

CHARLOTTE COUNTY AIRPORT AUTHORITY
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
TOGETHER WITH ADDITIONAL REPORTS
YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1-4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	i-xx
<u>BASIC FINANCIAL STATEMENTS</u>	
Statements of Net Position.....	5
Statements of Revenues, Expenses and Changes in Net Position.....	6
Statements of Cash Flows.....	7
Notes to the Financial Statements.....	8-46
<u>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A</u>	
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (Non-GAAP Budgetary Basis) and Actual with Reconciliation to GAAP Basis - Year Ended September 30, 2018.....	47-48
Schedule of Expenditures of Federal Awards - Year Ended September 30, 2018.....	49
Notes to the Schedule of Expenditures of Federal Awards.....	50
Schedule of Authority's Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (FRS).....	51
Schedule of Authority Contributions - Florida Retirement System Pension Plan (FRS).....	51
Schedule of Authority's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (HIS).....	52
Schedule of Authority Contributions - Health Insurance Subsidy Pension Plan (HIS).....	52
Notes to the Required Supplementary Information.....	53-54
Schedule of Changes in the Net OPEB Liability and Related Ratios - GASB No. 75 and Related Notes to the Schedule.....	55
<u>ADDITIONAL REPORTS</u>	
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 <u>Government Auditing Standards</u>	56-57
Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance in Accordance with the Uniform Guidance.....	58-60
Schedule of Findings and Questioned Costs - Federal Awards.....	61-62
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes.....	63
Independent Auditor's Report to Management.....	64-66
Management's Response to the Independent Auditor's Report to Management.....	Exhibit

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, 2018 and 2017, 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 Pension Plan (HIS) as of and for the year ended June 30, 2018. 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, 2018 and for the year then ended. Those financial statements (FRS & HIS) 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,

INTEGRITY SERVICE EXPERIENCE

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, 2018 and 2017, 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, 2018 and 2017, 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.

As described in Note Q, the Authority adopted the provisions on Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASB No. 75, the Authority reported a restatement for the change in accounting principle. The auditor's opinion was not modified with respect to this restatement.

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 - xx, 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), Notes to the Required Supplementary Information and Schedule of Changes in the Total OPEB Liability and Related Ratios - GASB No. 75 and Related Notes to the Schedule, 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), Notes to the Required Supplementary Information and Schedule of Changes in the Total OPEB Liability and Related Ratios - GASB No. 75 and Related Notes to the Schedule, 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), Notes to the Required Supplementary Information and Schedule of Changes in the Total OPEB Liability and Related Ratios - GASB No. 75 and Related Notes to the Schedule, 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 for the year ended September 30, 2018 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 for the year ended September 30, 2018 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 15, 2019, 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 15, 2019, 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, stylized font.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 15, 2019

**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, 2018. 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 State 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 a hub for Allegiant Airlines, a low-cost carrier that offers direct flights to over 40 destinations. 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 Charlotte 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 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 this 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.

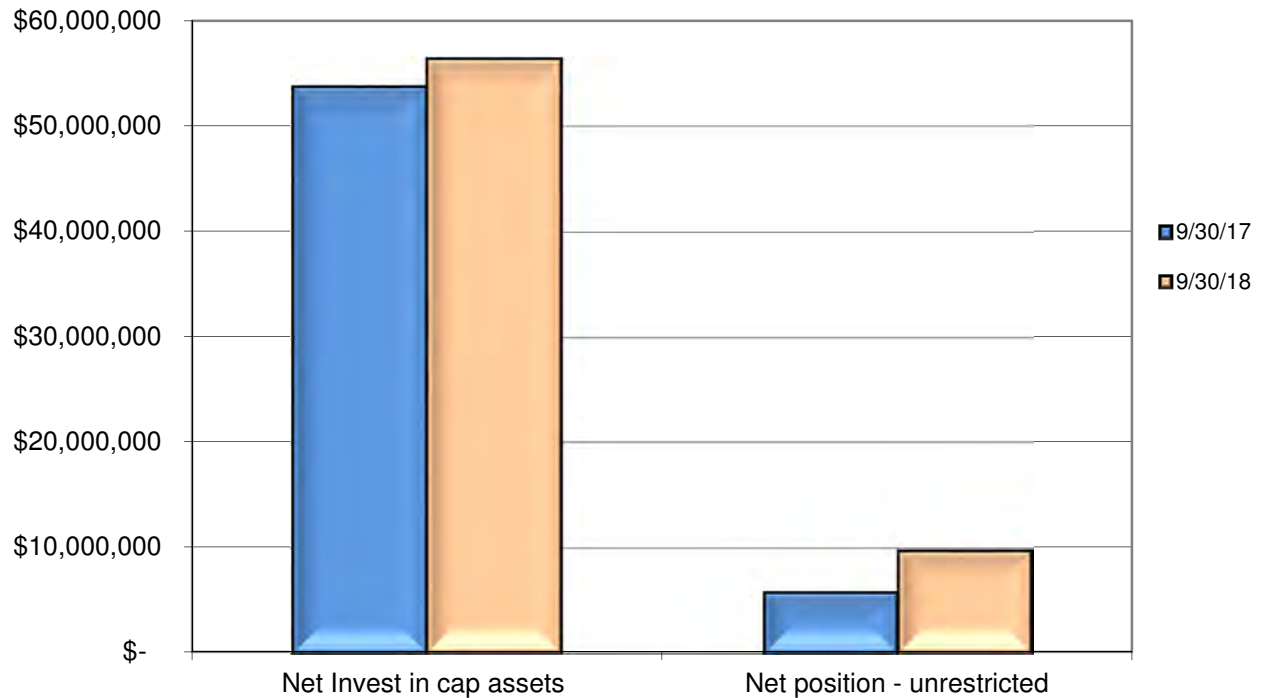
Overview of the Financial Statements

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

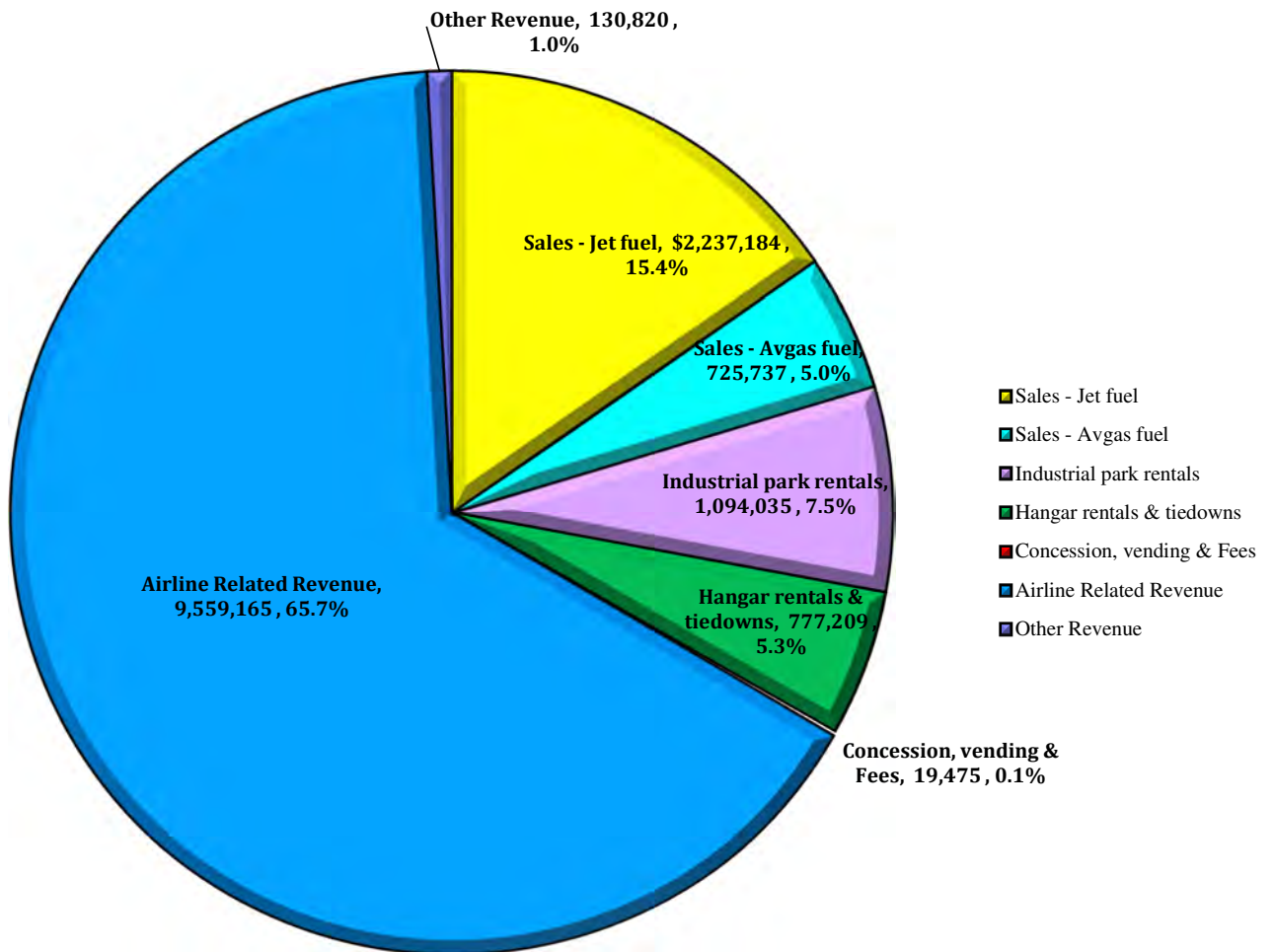


NET POSITION			Increase	% Inc
	9/30/17	9/30/18	(Decrease)	(Dec)
Net Invest in cap assets	\$ 53,727,517	\$ 56,377,678	\$ 2,650,161	4.9%
Net position - unrestricted	5,790,139	9,681,981	3,891,842	67.2%
Total Net position	\$ 59,517,656	\$ 66,059,659	\$ 6,542,003	11.0%

