St. Augustine-
St. Johns County
Airport Authority

Audit Report

September 30, 2017 and 2016

CARR RIGGS & INGRAM
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INDEPENDENT AUDITORS' REPORT

To the Members of the Governing Board of
St. Augustine-St. Johns County Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of St. Augustine-St. Johns County Airport Authority (the "Authority") as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by *Chapter 10.550, Rules of the Auditor General*, and is not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

St. Augustine, Florida
March 14, 2018

Management’s Discussion and Analysis

Management's Discussion and Analysis

This Discussion and Analysis of the St. Augustine-St. Johns County Airport Authority's (the "Airport Authority") financial performance provides an overview and cursory look at the financial activities of the Airport Authority for Fiscal Year 2016 - 2017. The reader is encouraged to read this section in conjunction with the Airport Authority's financial statements contained elsewhere in this document.

Highlights of Fiscal Year 2016 - 2017 include:

- Total Net Position increased by approximately 0.9% or $750,000 which correlates to an increase in lease revenue and decrease in operating expenses.
- Capital Grant proceeds for the period totaled approximately $3,430,000 an increase of approximately $320,000 (10%) from the prior year. Grant proceeds increased during the 2016 - 2017 fiscal year as the Airport Authority continues to concentrate on projects aimed at increasing commercial air traffic.

Overview of the Basic Financial Statements

Statement of Net Position

This financial statement includes all of the Airport Authority's assets, liabilities, and deferred items. This information is developed and presented using the accrual basis of accounting. Accrual accounting is similar to that used in most private sector businesses wherein all current–year revenues and expenses are recorded without regard to when cash is received or paid. The difference between assets plus deferred outflows and liabilities plus deferred inflows can be used to measure the Airport Authority's financial position.

Statement of Revenue, Expenses and Changes in Net Position

The second financial statement, which again uses an accrual accounting basis, reflects the increases and decreases realized in net position for the period. Over significant periods of time this information (increases and decreases) can be useful in assessing the overall financial health of the Airport Authority.

Statement of Cash Flows

The last financial statement reflects changes in the cash position of the Airport Authority. Management continually monitors the status of cash-on-hand. The Authority's ability to minimize the need to borrow capital development funds continues to have significant positive implications with regard to long-term cash flow and overall debt obligations.

Net Position

As of September 30,		**2017**		2016		2015
Current and other assets	**$**	**3,019,767**	$	3,324,827	$	4,702,086
Capital assets		**82,160,478**		81,022,184		82,566,144
Total assets		**85,180,245**		84,347,011		87,268,230
Deferred outflows		**389,014**		500,958		327,876
Long term-liabilities		**881,120**		877,644		584,106
Other liabilities		**407,493**		398,550		538,546
Total liabilities		**1,288,613**		1,276,194		1,122,652
Deferred inflows		**89,544**		131,132		183,870
Net position:						
Net investment in capital assets		**82,160,478**		81,022,184		82,566,144
Unrestricted		**2,030,624**		2,418,459		3,723,440
Total net position	**$**	**84,191,102**	$	83,440,643	$	86,289,584

Changes in Net Position

Years ended September 30,		**2017**		2016		2015
Revenues:						
Operating revenues	**$**	**4,642,270**	$	4,563,580	$	4,745,467
Nonoperating revenue		**3,447,970**		3,121,613		3,365,041
Total revenues		**8,090,240**		7,685,193		8,110,508
Expenses:						
Operating expenses		**7,339,781**		7,683,704		8,209,381
Nonoperating expenses		**-**		2,850,430		154,865
Total expenses		**7,339,781**		10,534,134		8,364,246
Change in net position		**750,459**		(2,848,941)		(253,738)
Net position, beginning of year		**83,440,643**		86,289,584		86,929,853
Restatement		**-**		-		(386,531)
Net position, beginning of year, as restated		**83,440,643**		86,289,584		86,543,322
Net position, end of year	**$**	**84,191,102**	$	83,440,643	$	86,289,584

Overall Financial Position and Results of Operations

The Airport Authority acquired a significant amount of land during the year that will be used for future expansion of the airport. The Authority completed several large renovation projects during the year. Frontier Commercial Airlines suspended service at the Authority in April 2017 however, we do not anticipate this having a material effect on the future financial position. As portrayed in the financial statements, the Airport Authority has total net position of $84,191,000, of which $2,030,000 is unrestricted. The total net position increased by $750,000 during the year as a result of increased lease and fuel revenue and a reduction in operating expenses, in particular the maintenance and salary expenses.

