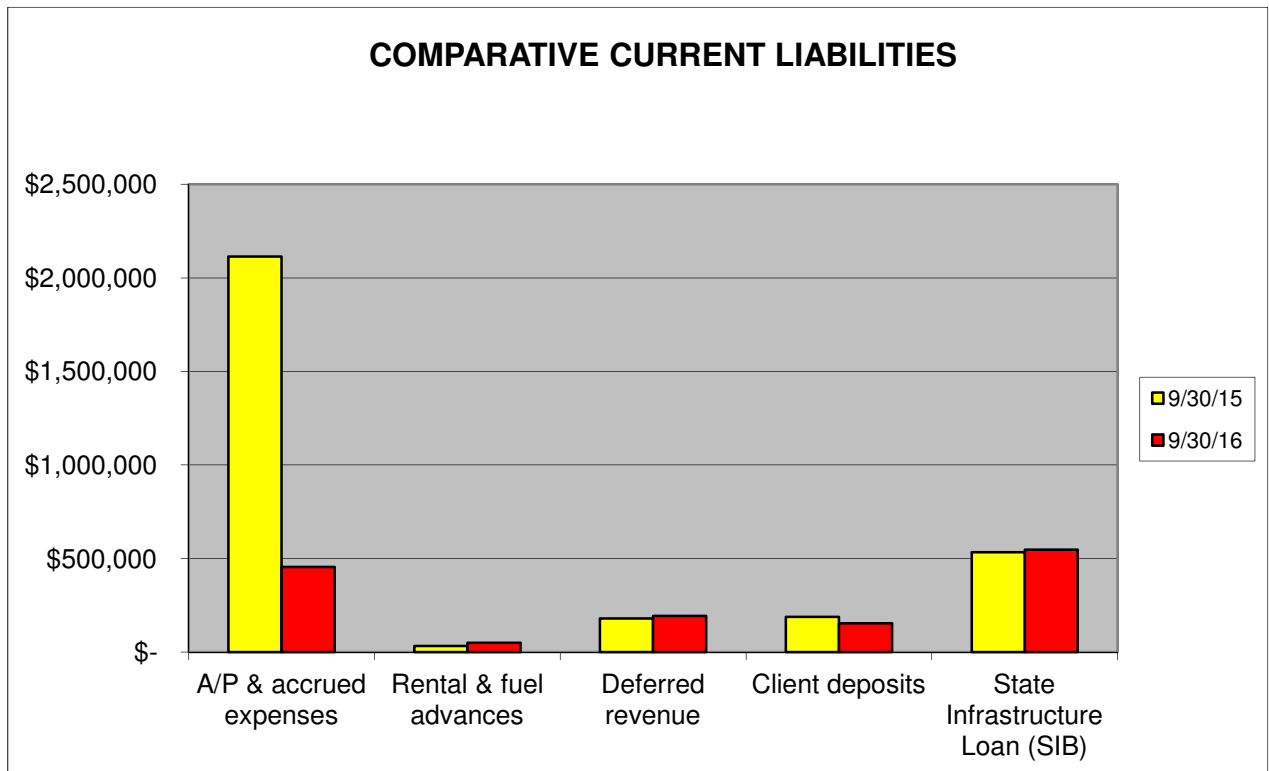
The Airport primarily acquires its capital assets with proceeds from federal and state grants along with Airport matching funds. Below is the comparative chart of capital assets as of September 30, 2015 and 2016:



	9/30/15	9/30/16	Increase (Decrease)	% Inc (Dec)
Land	\$ 5,533,331	\$ 5,533,331	\$ -	0.0%
Construction in progress	14,518,139	16,707,933	2,189,794	15.1%
Depreciable capital assets	70,934,985	74,097,363	3,162,378	4.5%
Accumulated depreciation	<u>(35,352,874)</u>	<u>(38,257,868)</u>	<u>(2,904,994)</u>	<u>8.2%</u>
<b>Total Capital Assets - Net</b>	<u>\$ 55,633,581</u>	<u>\$ 58,080,759</u>	<u>\$ 2,447,178</u>	<u>4.4%</u>

## Current Liabilities

As of September 30, 2016, the Airport's current liabilities totaled \$1,400,729 compared to \$3,048,519 in the previous fiscal year.

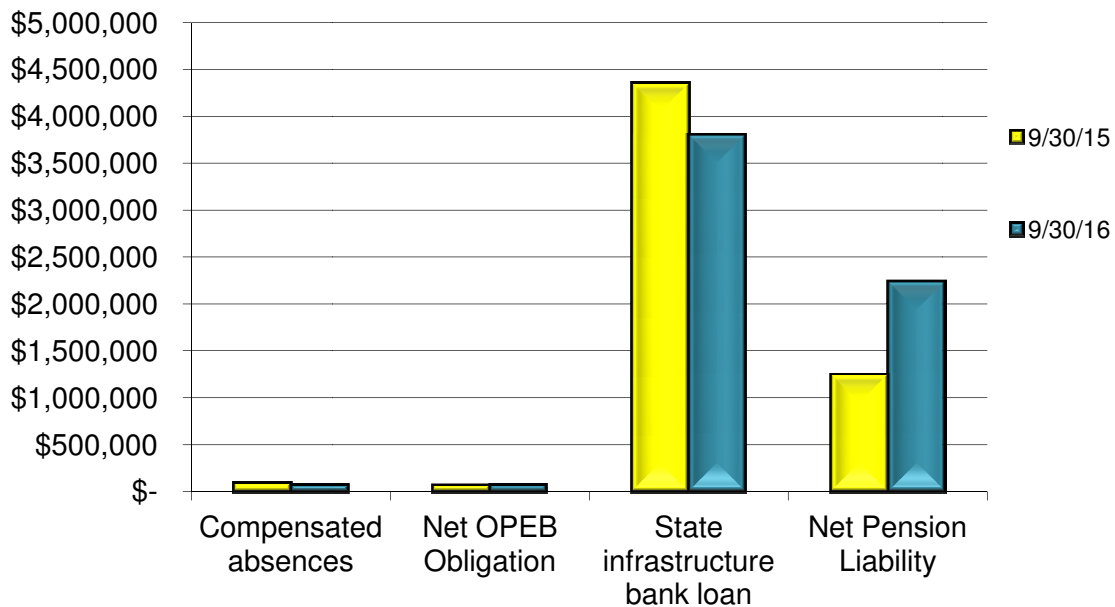


					%
			<b>Increase</b>	<b>Inc</b>	
<b>CURRENT LIABILITIES</b>	<b>9/30/15</b>	<b>9/30/16</b>	<b>(Decrease)</b>	<b>(Dec)</b>	
A/P & accrued expenses	\$ 2,114,598	\$ 455,375	\$ (1,659,223)	-78%	
Rental & fuel advances	33,441	49,697	16,256	49%	
Deferred revenue	179,005	194,266	15,261	9%	
Client deposits	188,040	153,287	(34,753)	-18%	
State Infrastructure Loan (SIB)	533,435	548,104	14,669	3%	
<b>Subtotal</b>	<b>\$ 3,048,519</b>	<b>\$ 1,400,729</b>	<b>\$ (1,647,790)</b>	<b>-54%</b>	
 <b>Total Current Liabilities</b>	 <b>\$ 3,048,519</b>	 <b>\$ 1,400,729</b>			

## Long-Term Liabilities

As of September 30, 2016, the Airport's long-term liabilities totaled \$6,185,906 compared to \$5,761,288 in the previous fiscal year. The increased amount was the net result of a decrease in the State infrastructure bank loan and an increase in Net Pension Liability.

### COMPARATIVE LONG-TERM LIABILITIES



LONG-TERM LIABILITIES	9/30/15	9/30/16	Increase (Decrease)	% Inc (Dec)
Compensated absences	\$ 93,433	\$ 70,758	\$ (22,675)	-24%
Net OPEB Obligation	70,047	75,294	5,247	7%
State infrastructure bank loan	4,348,937	3,800,833	(548,104)	-13%
Net Pension Liability	1,248,871	2,239,021	990,150	79%
<b>Subtotal</b>	<b>\$ 5,761,288</b>	<b>\$ 6,185,906</b>	<b>\$ 424,618</b>	<b>7%</b>
 <b>Total Long-Term Liabilities</b>	 <b>\$ 5,761,288</b>	 <b>\$ 6,185,906</b>		

## **Financial Highlights**

- In FY 2016, net position increased by \$2,797,949. Mostly due to a net effect of an increase in Construction in Progress due to the Terminal Expansion, Taxiway A Extension and the Parking Lot Expansion.
- Total operating revenues were \$9,787,656, an increase of \$1,207,464 (14%) compared to FY 2015. This increase was due in part to a \$1,515,821 increase in Airline revenue, net of a decrease of \$272,895 in Fuel sales
- Total operating expenses were \$7,192,354, a increase of \$658,054 (10.1%) in comparison to FY 2015. The components included decreases in cost of fuel along with an increase in personnel related costs.

## **The Year 2016 in Review**

The Board and its staff have made major strides in the current fiscal year in an effort to promote the airport. The Punta Gorda Airport is one of the most modern airports in Southwest Florida and continues to improve.



Allegiant Air provides commercial flight service with flights to many Northeast, Midwest, and Southeast U.S. destinations. They have added many new destinations to and from Punta Gorda.

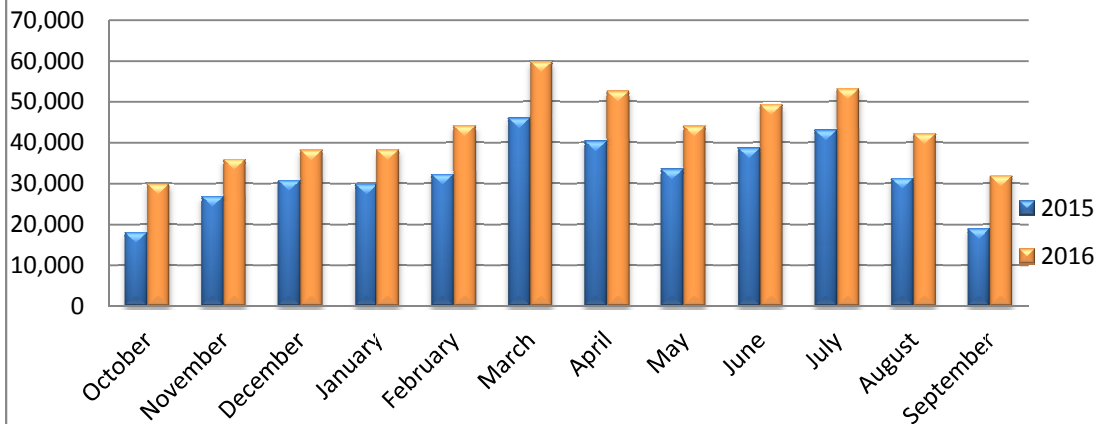




### Passenger Comparisons for Fiscal Years 2015 & 2016

Fiscal year 2016 recorded a total passenger count of 1,040,083 versus the previous fiscal year of 775,063 passengers, an increase of 34.19%. This increase is one of the highest growth rates in the Country. The Authority anticipates a continued increase in the passenger count.