Operating Revenues

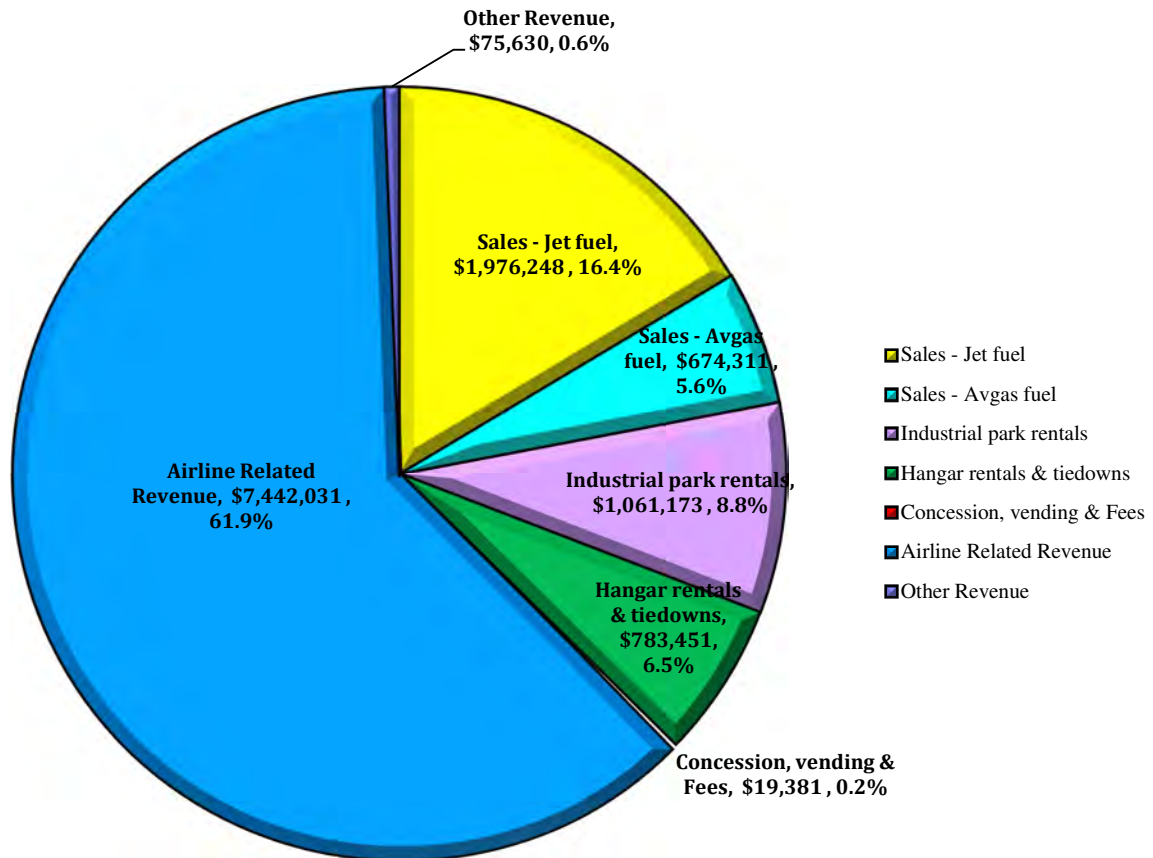
The following charts show major operating revenue sources and the percentage of operating revenue for the fiscal year ending September 30, 2018.

**OPERATING REVENUES BY CATEGORY
YEAR ENDED 9/30/2018**



In comparison with the previous fiscal year ending September 30, 2017

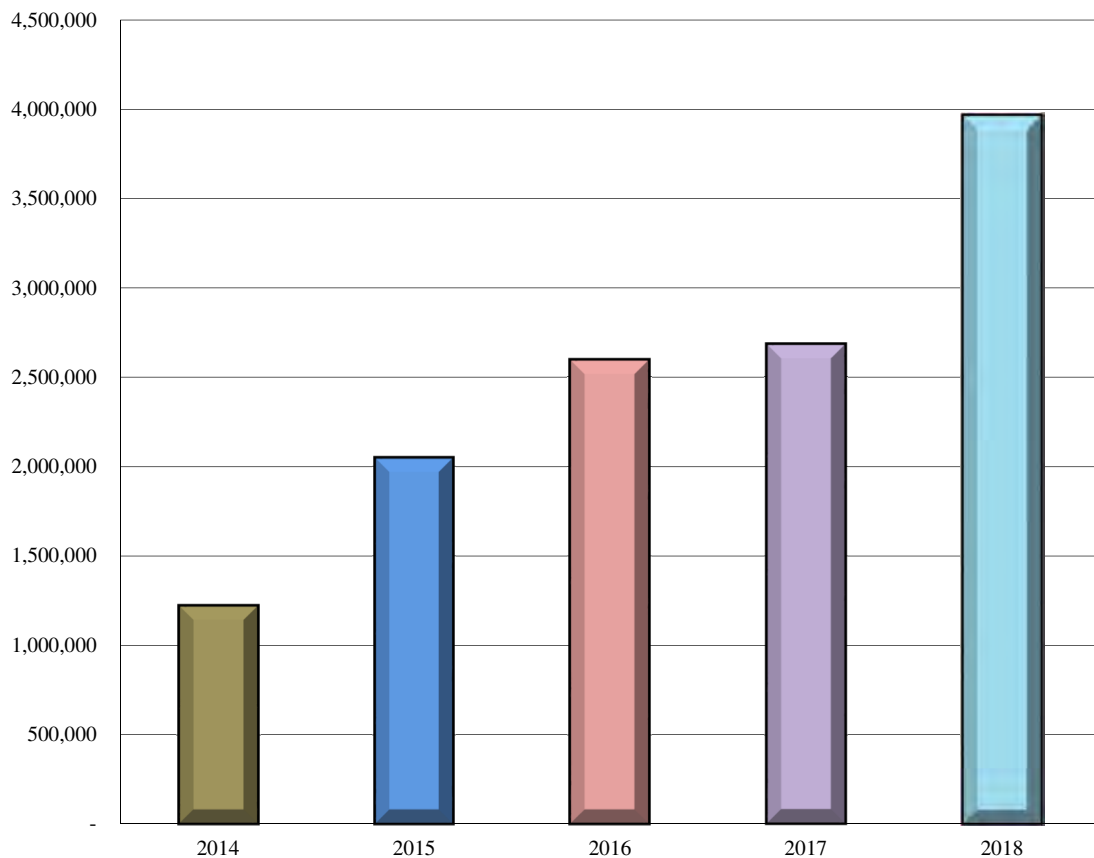
**OPERATING REVENUES BY CATEGORY
YEAR ENDED 9/30/2017**



The following schedule shows net operating income (loss) before Depreciation for the past five fiscal years ending September 30, 2018:

OPERATING INCOME (LOSS) BEFORE DEPRECIATION

OPERATING INCOME (LOSS) BEFORE DEPRECIATION



2014	1,221,924
2015	2,045,892
2016	2,595,302
2017	2,681,745
2018	3,966,017

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, 2018

For the years ended September 30, 2018 and 2017, the Airport completed its required audit in a timely manner.

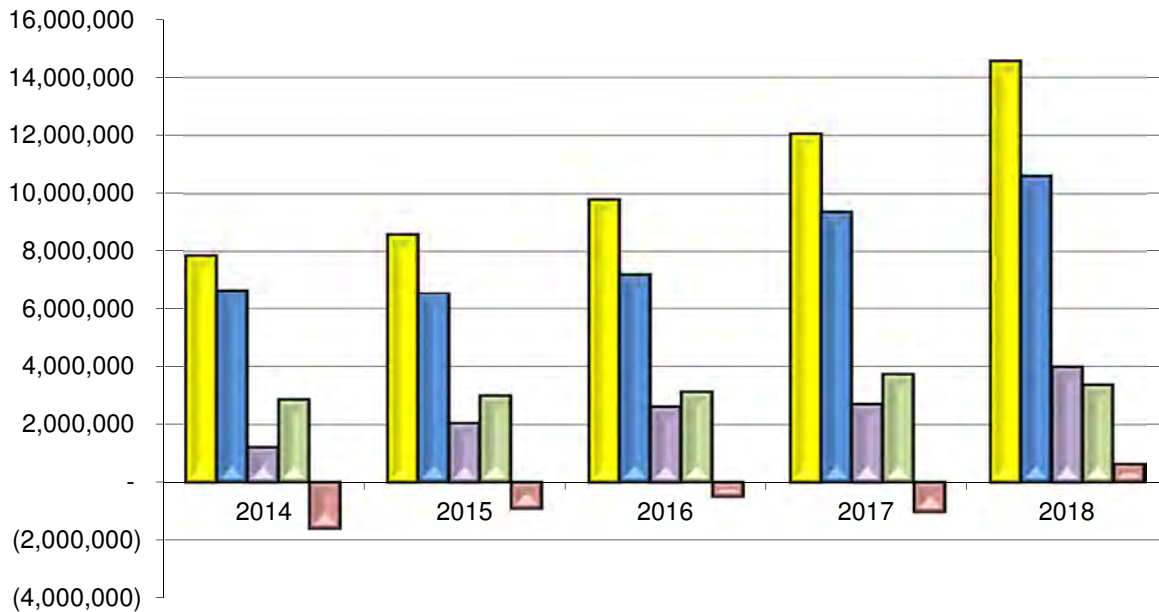
Original Budget to Actual Variance

Total operating revenues were \$14,543,625 which increased \$1,552,788 over the original budgeted amount of \$12,990,837. This was mostly due to an increase in Airline Related Revenue.

Total operating expenses were \$10,577,608 which was \$697,279 more than the original budget amount of \$9,880,329. This was substantially due to pension expense accrual for FRS, along with an increase in Airline Expenses relative to the increase in Airline Related Revenues.

CHARLOTTE COUNTY AIRPORT AUTHORITY
GRAPH - COMPARATIVE SUMMARY OF OPERATIONS
Years Ended September 30, 2014 - 2018

COMPARATIVE OPERATING ACTIVITIES



Fiscal Year	Operating Revenue	Operating Expenses Before Depr	Operating Inc (Loss) Before Depr	Non-Cash Depreciation Expense	Operating Inc (Loss)
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)
2017	12,032,225	9,350,480	2,681,745	3,712,009	(1,030,264)
2018	14,543,625	10,577,608	3,966,017	3,341,419	624,598