Capital Assets and Debt Administration

Capital Assets

There were no significant additions to the Authority's capital assets during the year except for construction in progress for various ongoing improvement and expansion projects. More details regarding the asset and depreciation position of the Airport Authority is provided in the "Notes to Financial Statements" section of this document.

Debt Administration

The Authority has no long-term debt, but has long-term liabilities, which are summarized in Note 6 to the financial statements.

Significant Economic Factors or Conditions

We are not currently aware of any conditions that are expected to have a significant effect on the Authority's financial position or results of operations.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. If you have any questions about this report or need additional information please contact Edward R. Wuellner, A.A.E., at 4796 U.S. 1 North, St. Augustine, Florida, 32095.

Statements of Net Position
As of September 30, 2017 and 2016

	2017	2016
Current assets		
Cash	**$ 738,882**	$ 556,681
Investments	**1,771,614**	2,257,397
Grants receivable	**25,188**	41,774
Other current assets	**484,083**	468,975
Total current assets	**3,019,767**	3,324,827
Noncurrent assets		
Capital assets:		
Nondepreciable	**27,761,993**	24,334,343
Depreciable, net	**54,398,485**	56,687,841
Total noncurrent assets	**82,160,478**	81,022,184
Total assets	**85,180,245**	84,347,011
Deferred outflows of resources		
Deferred outflows - pension related	**389,014**	500,958
Current liabilities		
Accounts payable	**335,654**	233,091
Accrued liabilities	**40,092**	51,992
Unearned rent revenue	**-**	82,382
Current portion of net pension liability	**5,700**	7,600
Current portion of compensated absences	**26,047**	23,485
Total current liabilities	**407,493**	398,550
Long-term liabilities		
Net pension liability	**817,438**	812,341
Compensated absences	**63,682**	65,303
Total long term liabilities	**881,120**	877,644
Total liabilities	**1,288,613**	1,276,194
Deferred inflows of resources		
Deferred inflows - pension related	**89,544**	131,132
Net position		
Net investment in capital assets	**82,160,478**	81,022,184
Unrestricted	**2,030,624**	2,418,459
Total net position	**$ 84,191,102**	$ 83,440,643

The accompanying "Notes to Financial Statements" form an integral part of these statements.

Statements of Revenue, Expenses and Changes in Net Position
Years ended September 30, 2017 and 2016

	2017	2016
Operating revenue		
Airline operations	**$ 34,174**	$ 68,941
Lease revenue	**3,410,124**	3,332,751
Self fuel sales, flowage fees and surcharges	**894,321**	826,625
Parking, rental cars and concession fees	**303,651**	335,263
Total operating revenue	**4,642,270**	4,563,580
Operating expenses		
Cost of fuel sold	**671,004**	575,256
General and administrative	**1,224,141**	1,288,735
Salaries and fringe benefits	**1,021,643**	1,137,865
Maintenance and other	**291,780**	429,028
Total operating expenses, excluding depreciation	**3,208,568**	3,430,884
Operating income before depreciation expense	**1,433,702**	1,132,696
Depreciation expense	**4,131,213**	4,252,820
Operating loss	**(2,697,511)**	(3,120,124)
Nonoperating revenue (expenses)		
Delinquent property taxes	**592**	124
Interest income	**16,369**	10,436
Unrealized loss on investments	**-**	(648)
Loss on disposal of assets	**-**	(2,850,430)
Total nonoperating revenue (expenses)	**16,961**	(2,840,518)
Loss before capital grants	**(2,680,550)**	(5,960,642)
Capital grants	**3,431,009**	3,111,701
Change in net position	**750,459**	(2,848,941)
Net position, beginning of year	**83,440,643**	86,289,584
Net position, end of year	**$ 84,191,102**	$ 83,440,643

The accompanying "Notes to Financial Statements" form an integral part of these statements.