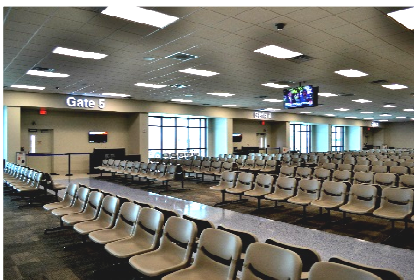
## Charlotte County Airport Authority Total Enplanements FY 2015 vs 2016



		Allegiant	Enplaned	Deplaned	Airline
	2015	Enplaned	Total	Total	Totals
	October	17,995	17,995	19,088	37,083
	November	26,835	26,835	26,291	53,126
	December	30,812	30,812	32,239	63,051
	January	29,807	29,807	29,141	58,948
	February	32,300	32,300	33,954	66,254
	March	46,043	46,043	47,128	93,171
	April	40,366	40,366	34,628	74,994
	May	33,479	33,479	32,280	65,759
	June	38,699	38,699	39,577	78,276
	July	43,077	43,077	42,391	85,468
	August	31,234	31,234	29,006	60,240
	September	18,941	18,941	19,752	38,693
	<b>Totals</b>	<b>389,588</b>	<b>389,588</b>	<b>385,475</b>	<b>775,063</b>
		Allegiant	Enplaned	Deplaned	Airline
	2016	Enplaned	Total	Total	Totals
	October	29,933	29,933	32,422	62,355
	November	35,934	35,934	35,091	71,025
	December	38,204	38,204	43,085	81,289
	January	38,320	38,320	38,218	76,538
	February	44,128	44,128	47,002	91,130
	March	59,807	59,807	61,888	121,695
	April	52,617	52,617	45,484	98,101
	May	44,102	44,102	43,250	87,352
	June	49,317	49,317	49,113	98,430
	July	53,162	53,162	52,980	106,142
	August	42,206	42,206	39,594	81,800
	September	31,870	31,870	32,356	64,226
	<b>Totals</b>	<b>519,600</b>	<b>519,600</b>	<b>520,483</b>	<b>1,040,083</b>

**Many things are happening at the Punta Gorda Airport:**

## **Terminal Expansion and Renovation Completed**



The construction on the Bailey Terminal's expansion and renovations at the Punta Gorda Airport (PGD) have been completed. Contractors combined the new expansion and the renovations of the existing building and on February 10th departing passengers will check in at the original renovated building. The project included the demolition of the Authority's administration building that was built in 1972. The expansion consisted of the construction of a new 45,000 sq. ft. building with a larger baggage claim area, an additional baggage carousel, larger hold room, expanded TSA screening area, charging station, play area and concession area. The renovation of the existing terminal a 16,000 sq. ft. building included a larger ticketing area, airline offices and a larger baggage screening area and a hold room area.

The Charlotte County Airport Authority received a \$5,721,319.00 grant from the Federal Aviation Administration (FAA) for the expansion and renovation. The Florida Department of Transportation (FDOT) and the Airport Authority will fund the rest of the \$8 million project

## ILS/DME on Runway 4 Operating

The Instrument Landing System (ILS) and Distance Measuring Equipment (DME) on Runway 4 has been installed and is up and running.





## Allegiant Replaces MD-80's with A320's Aircraft



Above the MD-80 and below the Airbus A-320 at the Punta Gorda Airport



Allegiant Airlines has replaced their fleet of aircraft based at the Punta Gorda Airport from the MD-80 with the quieter and more fuel efficient Airbus A-320. The A-320 also has more seating capacity than the MD-80. There are a total of 6 aircraft permanently based at the airport. Allegiant worked with the Authority in bringing the A-320 to PGD because of noise complaints.

## Radar Added to Air Traffic Control Tower

STARS Radar has been installed by the FAA in the Air Traffic Control Tower at the Punta Gorda Airport. The radar provides an extra level of safety, while improving efficiency of service. Pilots requesting VFR flight following can now request the service from the Ground controller and be entered directly into the system to help expedite the process once airborne.

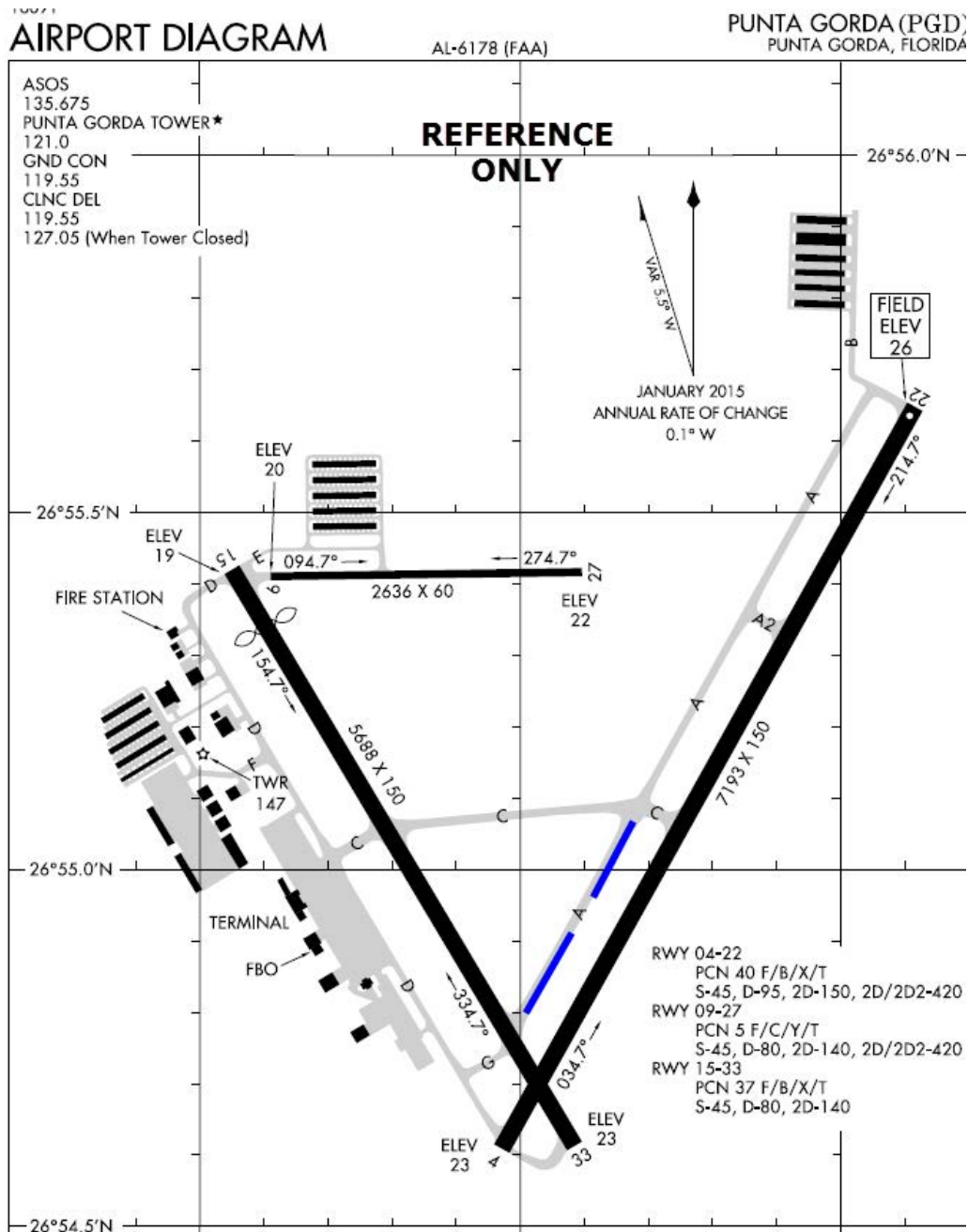


# Taxiway A Extension Complete

PGD Aviators.

**Effective August 4, 2016 Taxi "A" Extension has been completed.**

**With the completion of our taxiway "A" extension, it will help reduce taxiway congestion and provide quicker access to our south general aviation ramps when operating on runway 4/22.**





## FAA Safety Award

The Federal Aviation Administration (FAA), Southern Region Airport Division presented the to the Punta Gorda Airport the Air Carrier Safety Award for work related to the advancement of airport safety by completing more than 15 safety projects and process improvements. Some of the improvements include the installation of STARS Radar display, Taxiway Alpha extension, reinstatement of Runway 4 VOR approach and installation of ILS Runway 4 Instrument Approach Procedure. The award also stated that through professional action and fervent effort the staff and management of the Punta Gorda Airport have improved safety for the traveling public while experiencing a 45% increase in air carrier operations.

## Punta Gorda Airport Receives Top Award from Florida Department of Transportation

Punta Gorda, FL – The Florida Department of Transportation (FDOT) honored the Charlotte County Airport Authority with the 2016 Outstanding Commercial Service Airport of the Year Award for the Punta Gorda Airport. The award was announced in the annual Florida Airports Council Conference, held this year in the Bonita Springs, Florida.

“We are extremely proud that the Punta Gorda Airport was recognized that Florida Department of Transportation” said Paul Andrews, Chairman of the Charlotte County Airport Authority.

“The team effort of the Airport Authority Board and Staff has resulted in tremendous growth of our airport and its contribution to the community’s well-being. I would like to thank our Board and our staff members as well as our tenants who in fact are our business partners”. The Florida Department of Transportation annually awards the Commercial Service Airport of the year to one of twenty Commercial Service Airports in the state of Florida. The award recognizes superior achievement in all aspects of management and customer service

including safety and security, financial and overall management. Punta Gorda Airport is served by Allegiant Airlines with service to thirty cities. It is estimated the airport will serve over 1 million passengers in 2016.





## Significant Events for 2016

### **Punta Gorda Airport welcomed new, nonstop service from Frontier Airlines starting fall 2016**



PUNTA GORDA, Fla. (July 25, 2016) - Frontier Airlines will begin scheduled, nonstop flights from Punta Gorda Airport to Chicago O'Hare, Philadelphia and Trenton, New Jersey in late October. This is the first time Frontier Airlines will offer service out of Punta Gorda Airport.

Service for Chicago O'Hare and Philadelphia will begin Oct. 30, with scheduled flights on Tuesdays, Thursdays and Sundays; Trenton service will start Oct. 31 with flights on Mondays, Wednesdays, Fridays and Saturdays:

- 8:15 a.m. Chicago O'Hare to Punta Gorda; 1:10 p.m. Punta Gorda to Chicago O'Hare
- 4:20 p.m. Philadelphia to Punta Gorda; 8:10 p.m. Punta Gorda to Philadelphia
- 6 a.m. Trenton to Punta Gorda; 10:15 a.m. Punta Gorda to Trenton

## **Economic Factors and Next Year's Budget**

The Airport is once again looking forward to an exciting year with the continuation of the commercial airline passenger services. The Fiscal Year 2017 Budget was based on the airline schedule and the related revenues the airport will collect and expenses the Airport will incur.

## **Future Outlook**

The Punta Gorda Airport is one of the fastest growing airports in the Country. As of the end of the third quarter of 2016 (the most recent available statistics) Punta Gorda Airport had the lowest average fare of the top 100 airports in the Country. We believe both of these facts are due to the financial model the Airport has chosen to follow -- ultra-low cost airport for an ultra-low cost airline.

The growth in passengers year-over-year from 2014 to 2015 was approximately 33%. The growth in passengers year-over-year from 2015 to 2016 was approximately 33%. We anticipate the growth rate to taper off however we feel it will exceed the average national growth rate for the next few years.

Completion of the terminal project in February 2016, together with parking expansion to be completed in the summer of 2016 completed a multiyear effort to expand the Airport's ability to handle the passenger growth.

The airport is currently working on a Master Plan. This plan will outline the needs of the Airport over the short, medium, and long range planning periods. This plan will include an Environmental Assessment for the projects in the short term planning period.

The Airport is a self-supporting authority that depends on concessions, fuel sale revenues, along with revenues from rentals of buildings and land leases to operate the Airport. The Airport hosts approximately 400 based aircraft and has an active general aviation community.

Cheney Brothers built a 340,000-square foot distribution facility adjacent to the Airport. We anticipate other distribution companies to locate on the Airport, particularly with the completion of Piper Road from exit 161 of I-75 up to Exit 164 of I-75 expected in 2018. Currently, the Airport's industrial area with land available for lease to businesses currently provides employment to over 800 employees.

The Airport has positioned itself to be an economic "engine" for the region. The Airport has become a major player in the region's long term economic development and we hope that new businesses will be interested in locating near the Airport with access to air transportation, easy access to Interstate 75 and nearby rail facilities.

Airline service at the Airport plays a role in increasing awareness of the area by promoting tourism in the area. The Airports involvement in the region's long term economic development has allowed it to be a central location for commercial and industrial business relocation. The Punta Gorda Airport has been a powerful tool in the economy of the area. From jobs to business to entertainment, the airport provides the seeds of growth that help shape our community. The Airport recognizes its role in the business health of the community.

All projects at the Airport help bring dollars to the community. The Airport has been a positive example of economic development in the County. With over 65 businesses, 800 plus employees, and incoming airline passengers, the Punta Gorda Airport is one of largest producers of economic activity in the County.