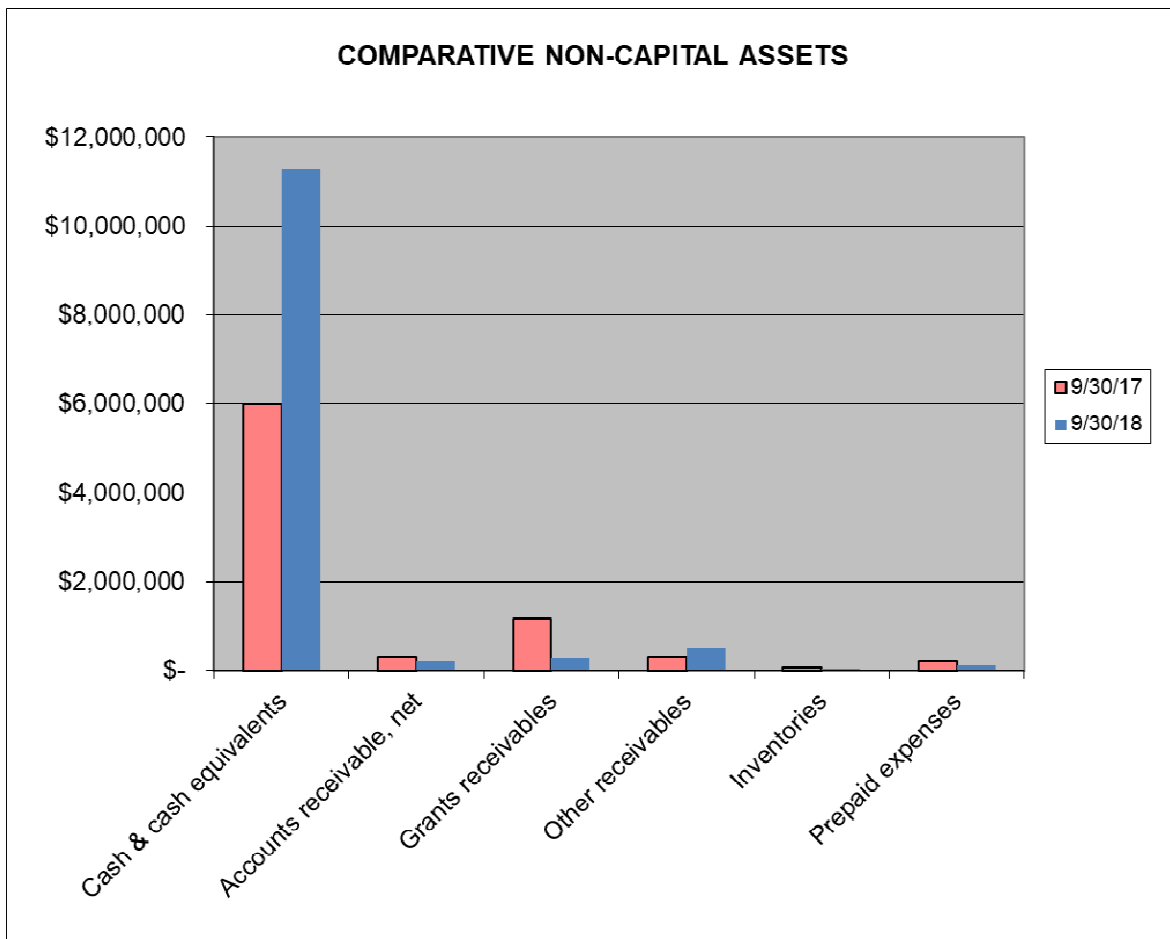
Non-Capital Assets

The Airport's non-capital assets as of September 30, 2018, and 2017 amounted to \$12,657,512 and \$8,288,522 respectively. This change is the result of an increase in Cash and Cash Equivalents of \$5,275,668 along with a decrease in Grants Receivable of \$878,233.

CHARLOTTE COUNTY AIRPORT AUTHORITY

GRAPH - COMPARATIVE SUMMARY OF NON-CAPITAL ASSETS

September 30, 2017 & 2018



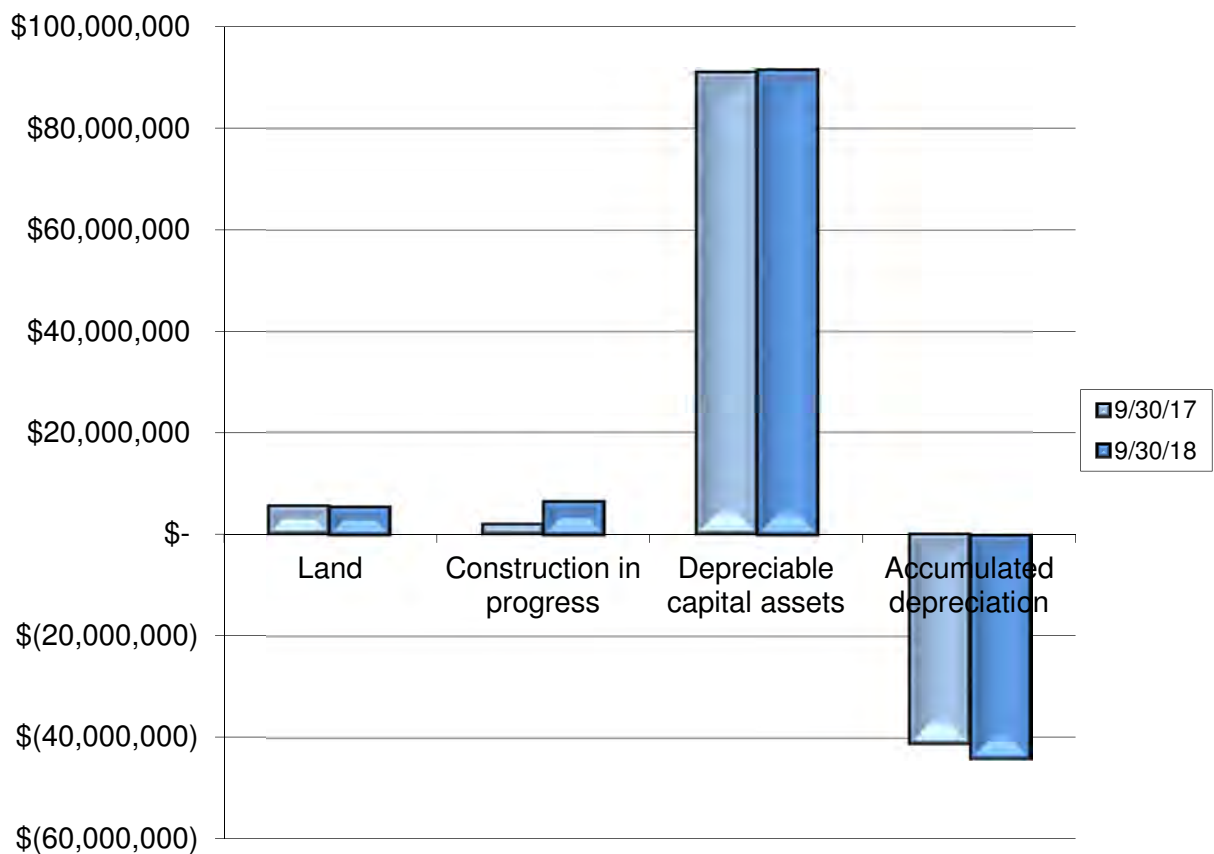
			Increase	%
	<u>9/30/17</u>	<u>9/30/18</u>	<u>(Decrease)</u>	<u>Inc</u>
Cash & cash equivalents	\$ 6,176,807	\$ 11,452,475	\$ 5,275,668	85%
Accounts receivable, net	314,734	222,360	(92,374)	-29%
Grants receivables	1,169,404	291,171	(878,233)	-75%
Other receivables	314,934	522,683	207,749	66%
Inventories	81,868	49,267	(32,601)	-40%
Prepaid expenses	<u>230,775</u>	<u>119,556</u>	<u>(111,219)</u>	-48%
Total Non-Capital Assets	<u>\$ 8,288,522</u>	<u>\$ 12,657,512</u>	<u>\$ 4,368,990</u>	53%

Capital Assets

The Airport's net capital assets as of September 30, 2018, and 2017 amounted to \$59,615,334 and \$57,528,350, respectively. This difference of \$2,086,984 accounts for a \$4,644,803 increase in construction in progress, a \$417,523 net increase in capital assets and an increase in accumulated depreciation of \$2,975,342. 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, 2017 and 2018:

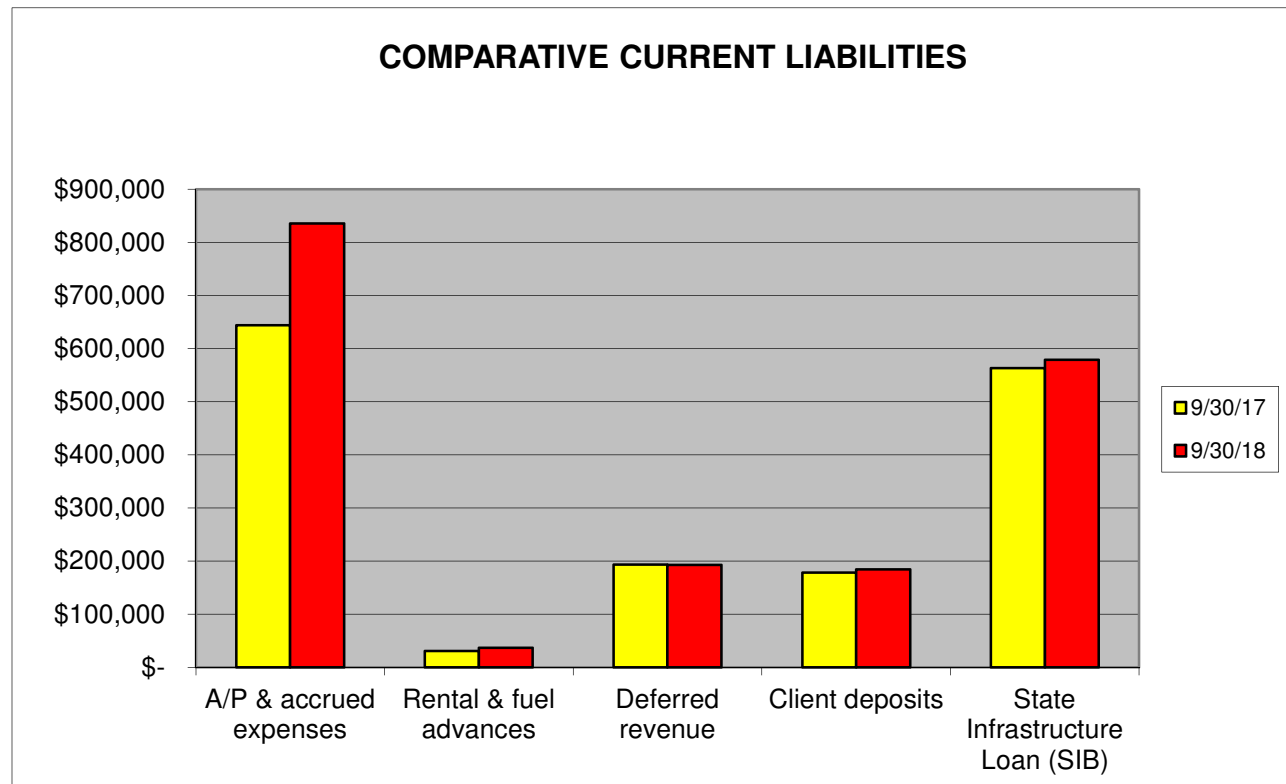
COMPARATIVE CAPITAL ASSETS



	<u>9/30/17</u>	<u>9/30/18</u>	<u>Increase (Decrease)</u>	<u>% Inc (Dec)</u>
Land	\$ 5,533,331	\$ 5,533,331	\$ -	0.0%
Construction in progress	1,940,268	6,585,071	4,644,803	239.4%
Depreciable capital assets	91,141,309	91,558,832	417,523	0.5%
Accumulated depreciation	<u>(41,086,558)</u>	<u>(44,061,900)</u>	<u>(2,975,342)</u>	7.2%
Total Capital Assets - Net	<u>\$ 57,528,350</u>	<u>\$ 59,615,334</u>	<u>\$ 2,086,984</u>	3.6%

Current Liabilities

As of September 30, 2018, the Airport's current liabilities totaled \$1,828,254 compared to \$1,609,883 in the previous fiscal year.