Statements of Cash Flows
Years ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from tenants	$ 3,355,864	$ 3,353,650
Cash received from fuel sales	894,701	830,327
Cash received from airlines and airport operations	337,825	404,204
Cash paid for fuel	(680,022)	(593,411)
Cash paid to employees	(959,429)	(1,056,433)
Cash paid for maintenance	(291,780)	(429,028)
Cash paid for administrative and other services	(1,155,790)	(1,504,493)
Net cash provided by operating activities	1,501,369	1,004,816
Noncapital financing activities		
Delinquent property taxes received	592	124
Capital and related financing activities		
Capital expenditures	(5,269,507)	(5,559,290)
Capital grants received	3,447,595	3,966,912
Net cash used by capital and related financing activities	(1,821,912)	(1,592,378)
Investing activities		
Interest income received	16,369	10,436
Purchase of investments	-	(7,115)
Proceeds from sale of investments	485,783	500,000
Net cash provided by investing activities	502,152	503,321
Net increase (decrease) in cash	182,201	(84,117)
Cash, beginning of year	556,681	640,798
Cash, end of year	$ 738,882	$ 556,681

Statements of Cash Flows

Years ended September 30, 2017 and 2016

	2017	2016
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	**$ (2,697,511)**	$ (3,120,124)
Depreciation	**4,131,213**	4,252,820
Change in:		
Other current assets	**(15,108)**	(55,602)
Deferred outflows of resources	**111,944**	(173,082)
Accounts payable	**102,563**	(174,891)
Accrued liabilities	**(11,900)**	9,057
Net pension liability	**3,197**	291,343
Deferred inflows of resources	**(41,588)**	(52,738)
Compensated absences	**941**	9,448
Unearned rent revenue	**(82,382)**	18,585
Net cash provided by operating activities	**$ 1,501,369**	$ 1,004,816

The accompanying "Notes to Financial Statements" form an integral part of these statements.

NOTE 1 – REPORTING ENTITY

The St. Augustine-St. Johns County Airport Authority (the "Authority") is an independent district which was created by Chapter 63-1853, Laws of Florida, in June 1963 for the purpose of owning and operating airport facilities in St. Johns County, Florida. The Authority is governed by an independent body consisting of five members (the “Board”), all of which are elected by the citizens of St. Johns County, Florida.

The Authority uses the criteria established in GASB Statement No. 14, as amended, to define the reporting entity and identify component units. Component units are entities for which the Authority is considered to be financially accountable or entities that would be misleading to exclude. There are no other entities to include as a component unit within the Authority’s reporting entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

The transactions of the Authority are reported as an enterprise fund. Enterprise funds, a proprietary fund type, are used to account for activities in a manner similar to private-sector business enterprises. The Authority’s operating revenues result from exchange transactions. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grants and investment earnings, result from nonexchange transactions or ancillary activities.

Measurement Focus

The Authority uses the economic resources measurement focus.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flows.

Investments

The Authority invests temporarily idle resources pursuant to the provisions of Section 218.415, Florida Statutes, which limits the investment choices to only certain identified investments as defined in that statute. As of September 30, 2017 and 2016, the Authority’s investments consisted of amounts in the Florida Safe Investment Pool (“Florida SAFE”) and in the Local Government Surplus Funds Trust Fund (“Florida Prime”).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The airport facilities of the City of St. Augustine, Florida, were transferred to the Authority in 1964 at values based on their estimated fair value at the date of transfer. Capital assets acquired after the transfer date are stated at cost if purchased and at acquisition value if contributed. The Authority uses a capitalization threshold of $10,000 for all classes of capital assets. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in nonoperating revenue (expense). Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which are summarized as follows:

Airport improvements	10-40 years
Buildings	5-50 years
Furniture and equipment	5-25 years

Pensions

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 Pension Plan and Health Insurance Subsidy Program and additions to/deductions from the plans' 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 employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

A *deferred outflow of resources* is a consumption of net assets that is applicable to a future reporting period.

A *deferred inflow of resources* is an acquisition of net assets that is applicable to a future reporting period.