### **Request for Information**

This financial report is designed to provide a general overview of the Airport's finances for all those with an interest in its finances. Questions concerning any of the information should be addressed to James W. Parish, Executive Director, Charlotte County Airport Authority, 28000 A-1 Airport Road, Punta Gorda, Florida 33982.

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,283,857	\$ 5,610,790
Accounts receivable, net	267,238	192,625
Grant receivables	643,180	2,198,211
Other receivables	219,919	103,598
Inventories	75,244	87,950
Prepaid expenses	<u>203,202</u>	<u>125,878</u>
<b>TOTAL CURRENT ASSETS</b>	<u>6,692,640</u>	<u>8,319,052</u>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents - tenant deposits	<u>153,287</u>	<u>188,040</u>
<b>TOTAL RESTRICTED ASSETS</b>	<u>153,287</u>	<u>188,040</u>
<b>CAPITAL ASSETS</b>		
Capital assets not being depreciated:		
Land	5,533,331	5,533,331
Construction in progress	16,707,933	14,518,139
Capital assets being depreciated:		
Buildings	34,204,639	34,204,639
Airport master plan	202,141	202,141
Capital improvements	33,203,169	32,350,493
Furniture, fixtures and equipment	6,412,614	3,964,212
Donated surplus equipment	74,800	213,500
Less: accumulated depreciation	<u>(38,257,868)</u>	<u>(35,352,874)</u>
<b>CAPITAL ASSETS, NET</b>	<u>58,080,759</u>	<u>55,633,581</u>
<b>TOTAL ASSETS</b>	<u>64,926,686</u>	<u>64,140,673</u>
<b>DEFERRED OUTFLOWS OF RESOURCES - PENSIONS</b>	<u>1,296,692</u>	<u>914,595</u>

The accompanying notes are an integral part of this statement.

	<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 455,375	\$ 2,114,598
Rental and fuel advances	49,697	33,441
Unearned revenue	194,266	179,005
Tenant deposits	153,287	188,040
State Infrastructure Bank (SIB) loan, current portion	<u>548,104</u>	<u>533,435</u>
TOTAL CURRENT LIABILITIES	<u>1,400,729</u>	<u>3,048,519</u>
<b>LONG-TERM LIABILITIES</b>		
State Infrastructure Bank (SIB) loan, net of current portion	3,800,833	4,348,937
Estimated liability for compensated absences	70,758	93,433
Net OPEB obligation	75,294	70,047
Net pension liability	<u>2,239,021</u>	<u>1,248,871</u>
TOTAL LONG-TERM LIABILITIES	<u>6,185,906</u>	<u>5,761,288</u>
TOTAL LIABILITIES	<u>7,586,635</u>	<u>8,809,807</u>
<b>DEFERRED INFLOWS OF RESOURCES - PENSIONS</b>	<u>15,369</u>	<u>422,036</u>
<b>NET POSITION</b>		
Net investment in capital assets	53,731,822	50,751,209
Unrestricted	<u>4,889,552</u>	<u>5,072,216</u>
TOTAL NET POSITION	<u>\$ 58,621,374</u>	<u>\$ 55,823,425</u>

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**Years ended September 30, 2016 and 2015**

	2016	2015
<b>OPERATING REVENUES</b>		
Fuel and oil sales	\$ 2,242,438	\$ 2,515,333
Industrial and commercial park rentals	1,020,353	1,163,973
Hangar rentals and tie downs	776,856	697,038
General-aviation-related concession, vending and fees	19,431	13,784
Airline-related revenues:		
Car rentals	3,291,285	2,612,573
Parking	1,818,356	1,277,366
Other, including LEO and concessions	589,957	293,838
Other operating revenues	28,980	6,287
<b>TOTAL OPERATING REVENUES</b>	<b>9,787,656</b>	<b>8,580,192</b>
<b>OPERATING EXPENSES</b>		
Salaries and wages	2,420,268	1,987,559
Payroll taxes and retirement	673,548	422,657
Personnel expenses	506,823	434,640
Cost of fuel and oil sales	1,130,117	1,481,494
Advertising	3,608	3,359
Marketing and promotional	41,381	27,912
Bank charges and credit card fees	45,122	50,198
Dues and subscriptions	32,509	35,238
Insurance	278,510	249,472
Legal and professional	211,529	153,960
Licenses and permits	5,268	7,388
Mowing	17,847	13,870
Postage	4,266	10,500
Repairs and maintenance and equipment fuel	431,578	427,132
Computer maintenance and expense	97,198	88,725
Supplies (including vending purchases)	146,399	150,307
Telephone and communications	26,647	27,588
Travel and auto allowance	43,430	38,025
Utilities	298,480	241,506
Airline expenses	747,763	650,206
Security	30,063	32,564
<b>TOTAL OPERATING EXPENSES</b>		
<b>BEFORE DEPRECIATION</b>	<b>7,192,354</b>	<b>6,534,300</b>
<b>NET OPERATING INCOME</b>		
<b>BEFORE DEPRECIATION</b>	<b>2,595,302</b>	<b>2,045,892</b>
Less: Depreciation	(3,104,269)	(2,967,210)
<b>OPERATING LOSS</b>	<b>\$ (508,967)</b>	<b>\$ (921,318)</b>

The accompanying notes are an integral part of this statement.

	<u>2016</u>	<u>2015</u>
<b>OPERATING LOSS</b>		
from previous page	\$ (508,967)	\$ (921,318)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest on investments	1,848	-
Miscellaneous revenue (expense)	3,350	88,969
Interest expense	-	-
Gain (loss) on capital asset disposal	(569,085)	(6,487)
Insurance premium refund	23,075	34,468
Post retirement benefit accrual (expense)	(5,247)	(5,247)
Cost of renewal of LOC	(2,500)	-
Bad debt expense	-	(9,864)
<b>NET NON-OPERATING INCOME (EXPENSES)</b>	<u>(548,559)</u>	<u>101,839</u>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(1,057,526)</u>	<u>(819,479)</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Capital grants and contributions	<u>3,855,475</u>	<u>8,968,366</u>
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<u>3,855,475</u>	<u>8,968,366</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	2,797,949	8,148,887
<b>NET POSITION - Beginning</b>	<u>55,823,425</u>	<u>47,674,538</u>
<b>NET POSITION - End of the year</b>	<u>\$ 58,621,374</u>	<u>\$ 55,823,425</u>

The accompanying notes are an integral part of this statement.



**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**Years ended September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 9,616,939	\$ 8,498,159
Cash received (paid) from customer deposits	(34,753)	5,861
Other income received	26,425	123,437
Cash payments for goods and services	(5,330,230)	(2,709,178)
Cash payments to employees	<u>(3,407,254)</u>	<u>(1,952,454)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>871,127</u>	<u>3,965,825</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING</b>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions from government agencies	5,410,506	7,156,789
Acquisition and construction of capital assets	(6,118,720)	(11,678,696)
Proceeds from debt issuance (SIB)	-	4,653,847
Principal payments (SIB)	(533,435)	(629,910)
Interest expense on debt (SIB)	-	-
Cost of renewal of LOC	(2,500)	-
Proceeds from disposition of capital assets	<u>9,488</u>	<u>411</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,234,661)</u>	<u>(497,559)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	<u>1,848</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,848</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(361,686)	3,468,266
CASH AND CASH EQUIVALENTS - BEGINNING	<u>5,798,830</u>	<u>2,330,564</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 5,437,144</u>	<u>\$ 5,798,830</u>

The accompanying notes are an integral part of this statement.

	<u>2016</u>	<u>2015</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>OPERATING LOSS</b>	<u>\$ (508,967)</u>	<u>\$ (921,318)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	3,104,269	2,967,210
Less non cash donation	(11,300)	-
Bad debt expense	-	(59,569)
Miscellaneous non-operating net revenue	26,425	123,437
(Increase) decrease in accounts receivable	(74,613)	(4,932)
(Increase) decrease in other receivables	(116,321)	(25,288)
(Increase) decrease in inventories	12,706	23,738
(Increase) decrease in prepaid expenses	(77,324)	42,037
Increase (decrease) in accounts payable and accrued expenses	(1,659,223)	1,748,530
Increase (decrease) in rental and fuel advances	-	8,460
Increase (decrease) in unearned revenue	31,517	(711)
Increase (decrease) in tenant deposits	(34,753)	5,861
Increase (decrease) in estimated liability for compensated absences - non cash	(22,675)	26,035
Net increase (decrease) in pension expense - non cash	<u>201,386</u>	<u>32,335</u>
<b>TOTAL ADJUSTMENTS</b>	<u>1,380,094</u>	<u>4,887,143</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u><u>\$ 871,127</u></u>	<u><u>\$ 3,965,825</u></u>

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016 and 2015**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and nature of activities**

Charlotte County Airport Authority (the "Authority") was authorized under Laws of Florida, Chapter 65-1357 and Florida Statute, Chapter 332, in 1965. This enabling act has been amended by subsequent acts of the State of Florida legislature. Two significant amendments directly affected the operations of the Authority. Laws of Florida, Chapter 91-399 removed the ability of the Authority to levy ad valorem taxes. The other, Laws of Florida, Chapter 91-361 had the potential of abolishing the Authority and transferring its assets and liabilities to Charlotte County. However, the Charlotte County Board of Commissioners voted on November 12, 1991 to allow the Authority to remain as an independent elected Authority. Laws of Florida, Chapter 98-508 codified, reenacted, amended and repealed its prior enabling acts including a change to its official name to become the Charlotte County Airport Authority. The Authority was originally known as the Charlotte County Development Authority. Laws of Florida, Chapter 98-508 (codification) was amended by Laws of Florida, Chapter 2004-405 to eliminate certain obsolete requirements and modernize certain other provisions. During July 2010, the Authority approved a name change of the airport facility (not the Authority itself) to Punta Gorda Airport. Effective on June 21, 2011, the Authority amended Chapter 98-508, Laws of Florida, via Chapter 2011-263, Laws of Florida, by expanding the purpose of the Authority to include any airports within the boundaries of Charlotte County and all facilities, real estate and commerce parks within the Authority's boundaries. It also revised certain technical definitions and requirements. Chapter 2013-254, Laws of Florida, clarified the manner in which Authority Board Members are elected. The Authority is governed by a five (5) member elected Board of Commissioners.

**Reporting entity**

The Charlotte County Airport Authority is financially independent of all other units of government. It is responsible for financing its own activities and the payment of its own debt. The Authority's Board members are elected by the voters of Charlotte County to serve staggered four (4) year terms. The Board has the responsibility to employ management that is responsible for the day-to-day operations of the Authority. The Board has absolute authority over all funds included in the entity. The Charlotte County Airport Authority is not a component unit of any other governmental unit.

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016 and 2015**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Reporting entity, continued**

The Authority has adopted Statement of Governmental Accounting Standards Board Statement Number 14, "Financial Reporting Entity" (GASB 14), as amended by GASB Statement Number 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34". These Statements require the financial statements of the Authority (the primary government) to include its component units, if any. Component units are legally separate agencies for which the primary government is financially accountable or organizations whose exclusion would cause the financial statements to be misleading because of the nature and significance of their relationship with the primary government. Financial accountability is determined by the primary government's ability to appoint the voting majority of the entity's Board, impose its will on the Organization, the existence of a financial benefit/burden relationship or fiscal dependency. Based on this criteria, there are no component units included or required to be included in the Authority's financial statements.

The Charlotte County Airport Authority adheres to the requirements of Governmental Accounting Standards Board Statement Number 33 "Accounting and Financial Reporting for Non-Exchange Transactions." As such, capital grant revenue is recorded as non-operating revenue and is reflected on the Statements of Revenue, Expenses and Changes in Net Position. Prior to implementation of this Statement, these revenues were required to be recorded directly to equity as part of contributed capital and, as such, had no effect on the Statements of Revenues, Expenses and Changes in Net Position.

Accordingly, the Authority recorded non-operating revenues as follows: capital grants totaling \$3,855,475 and \$8,968,366 for the years ended September 30, 2016 and 2015, respectively.

**The following is a summary of the significant accounting policies used in the preparation of these financial statements:**

The Authority adheres to the requirements of Governmental Accounting Standards Board Statement Number 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" (GASB 34).

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The government-wide financial statements along with the notes to the financial statements and the RSI, as noted below comprise the basic financial statements.