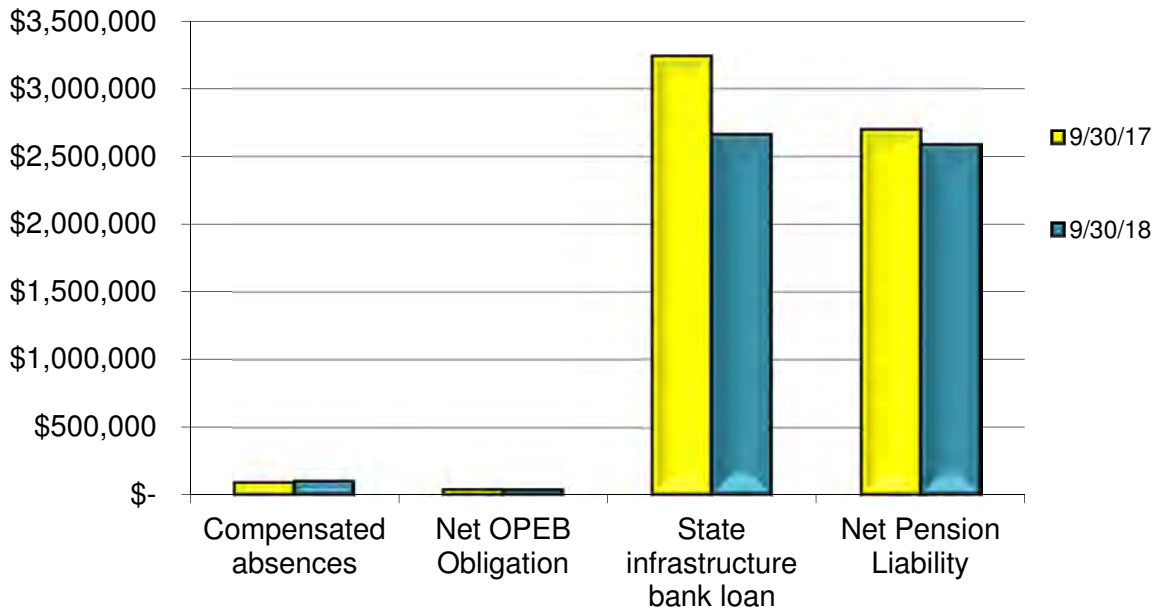


				%
			Increase	Inc
CURRENT LIABILITIES	9/30/17	9/30/18	(Decrease)	(Dec)
A/P & accrued expenses	\$ 643,935	\$ 835,545	\$ 191,610	30%
Rental & fuel advances	30,680	36,702	6,022	20%
Deferred revenue	193,506	192,766	(740)	0%
Client deposits	178,585	184,577	5,992	3%
State Infrastructure Loan (SIB)	<u>563,177</u>	<u>578,664</u>	<u>15,487</u>	3%
Subtotal	\$ 1,609,883	\$ 1,828,254	\$ 218,371	14%
 Total Current Liabilities	 <u>\$ 1,609,883</u>	 <u>\$ 1,828,254</u>		

Long-Term Liabilities

As of September 30, 2018, the Airport's long-term liabilities totaled \$5,381,838 compared to \$6,060,205 in the previous fiscal year. The decreased amount was the result of a decrease in the State infrastructure bank loan and a decrease in Net Pension Liability.

COMPARATIVE LONG-TERM LIABILITIES



LONG-TERM LIABILITIES			Increase	%
	<u>9/30/17</u>	<u>9/30/18</u>	<u>(Decrease)</u>	<u>Inc (Dec)</u>
Compensated absences	\$ 90,137	\$ 100,448	\$ 10,311	11%
Net OPEB Obligation	38,094	38,122	28	0%
State infrastructure bank loan	3,237,656	2,658,992	(578,664)	-18%
Net Pension Liability	<u>2,694,318</u>	<u>2,584,276</u>	<u>(110,042)</u>	-4%
Subtotal	<u>\$ 6,060,205</u>	<u>\$ 5,381,838</u>	<u>\$ (678,367)</u>	-11%
Total Long-Term Liabilities	<u>\$ 6,060,205</u>	<u>\$ 5,381,838</u>		

Financial Highlights

- In FY 2018, net position increased by \$6,542,003, substantially due to an increase in Airline Revenue, implementation of Passenger Facility Charges (PFCs), capital grants and an increase in Net-Operating and Non-Operating Income.
- Total operating revenues were \$14,543,625, an increase of \$2,511,400 compared to FY 2017. This increase was mostly due to a \$2,117,135 increase in airline related revenue, and an increase of \$312,362 in fuel sales
- Total operating expenses were \$10,577,608, an increase of \$1,227,128 in comparison to FY 2017. The components included increases in personnel expenses, cost of fuel, and airline related expenses.

*

The Year 2018 in Review

The Board and its staff have made 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.

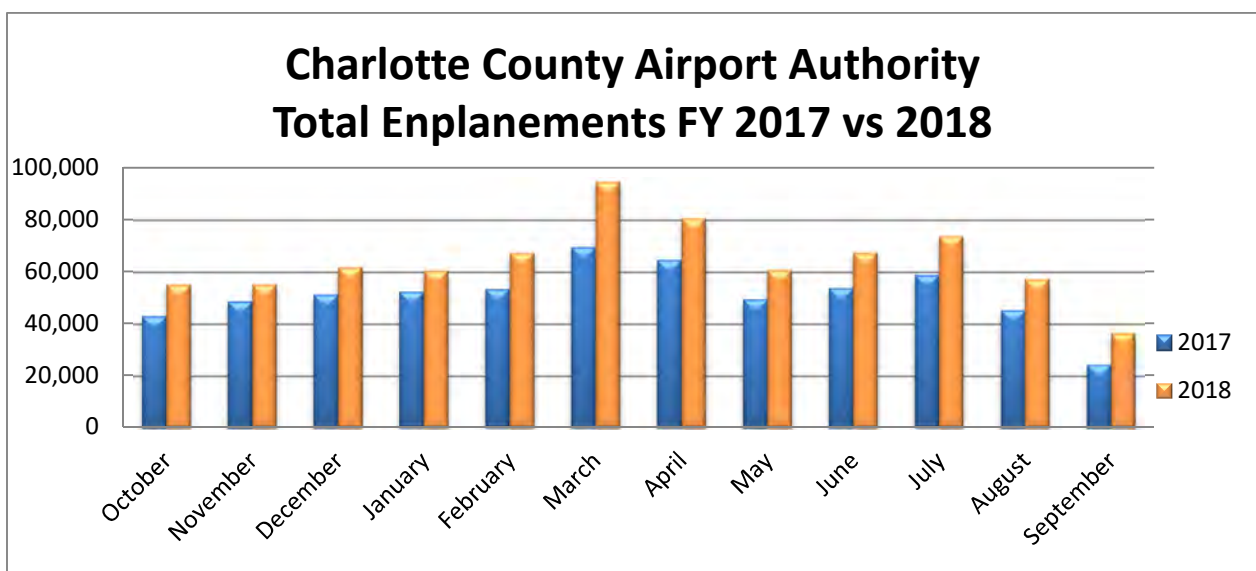


Allegiant Air provides commercial flight service with flights to many Northeast, Midwest, and Southeast U.S. destinations. They have added many new destinations to and from Punta Gorda.



Passenger Comparisons for Fiscal Years 2017 & 2018

Fiscal year 2018 recorded a total passenger count of 1,541,132 versus the previous fiscal year of 1,233,628 passengers, an increase of 24.9%. The Authority anticipates a slight increase in passenger numbers in 2019.



2017	Enplaned Total	Deplaned Total	Airline Totals
October	42,967	46,117	89,084
November	48,651	47,537	96,188
December	51,324	56,293	107,617
January	52,411	52,777	105,188
February	53,428	56,438	109,866
March	69,630	72,172	141,802
April	64,601	56,163	120,764
May	49,611	47,693	97,304
June	53,789	54,713	108,502
July	58,892	57,907	116,799
August	45,310	43,368	88,678
September	24,434	27,402	51,836
Totals	615,048	618,580	1,233,628

2018	Enplaned Total	Deplaned Total	Airline Totals
October	55,034	59,079	114,113
November	55,140	54,957	110,097
December	61,718	66,670	128,388
January	60,546	62,355	122,901
February	67,335	72,741	140,076
March	94,795	98,152	192,947
April	80,621	67,250	147,871
May	60,777	57,273	118,050
June	67,469	68,391	135,860
July	73,721	71,705	145,426
August	57,106	54,229	111,335
September	36,473	37,595	74,068
Totals	770,735	770,397	1,541,132

Many things are happening at the Punta Gorda Airport:



Aviation Appreciation Day 2018



FLYPGD TEAM FOR HANDS ACROSS THE HARBOR 2018

To benefit the Charlotte Harbor Environmental Center





Where do you want to go?



- 39 destination cities
- Nonstop flights
- Cheap & close parking
- Quick & easy access to gates
- Expedited screening available

28000 Airport Road, Punta Gorda, FL 33982

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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 2019 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. Increasing numbers of passengers, more destinations and low fares have resulted from 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 2016 to 2017 was approximately 18.6%. The growth in passengers year-over-year from 2017 to 2018 was nearly 25%. While the growth rate has since tapered off, we feel it will continue to exceed the average national growth rate for the next few years with the opening of the Sunseeker Resort.

The Airport made substantial progress in 2018, including work on the Airport's Master Plan Update and air carrier ramp expansion adjacent to the terminal, along with the final phase of hydraulic hangar door replacements.

For 2019 and 2020, the Airport's Capital Improvement Program includes airfield pavement rehabilitation, reconstruction and extension projects, a new general aviation center located at the north side of the airport, and mitigation and filling of wetlands.

The Airport is a self-supporting authority that in addition to airline revenues depends on concessions, fuel sale revenues, along with revenues from rentals of hangars, buildings and land leases to operate the airport. The Airport hosts approximately 400 based aircraft and has an active general aviation community. Airport property is home to aviation and non-aviation businesses currently providing employment to approximately 475 employees.

The Punta Gorda Airport is one of largest generators of economic activity in Charlotte County and is responsible for more than \$1.275 billion in total business sales as measured by the FDOT's 2018 Statewide Aviation Economic Impact Study. With multiplier impacts, the study attributed 12,392 in total employment and nearly \$419 million in labor income to Punta Gorda Airport. Management will continue to develop strategic partnerships and attract new businesses with the airport's great access to air transportation, easy access to Interstate 75 and nearby rail facilities.