Net Position

The Authority classifies its net position into the following three categories:

Net investment in capital assets - This represents the Authority's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Risk Management

The Authority maintains insurance coverage on all types of insurable risks. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

Use of Estimates

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

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through March 14, 2018, the date the financial statements were available to be issued.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

The Authority's deposits are held in financial institutions that qualify as public depositories and, accordingly, are entirely insured or collateralized under Chapter 280 of the Florida Statutes.

The Authority's investments consisted of:

	2017	2016
Florida SAFE	**$ 1,748,796**	$ 2,234,825
Florida PRIME	**22,818**	22,572
Total	**$ 1,771,614**	$ 2,257,397

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

The Authority's investments expose it to credit risk. The Authority does not have a formal investment policy relating to that risk, but does adhere to the provisions of Section 218.415, Florida Statutes, which limits exposure to credit risk.

Florida Surplus Asset Trust Fund (Florida SAFE)

Florida SAFE is organized pursuant to Florida Statute 163.01. Florida SAFE is overseen by a Board of Trustees comprised of Florida local government officials, who are themselves participants in Florida SAFE. Florida SAFE is an external investment pool that meets all of the necessary criteria to elect to measure all of the investments at amortized cost. Therefore, the Authority's investment in Florida SAFE is reported at amortized cost. Florida SAFE seeks, but does not guarantee to maintain a constant net asset value at $1.00 per share.

Florida SAFE is uninsured and is rated by Standard and Poor's and has a rating at September 30, 2017 of AAAm. The weighted average maturity (WAM) for Florida SAFE at September 30, 2017 was 25 days. The weighted average life (WAL) for Florida SAFE at September 30, 2017 was 64 days.

There were no redemption fees or maximum transaction amounts. The fund's Indenture of Trust does provide for limited situations in which a participant's access to 100% of the account value is restricted. The Trustees have the authority to resume participant access to the Fund when the situation causing the restriction has been resolved.

Investment in State Pool (Florida PRIME)

The Authority also invests surplus funds in the State Board of Administration's Local Government Surplus Funds Trust Fund. The Florida PRIME is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. The powers and duties of the SBA are defined in Florida Statute 218.409. In addition, Chapter 19-7 of the Florida Administrative Code identifies the rules and regulations governing the administration of the Florida PRIME. These rules provide guidance and establish the general operating procedures for the administration of the pool.

The Florida PRIME is an external investment pool that meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, the Authority's investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares. The Florida PRIME is rated by Standard and Poor's and has a rating at September 30, 2017 of AAAm. The weighted average maturity (WAM) of the Florida PRIME at September 30, 2017 was 51 days. The weighted average life (WAL) for Florida PRIME at September 30, 2017 is 80 days.

There were no redemption fees or maximum transaction amounts. Florida Statutes do provide for situations in which a participant's access to 100 percent of the account value is limited. The maximum amount of time provided to limit access is 17 days.

NOTE 4 – LEASING OPERATIONS/CONCENTRATION

A significant portion of the Authority's buildings and related land are leased to tenants under operating leases. The approximate cost of leased assets was $36,450,000 and $36,450,000 at September 30, 2017 and 2016, respectively with accumulated depreciation of approximately $16,230,000 and $15,000,000 at September 30, 2017 and 2016, respectively. These leases are generally for a term of twenty years and allow the lessees to renew for varying periods. The leases generally provide for annual rent increases that are based on changes in the consumer price index.

Minimum future lease income under operating leases based on the rentals in effect at September 30, 2017, without regard to the exercise of renewal options, is as follows:

Years Ended September 30,		
2018	$	2,484,670
2019		2,432,190
2020		1,400,459
2021		788,243
2022		681,670
2023-2027		2,284,456
2028-2032		869,342
2033-2037		371,025
2038-2042		174,016
2043-2047		37,605
Total	$	11,523,676

For the years ended September 30, 2017 and 2016, three tenants accounted for approximately 76% and 79%, respectively of total lease revenues.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2017 is as follows:

	Balance 2016	Increases	Decreases	Balance 2017
Capital assets not being depreciated:				
Land	$ 15,983,911	$3,391,730	$ -	$ 19,375,641
Construction in progress	8,350,432	5,628,601	5,592,681	8,386,352
Total capital assets not being depreciated	24,334,343	9,020,331	5,592,681	27,761,993
Capital assets being depreciated:				
Furniture and equipment	3,449,839	9,522	298,909	3,160,452
Buildings	45,853,875	522,056	37,300	46,338,631
Airport improvements	51,827,693	1,646,489	-	53,474,182
Total capital assets being depreciated	101,131,407	2,178,067	336,209	102,973,265
Less accumulated depreciation for:				
Furniture and equipment	1,780,049	204,324	-	1,984,373
Buildings	37,597,352	3,026,033	-	40,623,385
Airport improvements	5,066,165	900,857	-	5,967,022
Total accumulated depreciation	44,443,566	4,131,214	-	48,574,780
Total capital assets being depreciated, net	56,687,841	(1,953,147)	336,209	54,398,485
Net capital assets	$ 81,022,184	$7,067,184	$5,928,890	$ 82,160,478

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Capital asset activity for the year ended September 30, 2016 is as follows:

	Balance 2015	Increases	Decreases	Balance 2016
Capital assets not being depreciated:				
Land	$ 15,973,411	$ 10,500	$ -	$ 15,983,911
Construction in progress	3,561,436	5,337,705	548,709	8,350,432
Total capital assets not being depreciated	19,534,847	5,348,205	548,709	24,334,343
Capital assets being depreciated:				
Furniture and equipment	2,911,753	538,086	-	3,449,839
Buildings	49,364,196	50,787	3,561,108	45,853,875
Airport improvements	51,741,492	170,921	84,720	51,827,693
Total capital assets being depreciated	104,017,441	759,794	3,645,828	101,131,407
Less accumulated depreciation for:				
Furniture and equipment	1,504,535	275,514	-	1,780,049
Buildings	35,236,222	3,032,126	670,996	37,597,352
Airport improvements	4,245,387	945,180	124,402	5,066,165
Total accumulated depreciation	40,986,144	4,252,820	795,398	44,443,566
Total capital assets being depreciated, net	63,031,297	(3,493,026)	2,850,430	56,687,841
Net capital assets	$ 82,566,144	$1,855,179	$3,399,139	$ 81,022,184

NOTE 6 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net pension liability	$ 819,941	$ 3,197	$ -	$ 823,138	$ 5,700
Compensated absences	88,788	18,730	17,789	89,729	26,047
Total long-term liabilities	$ 908,729	$ 21,927	$ 17,789	$ 912,867	$ 31,747

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended September 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net pension liability	$ 528,598	$ 291,343	$ -	$ 819,941	$ 7,600
Compensated absences	79,340	23,638	14,190	88,788	23,485
Total long-term liabilities	$ 607,938	$ 314,981	$ 14,190	$ 908,729	$ 31,085

NOTE 7 – STATE OF FLORIDA PENSION PLANS

Defined Benefit Plans

The Authority participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

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

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

NOTE 7 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Benefits Provided

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

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

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The employer's contribution rates as of September 30, 2017, were as follows:

	FRS	HIS
Regular class	6.26%	1.66%
Special risk class	21.61%	1.66%
Senior management service class	21.05%	1.66%
Elected officials	43.84%	1.66%
DROP from FRS	11.60%	1.66%

The employer's contributions for the year ended September 30, 2017, were $52,846 to the FRS and $10,220 to the HIS. Contributions for 2016 were $55,584 to the FRS and $11,482 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2017, the Authority reported a liability for its proportionate shares of the net pension liabilities of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS program. The net pension liabilities were measured as of June 30, 2017. The Authority's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

NOTE 7 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

	FRS		HIS	
Net pension liability 2017	$	611,344	$	211,794
Net pension liability 2016		556,867		263,074
Proportion at:				
Current measurement date		0.0021%		0.0020%
Prior measurement date		0.0022%		0.0023%
Pension expense 2017	$	119,660	$	16,957

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 56,107	$ 3,387	$ -	$ 441
Changes of assumptions	205,455	-	29,771	18,314
Net difference between projected and actual earnings on pension plan investments	-	15,151	117	
Changes in proportion and differences between employer contributions and proportionate share of contributions	61,907	28,809	17,881	23,442
Employer contributions subsequent to the measurement date	15,076	-	2,700	
Total	$ 338,545	$ 47,347	$ 50,469	$ 42,197

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2018. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

NOTE 7 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Year ending September 30,	FRS	HIS
2018	$ 49,430	$ 4,299
2019	102,895	4,299
2020	64,932	4,299
2021	8,640	2,088
2022	36,986	(2,110)
Thereafter	13,239	(7,303)
Total	$ 276,122	$ 5,572

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2017. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2017. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2016, rolled-forward using standard actuarial procedures. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.10%	N/A
Discount rate	7.10%	3.58%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2017:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.60% to 7.10%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 2.85% to 3.58%.