The basic financial statements of the Authority are comprised of the following:

- Government-wide financial statements
- Notes to the financial statements
- Required supplementary information other than MD&A

**Government-wide financial statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position) report information on all of the activities of the Authority and do not emphasize fund types. These business-type activities comprise the primary government. Business-type activities rely on user fees and charges to support its activities rather than taxes and intergovernmental revenues. The purpose of the government-wide financial statements is to allow the user to be able to determine if the Authority is in a better or worse financial position than the prior year.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement Number 33, "Accounting and Financial Reporting for Nonexchange Transactions".

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability in the government-wide financial statements, rather than as expenditures.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Government-wide financial statements, continued**

The Statement of Revenues, Expenditures and Changes in Net Position demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit for goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital improvements of a particular function.

Program revenues are considered to be revenues generated by such functions as airline revenue, fuel and oil sales, facility rentals and leases, and concessions.

**Budgetary information**

As required, the Authority uses only one fund to account for its financial activities. As such, it is considered a major fund. The Authority has elected to report budgetary comparison of its major fund as required supplementary information (RSI).

**Fund accounting**

The Authority's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund equity balances and changes therein.

The accompanying financial statements are classified as a proprietary fund type - enterprise fund. This fund accounts for all the revenues and cost of services provided by the Authority.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Business-type activities - proprietary fund type**

Enterprise Fund - An enterprise fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the Authority has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Measurement focus**

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, assets and liabilities associated with the operation of these funds are included on the Statements of Net Position. Fund equity is segregated into net investment in capital assets and retained earnings components. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Basis of accounting**

The proprietary fund type is presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period earned and expenses are recorded in the period the liability is incurred.



**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Budgetary process**

The Authority operates under a flexible budget for control purposes. The budget and amendments, if any, are approved by the Board of Commissioners. The budget is prepared on a Non-GAAP accrual basis, whereby capital expenditures and debt payments are budgeted as operating expenses.

The annual budget serves as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted. All budget amendments, which change the legally adopted total appropriation, are approved by the Board.

The Authority follows these procedures in establishing budgetary data.

1. During the summer of each year, management submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. The budget is adopted by approval of the Board of Commissioners.
4. Budget amounts, as shown in these financial statements, are as originally adopted or as amended by the Board of Commissioners.
5. The budget is adopted on a Non-GAAP basis as reflected in the supplementary information and as noted above.
6. The level of control for appropriations is exercised at the fund level.
7. Appropriations lapse at year-end.

The Board of Commissioners approved budget amendments during the fiscal year ended September 30, 2016. The budget amendments increased total budgeted revenues (operating and non-operating) by \$6,058,609 and increased total budgeted expenses (operating and non-operating) by \$6,058,609.

**Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less, when purchased, to be a cash equivalent, including both restricted and unrestricted cash, in accordance with Authority policy.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Accounts receivable**

Receivables include fuel sales and rental/lease activities from operations by the Authority. The Authority places customers that have accounts over 90 days past due on a cash basis and negotiates payment and/or takes legal action for the past due amounts. The accounts receivable are recorded net of the estimated allowance for doubtful accounts.

**Grants and contracts receivable**

Grants and contracts receivable consist of receivables from expenditure reimbursements filed with State and/or Federal governments. No allowance for doubtful accounts has been provided, as management believes the balances to be fully collectible.

**Inventories**

Inventories consist of fuel and oil held for resale at year end. The inventories are valued at cost, which approximates market. The method used to determine the value of the inventory is the FIFO (first in-first out) method.

**Capital assets and depreciation**

All capital assets acquired by proprietary funds are reported in those funds at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are reported at estimated fair market value at the time received. Substantially, all infrastructure type capital assets consisting of certain improvements such as roads, curbs, gutters, drainage systems and lighting systems have been capitalized.

The Authority follows a policy which calls for capitalization of all capital assets that have a cost or donated value of \$1,000 or more and have a useful life in excess of one year.

Maintenance, repairs and minor renovations are not capitalized. The acquisition of land and construction projects utilizing resources received from Federal and State agencies are capitalized when the related expenditure is incurred.

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Capital assets and depreciation, continued**

For the year ended September 30, 2016, \$134,265 debt-related interest cost was capitalized as part of the cost of construction. For the year ended September 30, 2015, debt related interest cost of \$37,790 was capitalized as part of the cost of construction.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b><u>Asset</u></b>	<b><u>Years</u></b>
Buildings	10-40
Airport Master Plan	5
Capital Improvements	3-20
Furniture, Fixtures and Equipment	3-20
Donated Surplus Equipment	5-10

**Restricted assets**

Restricted assets are cash reserves required by the applicable contracts, tenant deposits, insurance and/or amounts advanced as part of Federal or State Financial Awards.

**Income taxes**

The Authority, as a governmental unit, is exempt from income taxes under current provisions of the Internal Revenue Code.

**Sick leave and other compensated absences**

Accumulated unpaid sick pay and other compensated absences are accrued when incurred in the proprietary fund. The method of accrual is in accordance with Statement of Governmental Accounting Standards Board Statement Number 16, "Accounting for Compensated Absences" (GASB 16). This Standard provides for the measurement of accrued vacation leave and other compensated absences using the pay or salary rates in effect at the balance sheet date. It also requires additional amounts to be accrued for certain salary related payments associated with the payment of compensated absences such as FICA and retirement benefits.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Authority because at present it is not necessary in order to assure budgetary control or to facilitate effective cash planning and control.

**Capital contributions and restricted net assets**

Grants, entitlements or shared revenues which are externally restricted for capital acquisition or construction are reported as capital contributions on the Statement of Revenues, Expenses and Changes in Net Position. Contributed or donated fixed assets are also recorded as capital contributions. Restricted net assets represent those portions of fund equity legally restricted by debt covenants for future debt service or to fund the cost of capital assets.

**Leasing activity**

The Authority derived approximately eighteen (18%) and twenty-two percent (22%) of its operating revenues from the rental and leasing of land, buildings, and aircraft hangars and tie-down space for the years ended September 30, 2016 and 2015, respectively. The lease agreements have been determined to be operating leases which are cancellable and substantially, annually renewable. Therefore, leasing arrangements are reported and reflected in the financial statements as rental income.

**Reclassifications**

Certain amounts in the financial statements have been reclassified to conform with the current presentation. These reclassifications had no effect on the results of operations or fund equity.

**Application of FASB Pronouncements to Proprietary Funds**

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the Authority has elected not to apply those FASB Statements and Interpretations issued after November 30, 1989.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Accounting Pronouncement GASB No. 42**

The Authority adheres to Government Accounting Standards Board Statement Number 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" (GASB 42). GASB 42 establishes accounting and financial reporting standards for impairment of capital assets.

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of a capital asset, and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

The Authority incurred no capital asset impairment activity for the years ended September 30, 2016 or 2015.

**Use of estimates**

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

**Operating and non-operating revenues**

Operating revenues result from providing private and commercial airline services, and also from the rental and leasing of land, buildings, and aircraft hangars and tie-down space. The Authority considers revenues from fuel and oil sales, industrial and commercial park rentals, hangar rentals and tiedowns, concession and vending, and airline (primarily car rentals and parking) as operating revenues. All other revenues are treated as non-operating revenues.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Pensions**

In the statements of net position, liabilities are recognized for the Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) defined benefit plans and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments, (including refunds of employees contributions) are recognized when due and payable in accordance with the benefit terms.

The Authority's retirement plans and related amounts are described in a subsequent note.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of net position 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred amount on pensions is reported in the statements of net position. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statements of net position 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 and so will not be recognized as an inflow of resources (revenue) until that time. The deferred amount on pension is reported only in the statements of net position. A deferred amount on pension results from the difference in the expected and actual amounts of experience, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan except earnings which are amortized over five to seven years.

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Subsequent events**

Subsequent events have been evaluated through January 27, 2017, which is the date the basic financial statements were available to be issued.

**NOTE B - CASH AND INVESTMENTS**

At September 30, 2016 and 2015, cash and cash equivalents were \$5,437,144 and \$5,798,830, including cash on hand of \$3,896 and \$3,853, respectively. The carrying amount of \$5,437,144 at September 30, 2016 was comprised of unrestricted cash of \$5,283,857 and restricted cash of \$153,287. At September 30, 2015, the carrying amount of \$5,798,830 was comprised of unrestricted cash of \$5,610,790 and restricted cash of \$188,040.

**Deposits**

The Authority's deposit policy allows deposits to be held in demand deposits, savings accounts, certificates of deposit and money market accounts. At September 30, 2016 and 2015, all deposits are held in qualified public depositories pursuant to Florida Statutes Chapter 280, "Florida Security for Public Deposits Act". All deposits were fully insured by Federal Depository Insurance or collateralized, in the Authority's name as required by Sections 280.07 and 280.08 of the Florida Statutes.

Deposits were as follows at September 30:

	Bank Balance	Carrying Amount
<u>September 30, 2016</u>		
Unrestricted		
Depository accounts	\$ 5,675,720	\$ 5,279,961
Restricted		
Depository accounts - tenant deposits	153,287	153,287
	<u>\$ 5,829,007</u>	<u>\$ 5,433,248</u>
<u>September 30, 2015</u>		
Unrestricted		
Depository accounts	\$ 6,393,108	\$ 5,606,937
Restricted		
Depository accounts - tenant deposits	188,040	188,040
	<u>\$ 6,581,148</u>	<u>\$ 5,794,977</u>

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**NOTE B - CASH AND INVESTMENTS, CONTINUED**

**Investments**

Florida Statutes and the Authority's investment policy authorize investments in direct obligations of the U.S. Treasury, Federal agencies and instrumentalities, certificates of deposit, savings accounts with qualified public depositories and the Florida Municipal Investment Trust Fund. The Authority held no such investments during the years September 30, 2016 or 2015 or at the respective year ends.

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at September 30:

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 267,238	\$ 192,625
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
Accounts receivable, net	<u><u>\$ 267,238</u></u>	<u><u>\$ 192,625</u></u>

An allowance for doubtful accounts is recorded in the amounts of \$0 and \$0 at September 30, 2016 and 2015, respectively. Bad debt expense for the years ended September 30, 2016 and 2015 was \$0 and \$9,864, respectively.



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**NOTE D - GRANT RECEIVABLES**

Grant receivables consist of the following at September 30:

	2016	2015
<u>Federal Awards</u>		
U.S. Department of Transportation		
Terminal Improvements 90% (AIP 32)	\$ -	\$ 197,568
Terminal Expansion (AIP 33)	264,422	896,619
Taxiway A Expansion (AIP 34)	53,690	221,513
Master Plan (AIP 35)	8,310	-
<u>State Awards</u>		
Department of Transportation (FDOT)		
Instrument Landing System (ILS) for Runway 3-21 - 80% (AOE 75)	-	464,045
Radar/Security/Baggage (ARN26)	-	31,614
Taxiway A Extension (ARR67)	2,983	12,181
FBO Design & Construct (ARR76)	-	19,737
Parking Facility Expansion (GOO75)	300,403	27,961
Terminal Improvements (AQK37)	-	326,973
Master Plan (GOE 19)	462	-
U.S. Department of Homeland Security		
Leo Award Program	12,910	-
	<u>\$ 643,180</u>	<u>\$ 2,198,211</u>

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**NOTE E - CAPITAL ASSET ACTIVITY**

The following is a summary of changes in capital asset activity for the year ended September 30, 2016:

	Balance October 1 2015	Additions	Deletions	Adjustments/ Reclasses	Balance September 30 2016
Capital Assets Not Being Depreciated:					
Land	\$ 5,533,331	\$ -	\$ -	\$ -	\$ 5,533,331
Construction in Progress	<u>14,518,139</u>	<u>5,797,923</u>	<u>(578,135)</u>	<u>(3,029,994)</u>	<u>16,707,933</u>
Total Capital Assets					
Not Being Depreciated	<u>20,051,470</u>	<u>5,797,923</u>	<u>(578,135)</u>	<u>(3,029,994)</u>	<u>22,241,264</u>
Capital Assets Being Depreciated:					
Buildings	34,204,639	-	-	-	34,204,639
Airport Master Plan	202,141	-	-	-	202,141
Capital Improvements	32,350,493	8,925	-	843,751	33,203,169
Furniture, Fixtures and Equipment	3,964,212	311,872	(49,713)	2,186,243	6,412,614
Donated Surplus Equip.	<u>213,500</u>	<u>11,300</u>	<u>(150,000)</u>	<u>-</u>	<u>74,800</u>
Total Capital Assets Being Depreciated	<u>70,934,985</u>	<u>332,097</u>	<u>(199,713)</u>	<u>3,029,994</u>	<u>74,097,363</u>
Less Accumulated Depreciation:					
Buildings	(11,803,537)	(1,199,124)	-	-	(13,002,661)
Airport Master Plan	(202,140)	-	-	-	(202,140)
Capital Improvements	(21,026,689)	(1,474,144)	-	-	(22,500,833)
Furniture, Fixtures and Equipment	(2,107,008)	(431,001)	49,275	-	(2,488,734)
Donated Surplus Equip.	<u>(213,500)</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>(63,500)</u>
Total Accum. Depreciation	<u>(35,352,874)</u>	<u>(3,104,269)</u>	<u>199,275</u>	<u>-</u>	<u>(38,257,868)</u>
Capital Assets, Net	<u>\$55,633,581</u>	<u>\$ 3,025,751</u>	<u>\$ (578,573)</u>	<u>\$ -</u>	58,080,759
		Related Long Term Debt			<u>(4,348,937)</u>
		Net Investment in Capital Assets			<u>\$ 53,731,822</u>

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**NOTE E - CAPITAL ASSET ACTIVITY, CONTINUED**

The depreciation expense for the years ended September 30, 2016 and 2015, was \$3,104,269 and \$2,967,210, respectively.