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,267,898	\$ 5,998,222
Accounts receivable, net	222,360	314,734
Grant receivables	291,171	1,169,404
Other receivables	522,683	314,934
Inventories	49,267	81,868
Prepaid expenses	<u>119,556</u>	<u>230,775</u>
TOTAL CURRENT ASSETS	<u>12,472,935</u>	<u>8,109,937</u>
RESTRICTED ASSETS		
Cash and cash equivalents - tenant deposits	<u>184,577</u>	<u>178,585</u>
TOTAL RESTRICTED ASSETS	<u>184,577</u>	<u>178,585</u>
CAPITAL ASSETS		
Capital assets not being depreciated:		
Land	5,533,331	5,533,331
Construction in progress	6,585,071	1,940,268
Capital assets being depreciated:		
Buildings	46,688,625	46,688,625
Airport master plan	202,141	202,141
Capital improvements	39,016,070	38,598,148
Furniture, fixtures and equipment	5,620,696	5,601,095
Donated surplus equipment	31,300	51,300
Less: accumulated depreciation	<u>(44,061,900)</u>	<u>(41,086,558)</u>
CAPITAL ASSETS, NET	<u>59,615,334</u>	<u>57,528,350</u>
TOTAL ASSETS	<u>72,272,846</u>	<u>65,816,872</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,300,253</u>	<u>1,502,446</u>

The accompanying notes are an integral part of this statement.

	<u>2018</u>	<u>2017</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 835,545	\$ 643,935
Rental and fuel advances	36,702	30,680
Unearned revenue	192,766	193,506
Tenant deposits	184,577	178,585
State Infrastructure Bank (SIB) loan, current portion	<u>578,664</u>	<u>563,177</u>
TOTAL CURRENT LIABILITIES	<u>1,828,254</u>	<u>1,609,883</u>
LONG-TERM LIABILITIES		
State Infrastructure Bank (SIB) loan, net of current portion	2,658,992	3,237,656
Estimated liability for compensated absences	100,448	90,137
Net OPEB liability	38,122	38,094
Net pension liability	<u>2,584,276</u>	<u>2,694,318</u>
TOTAL LONG-TERM LIABILITIES	<u>5,381,838</u>	<u>6,060,205</u>
TOTAL LIABILITIES	<u>7,210,092</u>	<u>7,670,088</u>
DEFERRED INFLOWS OF RESOURCES	<u>303,348</u>	<u>131,574</u>
NET POSITION		
Net investment in capital assets	56,377,678	53,727,517
Unrestricted	<u>9,681,981</u>	<u>5,790,139</u>
TOTAL NET POSITION	<u>\$ 66,059,659</u>	<u>\$ 59,517,656</u>

CHARLOTTE COUNTY AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years ended September 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Fuel and oil sales	\$ 2,962,921	\$ 2,650,559
Industrial and commercial park rentals	1,094,035	1,061,173
Hangar rentals and tie downs	777,209	783,451
General-aviation-related concession, vending and fees	19,475	19,381
Airline-related revenues:		
Car rentals	5,421,567	4,186,254
Parking	3,069,359	2,362,611
Other, including LEO and concessions	1,068,239	893,166
Other operating revenues	130,820	75,630
TOTAL OPERATING REVENUES	14,543,625	12,032,225
OPERATING EXPENSES		
Salaries and wages	2,980,168	2,628,900
Payroll taxes and retirement	865,443	835,960
Personnel expenses	766,025	620,151
Cost of fuel and oil sales	1,728,593	1,495,215
Advertising	632	4,405
Marketing and promotional	141,923	113,353
Bank charges and credit card fees	46,188	47,243
Dues and subscriptions	43,378	53,022
Insurance	315,380	288,729
Legal and professional	162,522	219,977
Licenses and permits	22,864	4,797
Mowing	13,609	26,273
Postage	8,513	5,503
Repairs and maintenance and equipment fuel	530,521	546,304
Computer maintenance and expense	173,024	114,192
Supplies (including vending purchases)	274,609	230,700
Telephone and communications	43,274	29,668
Travel and auto allowance	36,987	45,804
Utilities	408,560	389,987
Airline expenses	1,968,690	1,603,546
Security	46,705	46,751
TOTAL OPERATING EXPENSES		
BEFORE DEPRECIATION	10,577,608	9,350,480
NET OPERATING INCOME		
BEFORE DEPRECIATION	3,966,017	2,681,745
Less: Depreciation	(3,341,419)	(3,712,009)
OPERATING REVENUE (LOSS)	\$ 624,598	\$ (1,030,264)

The accompanying notes are an integral part of this statement.

	2018	2017
OPERATING REVENUE (LOSS)		
from previous page	\$ 624,598	\$ (1,030,264)
NON-OPERATING REVENUES (EXPENSES)		
PFC's	1,687,426	-
Interest on investments	37,166	5,964
Miscellaneous revenue (expense)	184,981	(48,438)
Interest expense	(104,523)	(122,096)
Gain (loss) on disposition of capital assets	28,963	(482,283)
Insurance premium refund	22,357	17,684
Post retirement benefit accrual (expense)	(6,449)	(6,449)
Bank fees	(3,209)	(2,200)
Bad debt expense	(1,248)	(1,633)
NET NON-OPERATING INCOME (EXPENSES)	1,845,464	(639,451)
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	2,470,062	(1,669,715)
CAPITAL CONTRIBUTIONS		
Capital grants and contributions	4,071,941	2,565,997
TOTAL CAPITAL CONTRIBUTIONS	4,071,941	2,565,997
INCREASE (DECREASE) IN NET POSITION	6,542,003	896,282
NET POSITION - Beginning	59,517,656	58,621,374
NET POSITION - End of the year	<u>\$ 66,059,659</u>	<u>\$ 59,517,656</u>

The accompanying notes are an integral part of this statement.

CHARLOTTE COUNTY AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 14,432,285	\$ 11,868,304
Cash received (paid) from customer deposits	5,992	25,298
Other income received	1,894,764	(30,754)
Cash payments for goods and services	(5,630,543)	(4,922,705)
Cash payments to employees	<u>(4,343,821)</u>	<u>(3,729,230)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>6,358,677</u>	<u>3,210,913</u>
CASH FLOWS FROM NONCAPITAL FINANCING	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from government agencies	4,950,174	2,039,773
Acquisition and construction of capital assets	(5,444,952)	(3,848,737)
Principal payments (SIB)	(563,177)	(548,104)
Interest expense on debt (SIB)	(104,523)	(122,096)
Bank fees	(3,209)	(2,200)
Proceeds from disposition of capital assets	<u>45,512</u>	<u>4,150</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,120,175)</u>	<u>(2,477,214)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	<u>37,166</u>	<u>5,964</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>37,166</u>	<u>5,964</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,275,668	739,663
CASH AND CASH EQUIVALENTS - BEGINNING	<u>6,176,807</u>	<u>5,437,144</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 11,452,475</u>	<u>\$ 6,176,807</u>

The accompanying notes are an integral part of this statement.

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING REVENUE (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
OPERATING REVENUE (LOSS)	<u>\$ 624,598</u>	<u>\$ (1,030,264)</u>
Adjustments to reconcile operating revenue (loss) to net cash provided by (used in) operating activities:		
Depreciation	3,341,419	3,712,009
Bad debt expense	(1,248)	(1,633)
Plus non cash disposals	-	202,704
Miscellaneous non-operating net revenue	1,894,764	(30,754)
(Increase) decrease in accounts receivable	92,374	(47,496)
(Increase) decrease in other receivables	(207,749)	(95,015)
(Increase) decrease in inventories	32,601	(6,624)
(Increase) decrease in prepaid expenses	111,219	(27,573)
Increase (decrease) in accounts payable and accrued expenses	191,610	188,560
Increase (decrease) in rental and fuel advances	6,022	(49,697)
Increase (decrease) in unearned revenue	(740)	29,920
Increase (decrease) in tenant deposits	5,992	25,298
Increase (decrease) in estimated liability for compensated absences - non cash	10,311	19,379
Net increase (decrease) in pension and OPEB expense - non cash	<u>257,504</u>	<u>322,099</u>
TOTAL ADJUSTMENTS	<u><u>5,734,079</u></u>	<u><u>4,241,177</u></u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 6,358,677</u></u>	<u><u>\$ 3,210,913</u></u>

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 an elected 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.

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

Reporting entity, continued

The Authority has adopted 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 for 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, and 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 \$4,071,941 and \$2,565,997 for the years ended September 30, 2018 and 2017, 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 from 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 principal 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, 2018. The budget amendments decreased total budgeted revenues (operating and non-operating) by \$4,399,917 and decreased total budgeted expenses (operating and non-operating) by \$4,399,917.

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 \$5,000 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.

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

Capital assets and depreciation, continued

For the year ended September 30, 2018, \$0 debt-related interest cost was capitalized as part of the cost of construction. For the year ended September 30, 2017, debt related interest cost of \$0 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:

<u>Asset</u>	<u>Years</u>
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 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 derives a portion of its operating revenues from the rental and leasing of land, buildings, and aircraft hangars and tie-down space. 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, 2018 or 2017.

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 and OPEB 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 and OPEB results from the difference in the expected and actual amounts of expenditures, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided with these benefits through the pension and OPEB plans except earnings which are amortized over five to seven years.

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 19 of 66

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

Subsequent events

Subsequent events have been evaluated through January 15, 2019, which is the date the basic financial statements were available to be issued.

NOTE B - CASH AND INVESTMENTS

At September 30, 2018 and 2017, cash and cash equivalents were \$11,452,475 and \$6,176,807, including cash on hand of \$10,837 and \$7,613, respectively. The carrying amount of \$11,452,475 at September 30, 2018 was comprised of unrestricted cash of \$11,267,898 and restricted cash of \$184,577. At September 30, 2017, the carrying amount of \$6,176,807 was comprised of unrestricted cash of \$5,998,222 and restricted cash of \$178,585.

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, 2018 and 2017, all deposits are held in qualified public depositories pursuant to Florida Statutes Chapter 280, "Florida Security for Public Deposits Act". The Authority adheres to the requirements of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," in which all investments are reported at fair value. In addition, the Authority abides by Florida Statute 218.415(17) as its investment policy. 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, 2018</u>		
Unrestricted		
Depository accounts	\$ 11,322,293	\$ 11,257,061
Restricted		
Depository accounts - tenant deposits	184,577	184,577
	<u>\$ 11,506,870</u>	<u>\$ 11,441,638</u>
<u>September 30, 2017</u>		
Unrestricted		
Depository accounts	\$ 6,995,187	\$ 5,990,609
Restricted		
Depository accounts - tenant deposits	178,585	178,585
	<u>\$ 7,173,772</u>	<u>\$ 6,169,194</u>

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 20 of 66

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, 2018 or 2017 or at the respective year ends.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at September 30:

	2018	2017
Accounts receivable	\$ 222,360	\$ 314,734
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
Accounts receivable, net	<u>\$ 222,360</u>	<u>\$ 314,734</u>

An allowance for doubtful accounts is recorded in the amounts of \$0 and \$0 at September 30, 2018 and 2017, respectively. Bad debt expense for the years ended September 30, 2018 and 2017 was \$1,248 and \$1,633, respectively.