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

NOTE 7 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.0%	3.0%
Fixed income	18%	4.5%	4.4%
Global equity	53%	7.8%	6.6%
Real estate	10%	6.6%	5.9%
Private equity	6%	11.5%	7.8%
Strategic investments	12%	6.1%	5.6%
	100%		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.10%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.58% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

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

	FRS			HIS		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
	(6.10%)	(7.10%)	(8.10%)	(2.58%)	(3.58%)	(4.58%)
Employer's proportionate share						

NOTE 7 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Pension Plans' Fiduciary Net Position

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

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2017, totaled $9,604, and totaled $12,852 for the year ended September 30, 2016.

NOTE 8 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB—accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues

The Authority is currently evaluating the effects that these statements will have on its 2018 financial statements.

Schedules of Proportionate Share of Net Pension Liability
Last 10 Fiscal Years (1)

Florida Retirement System	2015	2016	2017
Employer's proportion of the net pension liability (asset)	0.0023%	0.0022%	0.0021%
Employer's proportionate share of the net pension liability (asset)	$ 299,107	$ 556,867	$ 611,344
Employer's covered payroll (2)	$ 682,688	$ 696,831	$ 631,369
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.81%	79.91%	96.83%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	84.88%	83.89%

Health Insurance Subsidy Program	2015	2016	2017
Employer's proportion of the net pension liability (asset)	0.0023%	0.0023%	0.0020%
Employer's proportionate share of the net pension liability (asset)	$ 229,491	$ 263,074	$ 211,794
Employer's covered payroll (2)	$ 682,688	$ 696,831	$ 631,369
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.62%	37.75%	33.55%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.97%	1.64%

Notes to schedules:
(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Schedules of Employer Contributions
Last 10 Fiscal Years

Florida Retirement System	2015	2016	2017
Contractually required contribution	$ 58,677	$ 55,584	$ 52,846
Contributions in relation to the contractually required contribution	58,677	55,584	52,846
Contribution deficiency (excess)	$ -	$ -	$ -
Employer's covered payroll (1)	$ 727,518	$ 691,528	$ 615,500
Contributions as a percentage of covered payroll	8.07%	8.04%	8.59%

Health Insurance Subsidy Program	2015	2016	2017
Contractually required contribution	$ 9,903	$ 11,482	$ 10,220
Contributions in relation to the contractually required contribution	9,903	11,482	10,220
Contribution deficiency (excess)	$ -	$ -	$ -
Employer's covered payroll (1)	$ 727,518	$ 691,528	$ 615,500
Contributions as a percentage of covered payroll	1.36%	1.66%	1.66%

Notes to schedules:
(1) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Required Supplementary Information

Schedule of Expenditures of State Financial Assistance Year ended September 30, 2017

	CSFA Number	Contract Number	Expenditures
Florida Department of Transportation:			
Aviation Grant Programs:			
Acquisition of Land Airport Expansion	55.004	AQE78	$ 2,400,589
Air Service Safety Equipment	55.004	ARM93	57,902
Design Corporate Hangar	55.004	ARM03	7,735
Airline Terminal Modifications	55.004	G0437	401,581
Pavement Markings	55.004	G0438	14,162
MALSR	55.004	G0750	6,792
GA Parking Apron - Design & Rehab	55.004	GOG40	3,724
Master Plan & ALP Update	55.004	GOB43	13,798
Total expenditures of state financial assistance			$ 2,906,283

Note 1 - Basis of presentation

The schedule is presented in accordance with generally accepted accounting principles, as applicable to a governmental entity, using the accrual basis of accounting.