At September 30, 2016 and 2015, the Authority leased to various tenants buildings with a cost \$24,118,539 and \$24,118,539 which had accumulated depreciation of \$11,189,993 and \$10,321,415 and depreciation expense of \$868,578 and \$854,208, respectively, which are included in the totals above.

**NOTE F - LONG-TERM LIABILITIES**

The following is a summary of the Authority's long-term liabilities for the years ended September 30, 2016 and 2015:

	SIB Loan	Line of Credit	Accrued Compensated Absences	Net OPEB Obligation	Net Pension Liability	Total
Balance - Sept. 30, 2014	\$ 858,435	\$ -	\$ 67,398	\$ 64,800	\$ 700,178	\$ 1,690,811
Borrowings/Increase (net)	4,653,847	-	26,035	5,247	548,693	5,233,822
Principal retired (net)	<u>(629,910)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(629,910)</u>
Balance - Sept. 30, 2015	4,882,372	-	93,433	70,047	1,248,871	6,294,723
Borrowings/Increase (net)	-	-	-	5,247	990,150	995,397
Principal retired/decrease (net)	<u>(533,435)</u>	<u>-</u>	<u>(22,675)</u>	<u>-</u>	<u>-</u>	<u>(556,110)</u>
Balance - Sept. 30, 2016	4,348,937	-	70,758	75,294	2,239,021	6,734,010
Principal due within one (1) year	<u>548,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,104</u>
Long Term Portion	<u>\$ 3,800,833</u>	<u>\$ -</u>	<u>\$ 70,758</u>	<u>\$ 75,294</u>	<u>\$ 2,239,021</u>	<u>\$ 6,185,906</u>

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**NOTE F - LONG-TERM DEBT, CONTINUED**

Long-term debt is comprised of the following at September 30:

	<u>2016</u>	<u>2015</u>
Non-current portion of compensated absences. Employees of the Authority are entitled to paid scheduled (vacation) leave based on length of service and job classification.	\$ 70,758	\$ 93,433
Net OPEB obligation. Cumulative difference between annual OPEB cost and Authority's projected payments toward the cost of post employment benefits other than pensions since GASB No. 45 transition date (October 1, 2009).	75,294	70,047
Net pension obligation - FRS pension plan. This amount is actuarially determined through calculation based upon the audited financial statements of the Florida FRS Plan at June 30, 2016 and 2015.	1,460,113	686,541
Net pension obligation - HIS plan. This amount is actuarially determined through calculation based upon the audited financial statements of the Florida FRS Plan at June 30, 2016 and 2015.	778,908	562,330
The Authority was approved for a State Infrastructure Bank Loan (SIB) during the year ended September 30, 2012 in the amount of \$5,800,000 (CFDA 20.205) to finance improvements and expansion of the airport terminal area (AIP 32 and 33). This loan was made available as of July 1, 2012 and is collateralized by the revenues of the Authority. The first draw was received in October 2013. Interest accrues at 2.75%. The loan requires ten (10) annual principal plus accrued interest payments beginning on October 1 following the completion of the project. Loan payments began on October 1, 2015 and continue until 2025.	<u>4,348,937</u>	<u>4,882,372</u>
Total	6,734,010	6,294,723
Less: current portion	<u>(548,104)</u>	<u>(533,435)</u>
Long-term portion	<u>\$ 6,185,906</u>	<u>\$ 5,761,288</u>

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**NOTE F - LONG-TERM DEBT, CONTINUED**

The annual debt service requirements at September 30, 2016, were as follows:

Year Ending September 30	Total Principal	Total Interest	Total
SIB Loan Payable:			
2017	\$ 548,104	\$ 119,596	\$ 667,700
2018	563,177	104,523	667,700
2019	578,664	89,036	667,700
2020	594,578	73,122	667,700
2021	610,929	56,771	667,700
2022-2025	1,453,485	67,650	1,521,135
Total SIB Loan Payable	4,348,937	510,698	4,859,635
Accrued compensated absences	70,758	-	70,758
Net OPEB obligation	75,294	-	75,294
Net pension liability	2,239,021	-	2,239,021
Total Long-Term Debt	\$ 6,734,010	\$ 510,698	\$ 7,244,708

Interest costs of \$134,265 were capitalized as part of construction in progress and \$0 interest costs were expensed during the year ended September 30, 2016. Interest costs in the amount of \$37,790 incurred during the year ended September 30, 2015 were capitalized.

**Commitment letter - LOC**

Effective April 15, 2016, the Authority signed a Commitment Letter with a financial institution to establish a \$1 million revolving Line of Credit (LOC). The LOC was available, although the Authority did not activate the LOC. The Authority plans to renew the Commitment Letter upon its maturity on April 27, 2017. The LOC includes a variable interest rate equal to 67% of the 30 day LIBOR rate plus 261 basis points. Principal and interest is due in full at maturity. During the years ended September 30, 2016 and 2015, no amounts were borrowed on the LOC. The Authority, however, paid \$2,500 and \$0 to renew the LOC for the years ended September 30, 2016 and 2015, respectively. These amounts are reflected as cost of refinance expense.

**Other post employment benefits**

The Authority provides post retirement health care benefits to eligible employees. Upon retirement from the Authority and becoming a recipient of monies from the State of Florida Retirement Trust Fund (FRS), eligible retired employees are qualified for continued health insurance benefits. Eligible retired employees have their medical insurance premiums paid by the Authority, but are required to reimburse the Authority a portion of the premiums paid by the Authority on their behalf. For further details of these benefits, reference the OPEB Note.

**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN**

**General Information about the Florida Retirement System**

The Florida Retirement System ("FRS") was created in Chapter 121, Florida Statutes. The FRS was created to provide a defined benefit pension plan ("Pension Plan") for participating public employees. Substantially, all Authority employees are participants in the Statewide Florida Retirement System (FRS) under authority of Article X, Section 14 of the State Constitution and Florida Statutes, Chapters 112 and 121. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide an integrated defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a separate cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Authority are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined benefit plans (Pension and HIS Plans) and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information dated June 30, 2016, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The Authority's total pension expense was \$227,135, \$187,904 and \$156,259 for the years ended September 30, 2016, 2015 and 2014, respectively. The Authority contributed 100% of the required contributions.

**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan**

**Plan Description.** The FRS Pension Plan ("Plan") is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

Regular Class - Members of the FRS who do not qualify for membership in the other classes.

Senior Management Service Class (SMSC) - Members in senior management level positions.

Special Risk Class - Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Elected Officials - Members who are elected by the voters within the Authority boundaries.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for those members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans (Pension and HIS) may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost of living adjustments to eligible participants.

**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**Benefits Provided.** Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. 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 the 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 retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value of each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>%Value</u>
Regular Class and elected members initially enrolled before July 1, 2011	
Retirement up to age 62, or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class and elected members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on or after October 1, 1974	3.00
Senior Management Service Class	2.00



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**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

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

**Contributions.** The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the year ended September 30, 2016 were as follows:

Class	Percent of Gross Salary*			
	Employee	Employer (1)	Employer (3)	Employer (4)
Florida Retirement System, Regular	3.00	7.37	7.26	7.52
Florida Retirement System, Senior Management Service	3.00	21.14	21.43	21.77
Florida Retirement System, Special Risk	3.00	19.82	22.04	22.57
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28	12.88	12.99
Florida Retirement System, Reemployed Retiree	(2)	(2)	N/A	N/A
Florida Retirement System, Elected Official	3.00	43.24	42.27	42.47

Notes:

- (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan. Rates for 7/1/14 - 6/30/15.
- (2) Contribution rates are dependent upon retirement class in which reemployed.
- (3) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .04 percent for administrative costs for the Investment Plan. Rates for 7/1/15 - 6/30/16.
- (4) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .06 percent for administrative costs for the Investment Plan. Rates for 7/1/16 - 6/30/17.

\* As defined by the Plan.

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**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension Plan.** At

September 30, 2016, the Authority reported an FRS pension liability of \$1,460,113 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportionate share of the net pension liability was based on the Authority's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At September 30, 2016, the Authority's proportionate share was .005782606 percent, which was an increase of .000467315 percent from its proportionate share measure as of September 30, 2015.

For the year ended September 30, 2016, the Authority recognized FRS pension expense of \$177,006. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 111,797	\$ 13,595
Change of assumptions	88,332	-
Net difference between projected and actual earnings on pension plan investments	377,422	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	343,623	-
Authority contributions subsequent to the measurement date	64,173	-
Total	<u>\$ 985,347</u>	<u>\$ 13,595</u>

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**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

The deferred outflows of resources related to the FRS pension, totaling \$64,173, resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction on the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense over the remaining service period of 6.4 years as follows:

Fiscal Years Ending September 30	Amount
2017	\$ 192,533
2018	192,533
2019	192,533
2020	192,531
2021	98,177
Thereafter	<u>39,272</u>
Total	<u><u>\$ 907,579</u></u>

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

Inflation	2.60 percent
Real payroll growth	0.65 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.60 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.0%	3.0%	1.7%
Fixed income	18.00%	4.7%	4.6%	4.5%
Global equity	53.00%	8.1%	6.8%	17.2%
Real estate (property)	10.00%	6.4%	5.8%	12.0%
Private equity	6.00%	11.5%	7.8%	30.0%
Strategic investments	<u>12.00%</u>	6.1%	5.6%	11.1%
Total	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		1.90%

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

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

**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS Pension Plan, continued**

**Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Authority's proportionate share of the net pension liability	<u>\$ 2,688,165</u>	<u>\$ 1,460,113</u>	<u>\$ 437,920</u>

**Pension Plan Fiduciary Net Position.** Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report ("FRS CAFR") dated June 30, 2016.

The FRS CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services  
Division of Retirement  
Bureau of Research and Member Communications  
P.O. Box 9000  
Tallahassee, FL 32315-9000

850-488-5706 or toll free at 877-377-1737

[http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications)

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

**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**Health Insurance Subsidy Plan**

**Plan Description.** The Health Insurance Subsidy Plan ("HIS Plan") is a cost-sharing multiple- employer defined benefit pension plan established under section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

**Benefits Provided.** For the year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

**Contributions.** The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the year ended September 30, 2016, the contribution rate ranged between 1.66 percent and 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The Authority contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to the HIS Plan.** At September 30, 2016, the Authority reported a HIS liability of \$778,908 for its proportionate share of the net HIS Plan's net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability was used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportionate share of the net HIS liability was based on the Authority's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal

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**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**HIS Plan, continued**

year contributions of all participating members. At September 30, 2016, the Authority's proportionate share was .006683273 percent, which was an increase of .002 percent from its proportionate share measured as of September 30, 2015.