NOTE D - GRANT RECEIVABLES

Grant receivables consist of the following at September 30:

	2018	2017
<u>Federal Awards</u>		
U.S. Department of Transportation		
Master Plan (AIP 35)	\$ 14,291	\$ 117,430
Apron Expansion (AIP 36)	-	845,712
U.S. Department of Homeland Security		
Leo Award Program	50,165	41,530
<u>State Awards</u>		
Department of Transportation (FDOT)		
Hangar Repair & Door Replacement (GO 592)	225,921	158,208
Parking Facility Expansion (GOO75)	-	-
Master Plan (GOE 19)	<u>794</u>	<u>6,524</u>
	<u>\$ 291,171</u>	<u>\$ 1,169,404</u>

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 21 of 66

NOTE E - CAPITAL ASSET ACTIVITY

The following is a summary of changes in capital asset activity for the year ended September 30, 2018:

	Balance October 1 2017	Additions	Deletions	Adjustments/ Reclasses	Balance September 30 2018
Capital Assets Not Being Depreciated:					
Land	\$ 5,533,331	\$ -	\$ -	\$ -	\$ 5,533,331
Construction in Progress	<u>1,940,268</u>	<u>5,009,280</u>	<u>-</u>	<u>(364,477)</u>	<u>6,585,071</u>
Total Capital Assets					
Not Being Depreciated	<u>7,473,599</u>	<u>5,009,280</u>	<u>-</u>	<u>(364,477)</u>	<u>12,118,402</u>
Capital Assets Being Depreciated:					
Buildings	46,688,625	-	-	-	46,688,625
Airport Master Plan	202,141	-	-	-	202,141
Capital Improvements	38,598,148	53,445	-	364,477	39,016,070
Furniture, Fixtures and Equipment	5,601,095	382,227	(362,626)	-	5,620,696
Donated Surplus Equip.	<u>51,300</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>31,300</u>
Total Capital Assets Being Depreciated	<u>91,141,309</u>	<u>435,672</u>	<u>(382,626)</u>	<u>364,477</u>	<u>91,558,832</u>
Less Accumulated Depreciation:					
Buildings	(14,457,037)	(1,701,343)	-	-	(16,158,380)
Airport Master Plan	(202,140)	-	-	-	(202,140)
Capital Improvements	(24,098,655)	(1,059,743)	-	-	(25,158,398)
Furniture, Fixtures and Equipment	(2,287,596)	(579,203)	346,077	-	(2,520,722)
Donated Surplus Equip.	<u>(41,130)</u>	<u>(1,130)</u>	<u>20,000</u>	<u>-</u>	<u>(22,260)</u>
Total Accum. Depreciation	<u>(41,086,558)</u>	<u>(3,341,419)</u>	<u>366,077</u>	<u>-</u>	<u>(44,061,900)</u>
Capital Assets, Net	<u>\$57,528,350</u>	<u>\$ 2,103,533</u>	<u>\$ (16,549)</u>	<u>\$ -</u>	59,615,334
		Related Long Term Debt			<u>(3,237,656)</u>
		Net Investment in Capital Assets			<u>\$ 56,377,678</u>

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 22 of 66

NOTE E - CAPITAL ASSET ACTIVITY, CONTINUED

The depreciation expense for the years ended September 30, 2018 and 2017, was \$3,341,419 and \$3,712,009, respectively.

At September 30, 2018 and 2017, the Authority leased to various tenants buildings with a cost \$24,118,539 and \$24,118,539 which had accumulated depreciation of \$12,713,643 and \$12,036,400 and depreciation expense of \$677,243 and \$591,156, 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:

	SIB Loan	Line of Credit	Accrued Compensated Absences	Net OPEB Liability	Net Pension Liability	Total
Balance - Sept. 30, 2016	\$ 4,348,937	\$ -	\$ 70,758	\$ 75,294	\$ 2,239,021	\$ 6,734,010
Borrowings/Increase (net)	-	-	19,379	6,449	455,297	481,125
GASB no. 75 adjustment	-	-	-	(43,649)	-	(43,649)
Principal retired (net)	(548,104)	-	-	-	-	(548,104)
Balance - Sept. 30, 2017	3,800,833	-	90,137	38,094	2,694,318	6,623,382
Borrowings/Increase (net)	-	-	10,311	28	-	10,339
Principal retired/decrease (net)	(563,177)	-	-	-	(110,042)	(673,219)
Balance - Sept. 30, 2018	3,237,656	-	100,448	38,122	2,584,276	5,960,502
Principal due within						
one (1) year	(578,664)	-	-	-	-	(578,664)
Long Term Portion	<u>\$ 2,658,992</u>	<u>\$ -</u>	<u>\$ 100,448</u>	<u>\$ 38,122</u>	<u>\$ 2,584,276</u>	<u>\$ 5,381,838</u>

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 23 of 66

NOTE F - LONG-TERM DEBT, CONTINUED

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

	<u>2018</u>	<u>2017</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.	\$ 100,448	\$ 90,137
Net OPEB liability - GASB No. 75 actuarially determined	38,122	38,094
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, 2018 and 2017.	1,751,713	1,837,767
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, 2018 and 2017.	832,563	856,551
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>3,237,656</u>	<u>3,800,833</u>
Total	5,960,502	6,623,382
Less: current portion	<u>(578,664)</u>	<u>(563,177)</u>
Long-term portion	<u>\$ 5,381,838</u>	<u>\$ 6,060,205</u>

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 24 of 66

NOTE F - LONG-TERM DEBT, CONTINUED

The annual debt service requirements at September 30, 2018, were as follows:

Years Ending September 30	Total Principal	Total Interest	Total
SIB Loan Payable:			
2019	\$ 578,664	\$ 89,036	\$ 667,700
2020	594,578	73,122	667,700
2021	610,929	56,771	667,700
2022	627,729	39,971	667,700
2023	644,992	22,708	667,700
2024-2025	180,764	4,971	185,735
Total SIB Loan Payable	<u>3,237,656</u>	<u>286,579</u>	<u>3,524,235</u>
Accrued compensated absences	100,448	-	100,448
Net OPEB liability	38,122	-	38,122
Net pension liability	<u>2,584,276</u>	<u>-</u>	<u>2,584,276</u>
Total Long-Term Debt	<u>\$ 5,960,502</u>	<u>\$ 286,579</u>	<u>\$ 6,247,081</u>

Interest costs of \$104,523 were expensed during the year ended September 30, 2018. Interest costs in the amount of \$122,096 incurred during the year ended September 30, 2017 were expensed.

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 did not renew the Commitment Letter upon its maturity on May 31, 2018. The LOC included a variable interest rate equal to 67% of the 30 day LIBOR rate plus 261 basis points payable monthly. Principal and interest was due in full at maturity. During the years ended September 30, 2018 and 2017, no amounts were borrowed on the LOC. The Authority, however, paid \$0 and \$2,500 to renew the LOC for the years ended September 30, 2018 and 2017, respectively.

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 ("DROP") 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, 2018, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The Authority's total pension expense was \$532,430, \$585,560 and \$227,135 for the years ended September 30, 2018, 2017 and 2016, respectively. The Authority's actual total contributions to the Plan was \$269,291 for the year ended September 30, 2018. 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
Elected Officers' Class	3.00

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 28 of 66

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, 2018 were as follows:

Class	Percent of Gross Salary*		
	Employee	Employer (1)	Employer (3)
Florida Retirement System, Regular	3.00	7.92	8.26
Florida Retirement System, Senior Management Service	3.00	22.71	24.06
Florida Retirement System, Special Risk	3.00	23.27	24.50
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	13.26	14.03
Florida Retirement System, Reemployed Retiree	(2)	N/A	N/A
Florida Retirement System, Elected Official	3.00	45.50	48.70

Notes:

- (1) 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 7/1/17 - 6/30/18.
- (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 .06 percent for administrative costs for the Investment Plan. Rates for 7/1/18 - 6/30/19.

* As defined by the Plan.

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 29 of 66

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, 2018, the Authority reported an FRS pension liability of \$1,751,713 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Authority's proportionate share of the net pension liability was based on the Authority's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At September 30, 2018, the Authority's proportionate share was .005815680 percent, which was a decrease of .039733200 percent from its proportionate share measure as of September 30, 2017.

For the year ended September 30, 2018, the Authority recognized FRS pension expense of \$417,045. 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	\$ 148,396	\$ 5,386
Change of assumptions	572,375	-
Net difference between projected and actual earnings on pension plan investments	-	135,341
Changes in proportion and differences between Authority contributions and proportionate share of contributions	209,398	-
Authority contributions subsequent to the measurement date	45,834	59,778
Total	<u>\$ 976,003</u>	<u>\$ 200,505</u>

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

FRS Pension Plan, continued

The deferred outflows of resources related to the FRS pension, totaling \$45,834 resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. 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
2019	\$ 126,351
2020	126,351
2021	126,351
2022	126,350
2023	160,186
Thereafter	<u>64,075</u>
Total	<u><u>\$ 729,664</u></u>

Actuarial Assumptions. The total pension liability in the July 1, 2018, 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	7.00 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, 2018, 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%	2.9%	2.9%	1.8%
Fixed income	18.00%	4.4%	4.3%	4.0%
Global equity	54.00%	7.6%	6.3%	17.0%
Real estate (property)	11.00%	6.6%	6.0%	11.3%
Private equity	10.00%	10.7%	7.8%	26.5%
Strategic investments	<u>6.00%</u>	6.0%	5.7%	8.6%
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 7.00 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
Authority's proportionate share of the net pension liability	<u>\$ 3,196,949</u>	<u>\$ 1,751,713</u>	<u>\$ 551,358</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, 2018.

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

Payables to the Pension Plan. At September 30, 2018, the Authority reported a payable of \$1,837 for the outstanding amount of contributions in the pension plan required for the year ended September 30, 2018.

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, 2018, 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, 2018, 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, 2018, the Authority reported a HIS liability of \$832,563 for its proportionate share of the net HIS Plan's net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability was used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Authority's proportionate share of the net HIS liability was based on the Authority's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 34 of 66

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

HIS Plan, continued

year contributions of all participating members. At September 30, 2018, the Authority's proportionate share was .007866159 percent, which was a decrease of .000144630 percent from its proportionate share measured as of September 30, 2017.