Note 2 - Summary of significant accounting policies

Expenditures are recognized following the cost principles contained in the Rules of the Department of Financial Services as governed by the State Single Audit Act, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

As applicable, nonmonetary assistance is reported in the schedule at fair value of the goods received.

Note 3 - Subrecipients

The Authority did not provide awards to subrecipients.

Additional Elements Required by the Rules of the Auditor General

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MANAGEMENT LETTER

Members of the Governing Board of
St. Augustine-St. Johns County Airport Authority

We have audited the financial statements of the St. Augustine-St. Johns County Airport Authority (the "Authority") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 14, 2018.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. The Authority has no uncorrected prior audit findings that are required to be identified pursuant to the Rules of the Auditor General.

Financial Condition

As required by the Rules of the Auditor General*,* the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Authority has not met one or more of the conditions described in Section 218.503(1), Florida Statutes. Meeting one or more of the conditions would have indicated a state of financial emergency.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(8). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

Annual Financial Report

The annual financial report for the fiscal year ended September 30, 2017, required by Section 218.32, Florida Statutes, is in substantial agreement with our audit report.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

The purpose of this management letter is to comply with the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this communication is not suitable for any other purpose.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

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

St. Augustine, Florida
March 14, 2018

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

Members of the Governing Board of
St. Augustine-St. Johns County Airport Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Augustine-St. Johns County Airport Authority (the "Authority"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 14, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

St. Augustine, Florida
March 14, 2018

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Members of the Governing Board of
St. Augustine-St. Johns County Airport Authority

We have examined the St. Augustine-St. Johns County Airport Authority's (the "Authority") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

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

St. Augustine, Florida
March 14, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Members of the Governing Board of
St. Augustine-St. Johns County Airport Authority

Report on Compliance for each Major State Project

We have audited St. Augustine-St. Johns County Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on the Authority's major state project for the year ended September 30, 2017. The Authority's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with statutes, regulations, and the terms and conditions of its state award, applicable to its state project.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on each Major State Project

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 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 state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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

St. Augustine, Florida
March 14, 2018

Schedule of Findings and Questioned Costs

SECTION I – SUMMARY OF AUDITORS' RESULTS

(i) The independent auditors' report on the financial statements prepared in accordance with GAAP expressed an unmodified opinion.

(ii) The audit did not report significant deficiencies or disclose material weaknesses in internal control over financial reporting.

(iii) The audit did not disclose any noncompliance considered material to the financial statements.

(iv) The audit did not report significant deficiencies or disclose material weaknesses in internal control over compliance applicable to the major state project.

(v) The auditors' report on compliance with requirements applicable to the major state project expressed an unmodified opinion.

(vi) The audit did not disclose findings relative to the major state project that are required to be reported.

(vii) The project tested as major is as follows:

State Project	CSFA Number
Aviation Grant Programs	55.004

(viii) A threshold of $300,000 was used to distinguish between Type A and Type B state projects.

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable.

SECTION III – FINDINGS AND QUESTIONED COSTS – STATE PROJECT

No matters are reportable.

Summary Schedule of Prior Audit Findings

There were no prior year audit findings.

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March 14, 2018

To the Members of the Governing Board
St. Augustine-St. Johns County Airport Authority

We are pleased to present the results of our audit of the 2017 and 2016 financial statements.

This communication summarizes our audit, the report issued and various analyses and observations related to the financial accounting and reporting practices followed. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the 2017 and 2016 financial statements. We considered an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of your personnel.

At Carr, Riggs & Ingram, LLC ("CRI"), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This information is intended solely for the information and use of you and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact us.

Very truly yours,

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

CARR, RIGGS & INGRAM, LLC
CERTIFIED PUBLIC ACCOUNTANTS

As discussed with management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Authority. Specifically, we planned and performed our audit to:

- Perform audit services in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the financial statements as of and for the year ended September 30, 2017 and 2016;

- Communicate directly with management regarding the results of our procedures;

- Anticipate and respond to your concerns and those of management; and

- Other audit-related projects as they arise and upon request.