For the fiscal year ended September 30, 2016, the Authority recognized HIS expense of \$50,129. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,774
Change of assumptions	122,230	-
Net difference between projected and actual earnings on HIS pension plan investments	394	-
Changes in proportion and differences between Authority HIS contributions and proportionate share of HIS contributions	177,169	-
Authority contributions subsequent to the measurement date	11,552	-
Total	<u>\$ 311,345</u>	<u>\$ 1,774</u>

The deferred outflows of resources related to HIS, totaling \$11,552, resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction on the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the remaining service period of 7.2 years as follows:

<u>Fiscal Years Ending September 30</u>	<u>Amount</u>
2017	\$ 48,104
2018	48,104
2019	48,104
2020	48,102
2021	48,005
Thereafter	57,600
Total	<u>\$ 298,019</u>

**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**HIS Plan, continued**

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

Inflation	2.60 percent
Real payroll growth	0.65 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.85 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

Because the HIS program is funded on a pay-as-you-go basis, no experience study has been completed for the program.

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

**Sensitivity of the Authority's Proportionate Share of the Net HIS Liability to Changes in the Discount Rate.** The following presents the Authority's proportionate share of the net HIS liability calculated using the discount rate of 2.85 percent, as well as what the Authority's proportionate share of the net HIS liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85 percent) or 1-percentage-point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
Authority's proportionate share of the net HIS liability	\$ 893,584	\$ 778,908	\$ 683,733



**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**HIS Plan, continued**

**Pension Plan Fiduciary Net Position.** Detailed information about the HIS plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report dated June 30, 2016.

The FRS CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services  
Division of Retirement  
Bureau of Research and Member Communications  
P.O. Box 9000  
Tallahassee, FL 32315-9000  
850-488-5706 or toll free at 877-377-1737

[http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications)

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

**FRS - Defined Contribution Pension Plan**

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions

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**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS - Defined Contribution Pension Plan, continued**

are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Salary*			
	Employee	Employer (1)	Employer (3)	Employer (4)
Florida Retirement System, Regular	3.00	7.37	7.26	7.52
Florida Retirement System, Senior Management Service	3.00	21.14	21.43	21.44
Florida Retirement System, Special Risk	3.00	19.82	22.04	22.57
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28	12.88	12.99
Florida Retirement System, Reemployed Retiree	(2)	(2)	N/A	N/A
Florida Retirement System, Elected Official	3.00	43.24	42.27	42.47

Notes:

- (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .04 percent for administrative costs of the Investment Plan. Rates for 7/1/14 - 6/30/15.
- (2) Contribution rates are dependent upon retirement class in which reemployed.
- (3) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .04 percent for administrative costs for the Investment Plan. Rates for 7/1/15 - 6/30/16.
- (4) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .06 percent for administrative costs for the Investment Plan. Rates for 7/1/16 - 6/30/17.

\* As defined by the Plan.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

**NOTE G - RETIREMENT PLANS - DEFINED BENEFIT PENSION PLAN, CONTINUED**

**FRS - Defined Contribution Pension Plan, continued**

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

The Authority's Investment Plan pension expense which is included in FRS pension expense totaled \$130,253 for the fiscal year ended September 30, 2016.

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

**NOTE H - PENSION PLAN - 457 DEFERRED COMPENSATION**

Effective October 1, 2011, the Authority approved an employee benefit plan whereby, the Authority contributed to the Section 457 Plan on behalf of all Authority employees. The Authority's required section 457 contribution for each employee is equal to the difference between the Authority's FRS contribution rate at June 30, 2011 less the combination of the Authority's FRS contribution rate at July 1, 2011 plus the employee's required FRS three (3) percent contribution rate for each respective employee. For the years ended September 30, 2016 and 2015, the Authority contributed \$75,613 and \$60,099, respectively.

**NOTE I - INSURANCE/RISK MANAGEMENT**

The Authority directly obtained third party commercial insurance coverage for property, automobile, general liability, airport liability, directors and officers' and fuel storage tank insurance and workers' compensation. The Authority paid \$278,224 and \$248,384 for these coverages for the years ended September 30, 2016 and 2015, respectively.

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**NOTE I - INSURANCE/RISK MANAGEMENT, CONTINUED**

The Authority also retained third party coverage as a group, for health, accidental death and disability, EAP, vision, and life through Charlotte County. For the years ended September 30, 2016 and 2015, the Authority paid \$484,452 and \$423,732, respectively.

The Authority retains the risk of loss up to a deductible amount with the risk of loss in excess of this amount transferred to the insurance carrier with limits of liability per occurrence and in aggregate.

**NOTE J - CONTINGENCIES**

**Litigation**

The Authority, from time to time, is involved as a defendant or a plaintiff in certain litigation and claims arising in the ordinary course of operations. In the opinion of legal counsel, the range of potential recoveries or liabilities will not materially affect the financial position of the Authority. At September 30, 2016, no liability has been accrued for such losses, if any. The Authority intends to vigorously pursue all potential claims.

**State and federal grants**

Grant monies received by the Authority are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Authority does not believe that such disallowances, if any, would have a material effect on the financial position of the Authority.

The operations of the Authority are dependent upon the condition of the Authority's facilities. These facilities are currently being rehabilitated and improved substantially through the receipt of federal and state funding. Loss or reduction of such funding may have a material effect on the operations of the Authority.

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**NOTE K - CONSTRUCTION-RELATED COMMITMENTS**

The following is a summary of construction projects contracted by the Authority and not yet completed at September 30, 2016:

	Contract Price	Amounts Paid Through September 30, 2016
Terminal Expansion - Construction - AIP34	\$ 2,146,798	\$ 1,987,066
Parking Facility Expansion- GOO 75	1,961,771	939,098
	<u>\$ 4,108,569</u>	<u>\$ 2,926,164</u>

**NOTE L - UNRESTRICTED NET ASSETS**

Unrestricted net assets consist of the following at September 30:

	2016	2015
Designated for losses, storm, fire and vandalism	\$ 23,362	\$ 21,862
Designated for insurance escrow	208,892	194,178
Designated for building	359,816	309,816
Designated for contaminants and pollutant assessments	107,500	92,500
Parking lot reserve	427,808	229,681
Reserve ARFF	20,000	20,000
Total Designated	1,147,378	868,037
Undesignated	3,742,174	4,204,179
Total Unrestricted Net Assets	<u>\$ 4,889,552</u>	<u>\$ 5,072,216</u>

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**NOTE M - MINIMUM FUTURE RENTALS**

The Authority leases certain facilities (aviation and non-aviation) to vendors and tenants at Punta Gorda Airport. Such agreements are short-term in nature and are accounted for as operating leases. The Authority also has entered into lease agreements with rental car companies that contain contingent rentals. Contingent rental revenues arise from a percentage of the lessees' gross revenue.

At September 30, 2016, minimum future rentals of operating leases were as follows:

Year Ending September 30	Amount
2017	\$ 1,098,853
2018	1,104,130
2019	1,037,153
2020	1,114,305
2021	1,117,990
2022-2026	5,267,031
2027-2031	3,236,788
2032-2036	2,948,767
2037-2041	490,841
Total minimum future revenue	<u>\$ 17,415,858</u>

Substantially all of the Authority's property is used for leasing activities to either airlines or other tenants/vendors.

**NOTE N - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

In accordance with Section 112.0801, Florida Statutes, since the Authority provides medical health plans to employees of the Authority and their eligible dependents, the Authority is also required to provide retirees the opportunity to participate in the group employee medical health plan. As such, the Authority elected to participate in the Charlotte County (the "County") group health, vision and dental plan. The Authority, therefore, must offer such coverage to its retirees. The Charlotte County plan is a cost sharing multi-employer plan which is administered by the County. The Authority is a participant in the Plan. Although not required by Florida Law, the Authority has opted to pay a portion of the cost of such participation for retired Authority employees through a single employer defined benefit plan (the "Plan"). The

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**NOTE N - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB),  
CONTINUED**

**Plan description**

year ended September 30, 2010, was the Authority's required transition year. However, the Authority recorded a designated liability of \$12,705 at September 30, 2009 (early implementation) consistent with the County. As such, the Authority implemented GASB No. 45 on a prospective basis.

Employees of the Authority who retire after 30 years of service, or after attainment of age 55, with six years of credited service with the Authority and who were participants in the existing medical plan at the time of retirement, are entitled to participate in the Plan. Currently, for retired employees who have completed 20 years of service with the Authority and who are collecting FRS monthly benefit plans, the medical health benefit under the Plan provides for the Authority to contribute a per month supplement. The monthly supplement for eligible retirees retired before October 1, 2008, is \$5 per year of service up to \$150 per month. The monthly supplement for eligible retirees retiring on or after October 1, 2008, is \$10 per year of service up to \$300 per month. The monthly supplement is applied to medical health premium costs purchased by the Authority. All supplements cease when the retiree becomes eligible for Medicare. Dependent coverage is available for purchase by the retiree at full premium cost.

All retirees may elect coverage in the dental and/or vision plans offered by the Plan. However, they must contribute 100% of the active premium rates. Spouse coverage is available, as well, at the active premium rates.

**Membership**

As of September 30, 2016, the Authority's membership consisted of:

	<u>Amount</u>
Active Employees, including the Board	24
Retired Participants	0
Retiree Covered Spouses	0

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**NOTE N - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB),  
CONTINUED**

**Funding policy**

Funding for the Plan is on a pay-as-you-go basis from the Authority's assets when due. There is no separate trust through which benefits for retirees are funded. No assets are currently accumulated or earmarked for this purpose.

**Annual OPEB costs and net OPEB obligation**

The County had an actuarial valuation performed as of October 1, 2014, to determine the other postemployment benefits (OPEB) annual required contribution (ARC) and Plan obligations for the fiscal year ended September 30, 2016.

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Plan does not issue stand-alone financial statements but reports its financial activity as part of the Charlotte County annual audited financial statements. A copy of the complete financial statements may be requested by contacting the finance division of the Charlotte County Clerk of the Circuit Court, 18500 Murdock Circle, Port Charlotte, Florida 33948 or by calling the finance division at 941-743-1413.

**Trend information for the Authority**

Year Ended September 30	Annual OPEB Cost	Percentage of OPEB Costs Contributed	Net OPEB Obligation
2016	*	*	\$ 5,247
2015	*	*	5,247
2014	*	*	8,473
2013	*	*	9,055
2012	*	*	9,055
2011	*	*	12,807
2010	*	*	12,705
Prior Years	*	*	12,705
			<u>\$ 75,294</u>

\* Not determined for each individual participating entity by the Actuary.



**NOTE N - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB),  
CONTINUED**

**Trend information for the Authority, continued**

The Authority has recorded the net OPEB obligation of \$75,294 at September 30, 2016. The Authority has not funded this amount at September 30, 2016 and currently is not required to fund the amount and does not plan to do so. More specifically, the Authority plans to continue to pay-as-you-go.