For the fiscal year ended September 30, 2018, the Authority recognized HIS expense of \$115,385. 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	\$ 12,746	\$ 1,414
Change of assumptions	92,591	-
Net difference between projected and actual earnings on HIS pension plan investments	503	88,026
Changes in proportion and differences between Authority HIS contributions and proportionate share of HIS contributions	206,728	12,617
Authority contributions subsequent to the measurement date	11,682	-
Total	<u>\$ 324,250</u>	<u>\$ 102,057</u>

The deferred outflows of resources related to HIS, totaling \$11,682, resulting from Authority contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2018.

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>
2019	\$ 33,998
2020	33,998
2021	33,998
2022	33,987
2023	33,872
Thereafter	40,648
Total	<u>\$ 210,501</u>

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

HIS Plan, continued

Actuarial Assumptions. The total pension liability in the July 1, 2018, 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	3.87 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 3.87 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 3.87 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 (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Authority's proportionate share of the net HIS liability	\$ 948,240	\$ 832,563	\$ 736,139

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 ("FRS CAFR") dated June 30, 2018.

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

Payables to the Pension Plan. At September 30, 2018, the Authority reported a payable of \$459 for the outstanding amount of contributions to the HIS plan required for the fiscal year ended September 30, 2018.

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

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 37 of 66

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 2017-18 fiscal year were as follows:

Class	Percent of Gross Salary*		
	Employee	Employer (1)	Employer (3)
Florida Retirement System, Regular	3.00	7.92	8.26
Florida Retirement System, Senior Management Service	3.00	22.71	24.06
Florida Retirement System, Special Risk	3.00	23.27	24.50
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	13.26	14.03
Florida Retirement System, Reemployed Retiree	(2)	N/A	N/A
Florida Retirement System, Elected Official	3.00	45.50	48.70

Notes:

- (1) 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 7/1/17 - 6/30/18.
- (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 .06 percent for administrative costs for the Investment Plan. Rates for 7/1/18 - 6/30/19.

* 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, 2018, 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 \$120,210 for the fiscal year ended September 30, 2018.

Payables to the Investment Plan. At September 30, 2018, the Authority reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2018.

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, 2018 and 2017, the Authority contributed \$90,391 and \$99,704, 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 \$296,376 and \$288,729 for these coverages for the years ended September 30, 2018 and 2017, respectively.

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, 2018 and 2017, the Authority paid \$672,556 and \$589,544, 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, 2018, 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.

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 40 of 66

NOTE K - CONSTRUCTION-RELATED COMMITMENTS

The following is a summary of construction projects contracted by the Authority and not yet completed at September 30, 2018:

	Contract Price	Amounts Paid Through September 30, 2018
Master Plan-AIP 35/GOE19	\$ 1,449,140	\$ 1,288,548
Hangar Repair & Door Replacement -GO 592	1,680,000	1,382,298
Terminal Curbside	34,800	4,700
PFC #2	70,000	14,000
Airport Roadway Network Improvements	78,990	45,090
Share Point Intranet	43,800	11,900
Wetland Mitigation Phase 1 & 2- AIP 37	261,423	3,692
	<u>\$ 3,618,153</u>	<u>\$ 2,750,228</u>

NOTE L - UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at September 30:

	2018	2017
Designated for losses, storm, fire and vandalism	\$ 26,362	\$ 24,862
Designated for insurance escrow	208,892	208,892
Designated for building	1,359,816	859,816
Designated for contaminants and pollutant assessments	107,500	107,500
Parking lot reserve	360,621	-
Air Traffic/ Navigation/ Safety	237,864	-
Rental Car Improvement	42,596	-
Total Designated	2,343,651	1,201,070
Undesignated	7,338,330	4,589,069
Total Unrestricted Net Assets	<u>\$ 9,681,981</u>	<u>\$ 5,790,139</u>

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 41 of 66

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, 2018, minimum future rentals of operating leases were as follows:

	Years Ending September 30	Amount
	2019	\$ 1,100,560
	2020	1,185,421
	2021	1,167,303
	2022	1,160,103
	2023	1,200,469
	2024-2028	5,288,318
	2029-2033	3,176,745
	2034-2038	2,793,491
Total minimum future revenue		<u>\$ 17,072,410</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, the Authority provides medical health plans to employees of the Authority and their eligible dependents, the Authority is 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, life, vision and dental plan. The Authority, therefore, must offer such coverage to its retirees. The Charlotte County plan is a defined benefit 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").

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 42 of 66

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

Plan description

The year ended September 30, 2018, was the Authority's required transition year. As such, the Authority recorded its net OPEB liability of \$38,122 at September 30, 2018 due to implementation of GASB No. 75.

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 retirement 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 and dependents may elect coverage in the dental and/or vision plans offered by the Plan. However, they must contribute 100% of the active premium rates.

Membership

As of September 30, 2018, the Authority's membership consisted of:

	<u>Amount</u>
Active Employees, including the Board	32
Inactives	<u>1</u>
	<u>33</u>

**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.

The County had an actuarial valuation performed as of October 1, 2016 using an October 1, 2017 measurement date, to determine the other postemployment benefits (OPEB) annual required contribution (ARC) and Plan obligations for the fiscal year ended September 30, 2018.

The District subsidizes the premium rates paid by retirees by allowing them to participate at blended premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, retiree claims are expected to result in higher costs to the plan on average than those of active employees.

Actuarial Methods and Assumptions

At September 30, 2018, the Authority's net OPEB liability of \$38,122 was measured as of October 1, 2017, and was determined by an actuarial valuation as of October 1, 2016. The following actuarial assumptions and other inputs were applied to all periods included in the measurement:

Salary Increases	3.70% - 7.80%
Discount Rate	3.50% (2018) (3.10% in 2016)
Annual healthcare cost trend using the Society of Actuaries Long-Run Medical Cost Trend Getzen Model baseline assumptions with an initial rate of 6.5% per year trending to 4.40% by 2040.	

The discount rate was based on the 20 Year Municipal Bond Rate with AA/Aa or higher.

Individual entry age percent of pay actuarial cost method was used.

The FRS salary scale was used as of 2014.

Mortality rates were based on the RP-2000 Generational Healthy mortality Table used for the October 1, 2016 actuarial valuation.

The actuarial assumptions used in the September 30, 2018 valuation were based on results of an actuarial experience study performed for the FRS Retirement Plan for 2014.

Price inflation rate of 2.60%

The rationales for selecting each of the assumptions used in the financial accounting valuation and for the assumptions changes summarized above are to best reflect the current market conditions and recent plan experience.

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 44 of 66

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

Demographic Assumptions

Rates of participation used: 50% of participants retiring before age 65 who are eligible for OPEB supplement and 25% for those not eligible. 10% of all participants are assumed to elect post age 65 coverage.

<u>Changes in the Total OPEB Liability</u>	<u>Amount</u>
Balance at September 30, 2017	\$ 38,094
Changes for the year:	
Service Cost	5,300
Interest	1,258
Benefit Changes	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions	(879)
Contributions from Employer	(5,651)
Net Changes	28
Balance at September 30, 2018	<u><u>\$ 38,122</u></u>

The following presents the total OPEB liability of the District as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percent higher or 1 percent lower than the current discount rate.

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	<u>2.50%</u>	<u>3.50%</u>	<u>4.50%</u>
OPEB Liability	<u>\$ 40,338</u>	<u>\$ 38,122</u>	<u>\$ 35,992</u>

The following presents the total OPEB liability of the District as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1 percent higher or 1 percent lower than the current healthcare trend rate.

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	<u>5.5-3.4%</u>	<u>6.5-4.4%</u>	<u>7.5-5.4%</u>
OPEB Liability	<u>\$ 34,188</u>	<u>\$ 38,122</u>	<u>\$ 42,901</u>

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 45 of 66

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

Changes in the Total OPEB Liability, continued

For the year ended September 30, 2018, the District recognized OPEB expense of \$6,465. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	(786)
Net difference between projected and actual earnings	-	-
Employer contribution subsequent to measurement date	-	-
Total	<u>\$ -</u>	<u>\$ (786)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30:	Amount
2019	\$ (93)
2020	(93)
2021	(93)
2022	(93)
2023	(93)
Total Thereafter	<u>(321)</u>
	<u>\$ (786)</u>

NOTE O - PASSENGER FACILITY CHARGES (PFC)

During the year ended September 30, 2017, the Authority was approved by the FAA to implement a Passenger Facility Charge (PFC) on commercial airline passengers using the Authority's facilities at a rate of \$2.00 per passenger until such time that the Authority collects \$5,225,793, which is estimated to be in 2022. The PFC was implemented in August 2017. The first PFC receipts were received by the Authority during the year ended September 30, 2018 which are accounted for and reported on a cash basis.

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018 and 2017

Page 46 of 66

NOTE P - 401(a) RETIREMENT PLAN

Plan 3 - Plan description and Provisions - 401(a)

The Board of Commissioners established the 401(a) Retirement Plan for the general executive level employees. The Plan was effective on November 17, 2016. At September 30, 2018, the Plan had two (2) active participants.

The Authority's total contributions to the Plan for the years ended September 30, 2018 and 2017, were \$31,052 and \$14,580, respectively.

NOTE Q - CHANGES IN ACCOUNTING PRINCIPLE

During the year ended September 30, 2018, the Authority implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The implementation of the pronouncement required the restatement of the Authority's September 30, 2017 governmental activities - net position as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Net Position, as Previously Reported	\$ 59,474,007
Cumulative Effect of GASB 75	
Other Post Employment Liability (OPEB)	<u>43,649</u>
Net Position, As Restated	<u><u>\$ 59,517,656</u></u>

**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, 2018

Page 47 of 66

	Original Budget	Final Budget	Actual	Variance
OPERATING REVENUES				
Fuel and oil sales	\$ 2,620,540	\$ 2,962,921	\$ 2,962,921	\$ -
Industrial and commercial park rentals	1,110,192	1,094,035	1,094,035	-
Hangar rentals and tie downs	776,275	777,212	777,209	(3)
General-aviation-related concession, vending and fees	16,970	19,475	19,475	-
Airline-related revenues:				-
Car rentals	4,794,768	5,421,567	5,421,567	-
Parking	2,727,425	3,069,359	3,069,359	-
Other, including LEO and concessions	944,667	1,070,027	1,068,239	(1,788)
Other operating revenues	-	88,224	130,820	42,596
TOTAL OPERATING REVENUES	12,990,837	14,502,820	14,543,625	40,805
OPERATING EXPENSES				
Salaries and wages	3,044,725	2,979,662	2,980,168	(506)
Payroll taxes and retirement	573,022	607,939	607,939	-
Personnel expenses	764,761	766,025	766,025	-
Cost of fuel and oil sales	1,436,392	1,728,593	1,728,593	-
Advertising	6,000	16,146	632	15,514
Marketing and promotional	200,000	118,694	141,923	(23,229)
Bank charges and credit card fees	46,831	46,188	46,188	-
Dues and subscriptions	39,003	43,378	43,378	-
Insurance	293,000	315,380	315,380	-
Legal and professional	256,897	165,029	162,522	2,507
Licenses and permits	5,073	22,864	22,864	-
Mowing	24,000	13,609	13,609	-
Postage	5,864	8,513	8,513	-
Repairs and maintenance and equipment fuel	491,726	530,521	530,521	-
Computer maintenance and expense	155,981	164,342	173,024	(8,682)
Supplies (including vending purchases)	270,639	272,679	274,609	(1,930)
Telephone and communications	34,049	43,274	43,274	-
Travel and auto allowance	74,739	36,987	36,987	-
Utilities	381,797	408,560	408,560	-
Airline expenses	1,711,393	1,968,690	1,968,690	-
Security	64,437	46,705	46,705	-
TOTAL OPERATING EXPENSES				
BEFORE DEPRECIATION	9,880,329	10,303,778	10,320,104	(16,326)
NET OPERATING INCOME (LOSS)				
BEFORE DEPRECIATION	3,110,508	4,199,042	4,223,521	24,479
Less: Depreciation	(3,712,000)	(3,341,419)	(3,341,419)	-
OPERATING REVENUE (LOSS)	\$ (601,492)	\$ 857,623	\$ 882,102	\$ 24,479

The accompanying notes are an integral part of this statement.