We have audited the financial statements as of and for the year ended September 30, 2017 and 2016, and have issued our report thereon dated March 14, 2018. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards	We have audited the financial statements of the Authority for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated May 18, 2017. Professional standards also require that we communicate to you the following information related to our audit.
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the Authority and how they are disclosed.*	No such risks or exposures were noted.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.* • *The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the Authority's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Authority in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;* • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	See Note 2 for details.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Significant difficulties encountered in the audit *Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.*	None.
Disagreements with management *Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.*	None.
Other findings or issues *Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.*	None.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management *Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.*	None.
Corrected and uncorrected misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the Authority, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Committee about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.*	Please see the following section titled "Summary of Audit Adjustments."

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	None.
Consultations with other accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	None of which we are aware.
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.
Internal control deficiencies *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.*	None.
Fraud and illegal acts *Fraud involving senior management, the Authority Administrator or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements *The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.
Required supplementary information *The auditors' responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
	and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.
Supplementary information in relation to the financial statements as a whole *The auditors' responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	We were engaged to report on the supplementary information, which accompanies the financial statements but is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Committee may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Capital Asset Depreciation	Capital assets are depreciated over the expected remaining useful life of the individual asset unless they are inexhaustible or are intangible assets deemed to have indefinite useful lives.	X	Management's estimate of the useful lives of capital assets is based on the historical lives of similar assets and market prices.	We examined the key factors and assumptions used to develop the estimate and evaluated the estimate and found it to be reasonable in relation to the financial statements taken as a whole.
Pension-related Balances	The Authority participates a multiple-employer defined benefit pension plan – the Florida Retirement System (administered by the State of Florida) and follows the requirements of GASB 68.	X	The State of Florida utilizes an independent actuary to provide an actuarial valuation specific to each participating employer. The Authority relies on audited valuations from the actuary for the estimated value of the Authority's net pension liability and pension related balances. The actuarial valuation is based on financial information, utilizing various assumptions (see note 7 for details).	We evaluated the assumptions used by the actuary in estimating the pension-related balances and found them to be in accordance with the provisions of GASB 68 and reasonable in relation to the financial statements taken as a whole.

During the course of our audit, we accumulate differences between amounts recorded by the Authority and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Authority or passed (uncorrected).

Below is a summary of the corrected misstatements.

Adjusting Journal Entries JE # 3
To correct opening net position to agree with the prior year financial statements

250-270	Net Asset-Unrestricted	5,548	
542-551	Miscellaneous Expense	559	
158-011	Less Amortization-Intang. Asset		4,271
159-100	CS-Principal		1,836
Total		**6,107**	**6,107**

Adjusting Journal Entries JE # 6
To record change in NPL, deferred outflows and inflows and pension expense (CY activity)

290-001	Deferred Inflow	41,588	
542-001	Pension Expense	91,329	
190-002	Deferred Outflow-Other		18,997
190-002	Deferred Outflow-Other		110,723
295-001	Net Pension Liability		3,197
Total		**132,917**	**132,917**

Adjusting Journal Entries JE # 7
To record deferred outflows for pension contributions subsequent to the measurement date.

190-002	Deferred Outflow-Other	17,776	
542-001	Pension Expense		17,776
Total		**17,776**	**17,776**

Reclassifying Journal Entries JE # 1
To reclassify the current portion of compensated absences.

210-212	Accrued PTO Payable	26,047	
210-209	Current portion: PTO Payable - CRI USE		26,047
Total		**26,047**	**26,047**

Reclassifying Journal Entries JE # 2
To reclassify federal grant revenue that was recorded as state grant revenue.

334-410	State Grant Revenue	166,117	
331-410	Federal Grant Revenue		166,117
Total		**166,117**	**166,117**

Reclassifying Journal Entries JE # 5			
To reclassify the restricted portion of net position.			
250-250	Net Asset-Capital Assets	792,193	
250-270	Net Asset-Unrestricted		792,193
Total		**792,193**	**792,193**

Below is a summary of uncorrected misstatements.

Passed Adjusting Journal Entries JE # 1			
To adjust the pension-related balances for the difference in the contributions.			
290-001	Deferred Inflow	1,830	
542-001	Pension Expense		36,363
190-002	Deferred Outflow-Other		25,822
295-001	Net Pension Liability	60,355	
Total		**62,185**	**62,185**

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Authority's operating environment that has been identified as playing a significant role in the Authority's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.