**Valuation methods and assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2016 and 2015**

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**NOTE N - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB),  
CONTINUED**

**Valuation methods and assumptions, continued**

The Actuarial Methods are:

	<u>Authority</u>
Actuarial Valuation Date	10/1/2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Investment Rate of Return	4.00% (1)
Projected Salary Increases	3.70% - 3.78% (1)
Payroll Growth Assumptions	3.25%
Initial Healthcare Trend Rate	8.00%
Ultimate Healthcare Trend Rate	4.00%

(1) Includes Inflation of 2.6%

**REQUIRED SUPPLEMENTARY  
INFORMATION  
OTHER THAN MD&A**

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION -**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND**  
**ACTUAL WITH RECONCILIATION TO GAAP BASIS**  
**Year ended September 30, 2016**

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	Original Budget	Final Budget	Actual	Variance
<b>OPERATING REVENUES</b>				
Fuel and oil sales	\$ 2,705,934	\$ 2,242,438	\$ 2,242,438	\$ -
Industrial and commercial park rentals	1,116,176	1,020,353	1,020,353	-
Hangar rentals and tie downs	706,149	776,856	776,856	-
General-aviation-related concession, vending and fees	13,607	19,431	19,431	-
Airline-related revenues:				-
Car rentals	3,265,411	3,291,285	3,291,285	-
Parking	1,338,439	1,818,356	1,818,356	-
Other, including LEO and concessions	358,520	589,957	589,957	-
Other operating revenues	-	17,680	28,980	11,300
<b>TOTAL OPERATING REVENUES</b>	<b>9,504,236</b>	<b>9,776,356</b>	<b>9,787,656</b>	<b>11,300</b>
<b>OPERATING EXPENSES</b>				
Salaries and wages	2,353,382	2,419,596	2,420,268	(672)
Payroll taxes and retirement	429,467	472,833	673,548	(200,715)
Personnel expenses	461,917	506,823	506,823	-
Cost of fuel and oil sales	1,785,220	1,130,117	1,130,117	-
Advertising	1,193	3,608	3,608	-
Marketing and promotional	145,361	41,381	41,381	-
Bank charges and credit card fees	53,757	45,122	45,122	-
Dues and subscriptions	27,127	32,509	32,509	-
Insurance	303,614	278,510	278,510	-
Legal and professional	187,000	211,529	211,529	-
Licenses and permits	2,600	5,268	5,268	-
Mowing	24,000	17,847	17,847	-
Postage	10,500	4,266	4,266	-
Repairs and maintenance and equipment fuel	533,472	431,578	431,578	-
Computer maintenance and expense	115,000	97,198	97,198	-
Supplies (including vending purchases)	173,264	146,399	146,399	-
Telephone and communications	26,813	26,647	26,647	-
Travel and auto allowance	57,600	43,430	43,430	-
Utilities	331,979	298,480	298,480	-
Airline expenses	648,225	747,763	747,763	-
Security	30,000	30,063	30,063	-
<b>TOTAL OPERATING EXPENSES</b>				
<b>BEFORE DEPRECIATION</b>	<b>7,701,491</b>	<b>6,990,967</b>	<b>7,192,354</b>	<b>(201,387)</b>
<b>NET OPERATING INCOME (LOSS)</b>				
<b>BEFORE DEPRECIATION</b>	<b>1,802,745</b>	<b>2,785,389</b>	<b>2,595,302</b>	<b>(190,087)</b>
Less: Depreciation	(2,920,283)	(3,104,269)	(3,104,269)	-
<b>OPERATING REVENUE (LOSS)</b>	<b>\$ (1,117,538)</b>	<b>\$ (318,880)</b>	<b>\$ (508,967)</b>	<b>\$ (190,087)</b>

The accompanying notes are an integral part of this statement.

**CHARLOTTE COUNTY DEVELOPMENT AUTHORITY**

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**SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION -**

**BUDGET (NON-GAAP BUDGETARY BASIS) AND**

**ACTUAL WITH RECONCILIATION TO GAAP BASIS - CONTINUED**

**Year ended September 30, 2016**

	Original Budget	Final Budget	Actual	Variance
<b>OPERATING REVENUE (LOSS), BROUGHT FORWARD</b>	<u>\$ (1,117,538)</u>	<u>\$ (318,880)</u>	<u>\$ (508,967)</u>	<u>\$ (190,087)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Grant receipts (contributed capital)	-	3,855,475	3,855,475	-
SIB loan proceeds	-	-	-	-
Interest on investments	4,600	1,848	1,848	-
Construction in progress	-	(5,797,923)	(5,797,923)	-
Miscellaneous revenue (expense)	-	2,913	2,912	(1)
Interest expense	-	-	-	-
Gain (loss) on capital asset disposal	-	(568,647)	(568,647)	-
Insurance premium refund	-	23,075	23,075	-
Reserves	(91,500)	(91,500)	-	91,500
Net assets carryforward	1,993,405	3,901,183	-	(3,901,183)
Capital expenditures	(110,000)	(332,097)	(332,097)	-
SIB loan principal retirement	(533,435)	(533,435)	(533,435)	-
Post retirement benefit accrual	(8,767)	(5,247)	(5,247)	-
Cost of renewal of LOC	(2,500)	(2,500)	(2,500)	-
Capitalized interest	(134,265)	(134,265)	(134,265)	-
<b>NET NON-OPERATING REVENUE (LOSS)</b>	<u>1,117,538</u>	<u>318,880</u>	<u>(3,490,804)</u>	<u>(3,809,684)</u>
<b>NET INCOME (LOSS)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,999,771)</u>	<u>\$ (3,999,771)</u>

**Reconciliation:**

Net income (Non-GAAP Budgetary Basis)	\$ (3,999,771)
Add: Capital outlay (expenditures)	332,097
SIB Loan principal retirement	533,435
Construction in progress	5,797,923
Interest cost (SIB) capitalized	134,265
Less: SIB loan proceeds	-
Increase in Net Position (GAAP Basis)	2,797,949
Net Position - beginning of the year	<u>55,823,425</u>
Net Position - end of the year	<u>\$ 58,621,374</u>

The accompanying notes are an integral part of this statement.

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND**  
**STATE FINANCIAL ASSISTANCE**  
**Year ended September 30, 2016**

<u>Federal Agency/Pass Through State Agency/Program Title</u>	<u>CFDA# CSFA #</u>	<u>Grantor's Contract Number</u>	<u>Grant AIP/Financial Project Number</u>
<b>FEDERAL AWARDS</b>			
<b><u>U.S. Department of Transportation - Federal Aviation Administration</u></b>			
<b>MAJOR (TYPE A) - FEDERAL AWARDS</b>			
Terminal Improvements	20.106	AIP32	3-12-0067-032-2012
Terminal Expansion	20.106	AIP33 (AQK37)	3-12-0067-033-2014
Taxiway A Extension	20.106	AIP34 (ARR67)	3-12-0067-034-2015
Master Plan	20.106	AIP35 (GOE19)	3-12-0067-035-2016
<b>NON-MAJOR (TYPE A) - FEDERAL AWARDS</b>			
Passed through State of Florida Department of Transportation			
SIB Loan	20.205	N/A	FM #431903-1
<b>NON-MAJOR (TYPE B) - FEDERAL AWARDS</b>			
<b><u>U.S. Department of Homeland Security</u></b>			
LEO Award Program	97.090	HSTS0216HSLR766	N/A
LEO Award Program	97.090	HSTS0213HSLR044	P00004
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>			
<b>STATE FINANCIAL ASSISTANCE</b>			
<b>MAJOR (TYPE A) - STATE AWARDS</b>			
Instrument Landing (ILS)/Security	55.004	AOE75	41439119499
Terminal Improvements /Expansion	55.004	AQK37	42997419401
Taxiway A Extension	55.004	ARR 67	43729919401
FBO Design & Construction	55.004	ARR76	42797719401
Parking Facility Expansion	55.004	GOO75	43770919401
Hangar Repair & Door Replacement	55.004	GO592	43888419401
Acquisition of Airfield Maintenance Equipment	55.004	GO593	43887819401
Master Plan	55.004	GOE19	43994119401
<b>NON-MAJOR (TYPE B) - STATE AWARDS</b>			
Radar/Security/Baggage	55.032	ARN 26	42997425801
<b>TOTAL STATE FINANCIAL AWARDS</b>			

**TOTAL**

(1) Includes receivable of \$8,310

(2) Does not reflect \$197,568 in receivables which were recognized as revenue in prior years.

(3) Does not reflect \$464,045 in receivables which were recognized as revenue in prior years.

(4) Does not reflect \$326,973 in receivables which were recognized as revenue in prior years.

(5) Includes receivables of \$2,983, does not reflect \$12,181 in receivables which were recognized as revenue in prior years.

(6) Includes receivables of \$264,422, does not reflect \$896,619 in receivables which were recognized as revenue in prior years.

Note: The Authority records the Federal LEO grant revenue of \$72,980 as airline operating revenue.

<u>Program/ Award Amount</u>	<u>Receipts/ Revenue Recognized</u>		<u>Disbursements/ Expenditures</u>	<u>Pass Through to Subrecipients</u>
\$ 1,135,952	\$ 120,187	(2) (C)	\$ 120,187	\$ -
6,196,047	206,611	(6) (C)	206,611	-
2,568,888	2,105,693	(7) (C)	2,105,693	-
<u>1,304,226</u>	<u>8,310</u>	(1) (C)	<u>8,310</u>	-
11,205,113	2,440,801		2,440,801	-
5,800,000	-	(13) (L)	-	-
221,000	42,380	(12) (O)	42,380	-
<u>198,500</u>	<u>30,600</u>	(O)	<u>30,600</u>	-
419,500	72,980		72,980	-
<u>17,424,613</u>	<u>2,513,781</u>		<u>2,513,781</u>	-
1,200,000	86,459	(3) (C)	86,459	-
2,280,897	570,619	(4) (C)	570,619	-
136,662	116,983	(5) (C)	116,983	-
30,000	546	(9) (C)	546	-
1,117,176	582,382	(10) (C)	582,382	-
175,000	-		-	-
50,000	-		-	-
<u>72,457</u>	<u>462</u>	(8) (C)	<u>462</u>	-
<u>5,062,192</u>	<u>1,357,451</u>		<u>1,357,451</u>	-
<u>770,000</u>	<u>57,223</u>	(11) (C)	<u>57,223</u>	-
<u>5,832,192</u>	<u>1,414,674</u>		<u>1,414,674</u>	-
<u>\$ 23,256,805</u>	<u>\$ 3,928,455</u>		<u>\$ 3,928,455</u>	<u>\$ -</u>

(7) Includes receivables of \$53,690, does not reflect \$221,513 in receivables which were recognized as revenue in prior years.

(8) Includes receivable of \$462.

(9) Does not reflect \$19,737 in receivables which were recognized as revenue in prior years.

(10) Includes receivables of \$300,403, does not reflect \$27,961 in receivables which were recognized as revenue in prior years.

(11) Does not reflect \$31,614 in receivables which were recognized as revenue in prior years.

(12) Includes receivable of \$12,910

(13) Outstanding SIB loan balance at 9/30/16 was \$4,348,937. Principal was repaid in the amount of \$533,435 during the year ended 9/30/16.

(C) Capital Grant (L) Loan Proceeds (O) Operating Grant

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS AND STATE FINANCIAL ASSISTANCE**  
**Year ended September 30, 2016**

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**NOTE A - BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards and State Financial Assistance has been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and is in accordance with the provisions of the Uniform Guidance, the Florida Single Audit Act (FS 215.97), and the State of Florida, Rules of the Auditor General Chapter 10.550.

Expenditures reported on the Schedule of Expenditures of Federal Awards and State Financial Assistance include cash disbursements, whether capitalized or expensed, during the fiscal year as well as grant related amounts recorded as payable at year end. Revenues reported on the Schedule of Expenditures of Federal Awards and State Financial Assistance include income recognized including grant receivables recorded at year end. Cash receipts that were deferred are footnoted as such.

**NOTE B - INDIRECT COSTS**

The Authority did not routinely allocate costs to Federal Awards or State Financial Assistance programs. Costs charged to such programs were direct costs unless specifically incurred for the program and allowed and indicated as such.

The Authority has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**NOTE C - MATCH/PARTICIPATION REQUIREMENTS**

The Authority received financial assistance under several grants and contracts requiring local match/participation in the form of cash. A maximum match/participation amount is established at the time the financial assistance is awarded. However, revenue is earned on the reimbursement basis and can only be recognized to the extent of applicable eligible and allowable disbursement. The match/participation requirement is therefore based on a contracted portion of allowable disbursements.

For the fiscal year ended September 30, 2016, the Authority had met its match/participation requirements.



**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET**  
**PENSION LIABILITY - FLORIDA RETIREMENT SYSTEM (FRS) PENSION**  
**PLAN (1)**

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	0.005782606%	0.005315291%	0.004310256%
Authority's proportionate share of the net pension liability	\$ 1,460,113	\$ 686,541	\$ 262,989
Authority's covered-employee payroll	\$ 2,292,120	\$ 1,743,026	\$ 1,493,081
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.70%	39.39%	17.61%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

Notes: (1) The amounts presented for each fiscal year were determined as of September 30.

**SCHEDULE OF AUTHORITY CONTRIBUTIONS -**  
**FLORIDA RETIREMENT SYSTEM (FRS) PENSION PLAN (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 177,006	\$ 128,840	\$ 120,539
Contributions in relation to the contractually required contribution	<u>177,006</u>	<u>128,840</u>	<u>120,539</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 2,292,170	\$ 1,743,069	\$ 1,493,081
Contributions as a percentage of covered-employee payroll	7.72%	7.39%	8.07%

Notes: (1) The amounts presented for each fiscal year were determined as of September 30.

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET**  
**PENSION LIABILITY - HEALTH INSURANCE SUBSIDY (HIS) PENSION**  
**PLAN (1)**

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability	0.006683273%	0.005513890%	0.004675696%
Authority's proportionate share of the net pension liability	\$ 778,908	\$ 562,330	\$ 437,189
Authority's covered-employee payroll	\$ 2,292,170	\$ 1,743,069	\$ 1,493,081
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.98%	32.26%	29.28%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

Notes: (1) The amounts presented for each fiscal year were determined as of September 30.

**SCHEDULE OF AUTHORITY CONTRIBUTIONS -**  
**HEALTH INSURANCE SUBSIDY (HIS) PENSION PLAN (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 50,129	\$ 59,064	\$ 27,119
Contributions in relation to the contractually required contribution	<u>50,129</u>	<u>59,064</u>	<u>27,119</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 2,292,170	\$ 1,743,069	\$ 1,493,081
Contributions as a percentage of covered-employee payroll	2.19%	3.39%	1.82%

Notes: (1) The amounts presented for each fiscal year were determined as of September 30.

GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

**Changes of Assumptions**

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.6%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments was reduced from 7.65% to 7.60%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

**Florida Retirement System Pension Plan**

There were changes in actuarial assumptions. As of June 30, 2016, the inflation rate assumption remained at 2.6 percent, the real payroll growth assumption was .065 percent, and the overall payroll growth rate assumption remained at 3.25 percent. The long-term expected rate of return was reduced from 7.65 percent to 7.60 percent.

**Health Insurance Subsidy Pension Plan**

The municipal rate used to determine total pension liability decreased from 3.80 percent to 2.85 percent.

**Pension Expense and Deferred Outflows/Inflows of Resources**

In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes of assumptions or other inputs - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes in proportion and differences between contributions and proportionate share of contributions - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments - amortized over five years

Employer contributions to the pension plans from employers are not included in collective pension expense. However, employee contributions are used to reduce pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2016, was 6.4 years for FRS (6.3 years in FY 15) and 7.2 years for HIS.

## **ADDITIONAL REPORTS**

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

Board of Commissioners  
Charlotte County Airport Authority  
28000 A-1 Airport Road  
Punta Gorda, Florida 33982

We have audited, 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 of America, the basic financial statements of the business-type activities of Charlotte County Airport Authority (the "Authority") which comprise the statement of net position as of September 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated January 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charlotte County 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 Charlotte County Airport Authority's internal control. Accordingly we do not express an opinion on the effectiveness of the Charlotte County Airport 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 basic financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of

INTEGRITY ..... SERVICE ..... EXPERIENCE

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charlotte County Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards except as noted in Comment 2016-1 in our Independent Auditor's Report to Management.

#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." in a cursive, flowing script.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 27, 2017

**Independent Auditor's Report on Compliance for Each Major Program/Project and on Internal Control Over Compliance Required by the Uniform Guidance and the Florida Single Audit Act**

Board of Commissioners  
Charlotte County Airport Authority  
28000 A-1 Airport Road  
Punta Gorda, Florida 33982

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

We have audited Charlotte County Airport Authority's compliance with the types of compliance requirements described in the OMB Compliance Supplement and the State Project Compliance Supplement, as applicable, that could have a direct and material effect on each of Charlotte County Airport Authority's major federal programs and state projects for the year ended September 30, 2016. Charlotte County Airport Authority's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Charlotte County Airport Authority's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America; and 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 the Florida Single Audit Act (Florida Statutes Chapter 215.97) and the State of Florida Auditor General Rule 10.550. Those standards, the Uniform Guidance and the Florida Single Audit Act 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 major state project occurred. An audit includes examining, on a test basis,

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evidence about Charlotte County 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 major state project. However, our audit does not provide a legal determination of Charlotte County Airport Authority's compliance with those requirements.

### **Opinion on Each Major Federal Program**

In our opinion, Charlotte County 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 of its major federal programs and major state projects for the year ended September 30, 2016.

### **Report on Internal Control Over Compliance**

Management of Charlotte County 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 Charlotte County 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 and major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, the Florida Single Audit Act (Florida Statutes Chapter 215.97) and the State of Florida Auditor General Rule 10.550, 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 Charlotte County 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 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 deficiencies, 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.

**Purpose of the Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, the Florida Single Audit Act (Florida Statutes Chapter 215.97) and the State of Florida Auditor General Rule 10.550. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Tuscan & Company, P.A." The signature is written in a cursive, flowing style.

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 27, 2017

**CHARLOTTE COUNTY AIRPORT AUTHORITY**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS**

**AND STATE FINANCIAL ASSISTANCE**

**Year ended September 30, 2016**

***Section I – Summary of Auditor’s Results***

Financial Statements

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
Control deficiency(ies) identified?	_____	Yes <u>X</u>	No
Significant deficiency(ies) identified?	_____	Yes <u>X</u>	No
Material weakness(es) identified?	_____	Yes <u>X</u>	None reported
Noncompliance material to financial statements noted?	_____	Yes <u>X</u>	No

Federal Awards

Internal control over major programs:			
Control deficiency(ies) identified?	_____	Yes <u>X</u>	No
Significant deficiency(ies) identified?	_____	Yes <u>X</u>	No
Material weakness(es) identified?	_____	Yes <u>X</u>	None reported
Type of auditors report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)?	_____	Yes <u>X</u>	No

Identification of major programs (Type A):

CFDA	
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	U.S. Department of Transportation
20.106	Federal Aviation Administration - AIP 32
20.106	Federal Aviation Administration - AIP 33
20.106	Federal Aviation Administration - AIP 34
20.106	Federal Aviation Administration - AIP 35

Dollar threshold used to distinguish between Type A and Type B programs

Threshold used was \$750,000.

Auditee qualified as low-risk auditee?	<u>X</u>	Yes	<u>        </u>	No
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**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL**  
**AWARDS AND STATE FINANCIAL ASSISTANCE, CONTINUED**  
**Year ended September 30, 2016**

Page 61 of 66

Listing of Subrecipients and matching amounts passed-through:

None - not applicable

***Section II- Financial Statement Findings***

There were no deficiencies, material weaknesses, or instances of noncompliance related to the financial statements.

***Section III- Federal Award Findings and Questioned Costs***

There were no audit findings related to Federal Awards required to be reported by 2 CFR, Section 200.516(a).

***Section IV- Status of Federal Prior Year Findings***

There were no prior year findings.

State Financial Assistance

Internal control over major projects:

Control deficiency(ies) identified?	_____	Yes	<u>X</u>	No
Significant deficiency(ies) identified?	_____	Yes	<u>X</u>	No
Material weakness(es) identified?	_____	Yes	<u>X</u>	None reported
Type of auditors report issued on compliance for major projects	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 215.97, Florida Statutes, and Chapter 10.550, Rules of the Auditor General?	_____	Yes	<u>X</u>	No

Identification of major projects:

**CSFA**

<u>Number(s)</u>	<u>Name of State Project</u>
55.004	Instrument Landing (ILS)/Security
55.004	Terminal Improvements /Expansion (1)
55.004	Taxiway A Extension
55.004	FBO Design & Construction
55.004	Parking Facility Expansion
55.004	Hangar Repair and Door Replacement
55.004	Acquisition of Airfield Maintenance Equipment
55.004	Master Plan

**CHARLOTTE COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL**  
**AWARDS AND STATE FINANCIAL ASSISTANCE, CONTINUED**  
**Year ended September 30, 2016**

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Dollar threshold used to distinguish between

Type A and Type B projects

Threshold used was \$300,000

***Section II- Financial Statement Findings***

There were no deficiencies, material weaknesses, or instances of noncompliance related to the financial statements.

***Section III- State Award Findings and Questioned Costs***

There were no audit findings related to State Awards required to be reported by Auditor General Rule 10.550.

***Section IV- Status of State Prior Year Findings***

There were no prior year findings.

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

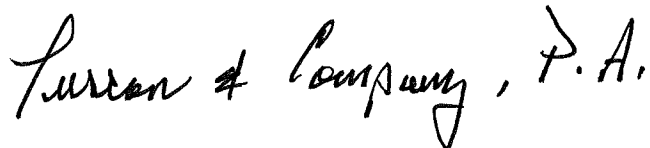
Board of Commissioners  
Charlotte County Airport Authority  
28000 A-1 Airport Road  
Punta Gorda, Florida 33982

We have examined Charlotte County Airport Authority's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management is responsible for Charlotte County Airport Authority's compliance with those requirements. Our responsibility is to express an opinion on Charlotte County Airport Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Charlotte County Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Charlotte County Airport Authority's compliance with specified requirements.

In our opinion, Charlotte County Airport Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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



TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
January 27, 2017

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**INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT**

Board of Commissioners  
Charlotte County Airport Authority  
28000 A-1 Airport Road  
Punta Gorda, Florida 33982

We have audited the accompanying basic financial statements of Charlotte County Airport Authority (the "Authority") as of and for the year ended September 30, 2016 and have issued our report thereon dated January 27, 2017.

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 of America and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated January 27, 2017, should be considered in conjunction with this report to management.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There was one financially significant prior year comment which has been corrected.

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- Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No such recommendations were noted to improve financial management.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)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 the management letter, unless disclosed in the notes to the financial statements. The Authority discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a) Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)5.c. and 10.556(7), Rules of the Auditor General, we have applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
- Pursuant to Section 10.554(1)(i)5.d., Rules of the Auditor General, requires a statement indicating a failure, if any, of a component unit special district to provide financial information necessary to a proper reporting of the component unit within the audited financial statements of this entity (F.S. Section 218.39(3)(b)). There are no known component special districts required to report within these financial statements.



- Section 10.556(10)(a), Rules of the Auditor General, requires that the scope of our audit to determine the entity's compliance with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes as reported in our Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes dated January 27, 2017, included herein.

**PRIOR YEAR COMMENTS:**

The prior year comment has been corrected.

**CURRENT YEAR COMMENTS:**

**2016-1 Capital Assets Should Be Annually Inventoried and Properly Marked**

Florida Administrative Code (FAC) 69I-73, requires that fixed assets be permanently marked with an identification number matching the fixed asset software report. Although assets appeared to be well maintained and in good condition, all fixed assets must contain permanently marked identification numbers. We noted fixed assets did not appear to have an assigned identification number permanently affixed on the fixed asset. Florida Administrative Code 69I-73 also requires an annual inventory count of Authority capital assets. We noted the Authority did not perform an annual inventory for the year ended September 30, 2016.

We recommend the Authority review FAC 69I-73 and properly mark all Authority capital assets and annually perform an inventory of the Authority's capital assets.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Commissioners, management, the Auditor General of the State of Florida and other Federal and State agencies. This report is not intended to be and should not be used by anyone other than these specified parties.



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 27, 2017

## **EXHIBIT**

28000 A-1 Airport Road  
Punta Gorda, Florida 33982  
[www.flypgd.com](http://www.flypgd.com)



(941) 639-1101  
(941) 639-4792 Fax  
[airport@flypgd.com](mailto:airport@flypgd.com)

April 17, 2017

Jeff Tuscan  
Tuscan & Company, PA  
12621 World Plaza Lane, Bldg. 55  
Fort Myers, FL 33907

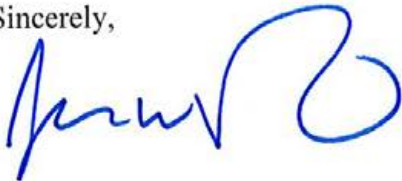
Dear Mr. Tuscan,

This letter is in response to the Management Letter provided to Gary P. Quill, Executive Director of the Charlotte County Airport Authority (CCAA), for the 2015/2016 fiscal year.

We have put in place procedures to ensure all Fixed Assets are Annually Inventoried and Property Marked.

We would like to thank you and your team for a great job well done. As always, your team has been a tremendous help in assisting our administration in improving and enhancing the fiscal management of the Charlotte County Airport Authority.

Sincerely,



James Parish  
Executive Director