CHARLOTTE COUNTY DEVELOPMENT AUTHORITY

Page 48 of 66

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, 2018

	Original Budget	Final Budget	Actual	Variance
OPERATING REVENUE (LOSS), BROUGHT FORWARD	<u>\$ (601,492)</u>	<u>\$ 857,623</u>	<u>\$ 882,102</u>	<u>\$ 24,479</u>
NON-OPERATING REVENUES (EXPENSES)				
PFC's	1,443,449	1,687,426	1,687,426	-
Grant receipts (contributed capital)	6,630,804	4,071,941	4,071,941	-
SIB loan proceeds	-	-	-	-
Interest on investments	2,998	37,263	37,166	(97)
Construction in progress	(9,601,070)	(5,009,280)	(5,009,280)	-
Miscellaneous revenue (expense)	-	185,454	184,981	(473)
Interest expense	(107,023)	(104,523)	(104,523)	-
Gain (loss) on disposition of capital assets	-	28,963	28,963	-
Insurance premium refund	-	22,357	22,357	-
Reserves	(1,005,936)	(1,099,985)	-	1,099,985
Net assets carryforward	4,284,438	416,385	-	(416,385)
Capital expenditures	(474,900)	(519,527)	(435,674)	83,853
SIB loan principal retirement	(563,177)	(563,177)	(563,177)	-
Post retirement benefit accrual	(5,261)	(6,449)	(6,449)	-
Bank fees	(2,830)	(1,262)	(3,209)	(1,947)
Bad debt expense	-	(3,209)	(1,248)	1,961
NET NON-OPERATING REVENUE (LOSS)	<u>601,492</u>	<u>(857,623)</u>	<u>(90,726)</u>	<u>766,897</u>
NET INCOME (LOSS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791,376</u>	<u>\$ 791,376</u>

Reconciliation:

Net income (Non-GAAP Budgetary Basis)	\$ 791,376
Add: Capital outlay (expenditures)	435,674
Construction in progress	5,009,280
SIB Loan principal retirement	563,177
Less: SIB loan proceeds	-
Net change to net OPEB expense	(814)
Net change to net pension expense	<u>(256,690)</u>
Increase in Net Position (GAAP Basis)	6,542,003
Net Position - beginning of the year, as restated	<u>59,517,656</u>
Net Position - end of the year	<u>\$ 66,059,659</u>

The accompanying notes are an integral part of this statement.

CHARLOTTE COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2018

<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>
FEDERAL AWARDS			
<u>U.S. Department of Transportation - Federal Aviation Administration</u>			
MAJOR (TYPE A) - FEDERAL AWARDS			
Terminal Expansion	20.106	AIP33 (AQK37)	3-12-0067-033-2014
Master Plan	20.106	AIP35 (GOE19)	3-12-0067-035-2016
Apron Extension	20.106	AIP36 (GO032)	3-12-0067-036-2017
 NON-MAJOR (TYPE B) - FEDERAL AWARDS			
Passed through State of Florida Department of Transportation			
SIB Loan	20.205	N/A	FM #431903-1
 NON-MAJOR (TYPE B) - FEDERAL AWARDS			
<u>U.S. Department of Homeland Security</u>			
LEO Award Program	97.090	HSTS0216HSLR766	P00004
TOTAL FEDERAL FINANCIAL AWARDS			

(1) Includes receivable of \$14,291

(2) Outstanding SIB loan balance at 9/30/18 was \$3,237,656. Principal was repaid in the amount of \$563,177 during the year ended 9/30/18.

(3) Includes receivable of \$50,165

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

Note: The Authority records the Federal LEO grant revenue of \$102,310 as airline operating revenue.

Reconciliation to Statement of Revenues, Expenses and Changes in Net Position:

	<u>Revenue</u>
Federal Capital Grants	\$ 3,444,754 (4)
LEO Award (Operating)	(102,310) (O)
State Financial Assistance	<u>729,497</u>
Capital Grants and Contributions	<u>\$ 4,071,941</u>

<u>Program/ Award Amount</u>	<u>Receipts/ Revenue Recognized</u>		<u>Disbursements/ Expenditures</u>	<u>Pass Through to Subrecipients</u>
\$ 6,698,025	\$ 501,978	(C)	\$ 501,978	\$ -
1,304,226	325,327	(1) (C)	325,327	-
<u>3,744,598</u>	<u>2,515,139</u>	(C)	<u>2,515,139</u>	<u>-</u>
<u>11,746,849</u>	<u>3,342,444</u>		<u>3,342,444</u>	<u>-</u>
<u>5,800,000</u>	<u>-</u>	(2) (L)	<u>-</u>	<u>-</u>
<u>221,000</u>	<u>102,310</u>	(3) (O)	<u>102,310</u>	<u>-</u>
<u>\$ 17,767,849</u>	<u>\$ 3,444,754</u>	(4)	<u>\$ 3,444,754</u>	<u>\$ -</u>

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS

Page 50 of 66

Year ended September 30, 2018

NOTE A - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards 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 OMB Uniform Guidance.

Expenditures reported on the Schedule of Expenditures of Federal Awards 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 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. 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 OMB 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 year ended September 30, 2018, 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)

	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.005815680%	0.005315291%	0.005782606%	0.005315291%
Authority's proportionate share of the net pension liability	\$ 1,751,713	\$ 1,837,767	\$ 1,460,113	\$ 686,541
Authority's covered-employee payroll	\$ 2,980,168	\$ 2,665,302	\$ 2,292,120	\$ 1,743,026
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.78%	68.95%	63.70%	39.39%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%

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)

	2018	2017	2016	2015
Contractually required contribution	\$ 215,433	\$ 173,651	\$ 177,006	\$ 128,840
Contributions in relation to the contractually required contribution	<u>215,433</u>	<u>173,651</u>	<u>177,006</u>	<u>128,840</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 2,980,168	\$ 2,665,302	\$ 2,292,170	\$ 1,743,069
Contributions as a percentage of covered-employee payroll	7.23%	6.52%	7.72%	7.39%

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.

<u>2014</u>	
0.004310256%	
\$	262,989
\$	1,493,081
17.61%	
96.09%	

<u>2014</u>	
\$	120,539
<u>120,539</u>	
<u>\$</u>	<u>-</u>
\$	1,493,081
8.07%	

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

	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.007866159%	0.008010789%	0.006683273%	0.005513890%
Authority's proportionate share of the net pension liability	\$ 832,563	\$ 856,551	\$ 778,908	\$ 562,330
Authority's covered-employee payroll	\$ 2,980,168	\$ 2,665,302	\$ 2,292,170	\$ 1,743,069
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	27.94%	32.14%	33.98%	32.26%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

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)

	2018	2017	2016	2015
Contractually required contribution	\$ 53,858	\$ 46,161	\$ 50,129	\$ 59,064
Contributions in relation to the contractually required contribution	53,858	46,161	50,129	59,064
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 2,980,168	\$ 2,655,302	\$ 2,292,170	\$ 1,743,069
Contributions as a percentage of covered-employee payroll	1.81%	1.73%	2.19%	3.39%

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.

<u>2014</u>	
0.004675696%	
\$	437,189
\$	1,493,081
29.28%	
0.99%	

<u>2014</u>	
\$	27,119
<u>27,119</u>	
\$	-
\$	1,493,081
1.82%	

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 7.10% to 7.00%. 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 3.87% 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, 2018, 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 7.10 percent to 7.00 percent.

Health Insurance Subsidy Pension Plan

The municipal rate used to determine total pension liability increased from 3.58 percent to 3.87 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, 2018, was 6.4 years for FRS (6.4 years in FY 17) and 7.2 years (7.2 for FY 17) for HIS.

CHARLOTTE COUNTY AIRPORT AUTHORITY
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND
RELATED RATIOS GASB 75
September 30, 2018

Page 55 of 66

Changes in Employer's Net OPEB Liability and Related Ratios as of September 30:

Net OPEB Liability	2018
Service Cost	\$ 5,300
Interest Cost	1,258
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes in Assumptions	(879)
Benefit Payments	(5,651)
Net Change in total OPEB Liability	28
Net OPEB Liability - Beginning of Year	38,094
Net OPEB Liability - End of Year	<u>\$ 38,122</u>

NOTE: Information for FY 2017 and earlier is not available.

Plan Fiduciary Net Position as of September 30:

	2018
Contributions - Employer	\$ -
Net Investment Income	-
Benefit Payments	-
Administrative Expense	-
Net Change in Fiduciary Net Position	-
Fiduciary Net Position - Beginning of Year	-
Fiduciary Net Position - End of Year	<u>\$ -</u>
Net OPEB Liability	38,122
Fiduciary Net Position as a % of Total OPEB Liability	2.33%

Covered-Employee Payroll *
Net OPEB Liability as a % of Payroll *

Expected Average Remaining Service Years of All Participants 11

* Because this OPEB plan does not depend on salary, no information is provided.

NOTE: Information for FY 2017 and earlier is not available.

Notes to the Schedule:

Benefit Changes None
Changes of Assumptions The discount rate was changed as follows:
9/30/17 4.00%
9/30/18 3.50%

Population covered by Plan: 32 active 1 inactive

Plan has no specific trust established and no assets were assigned for OPEB by the Authority.

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, 2018, 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 15, 2019.

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 from 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 one instance of noncompliance that is required to be reported under Government Auditing Standards as noted in our Independent Auditor's Report to Management dated January 15, 2019.

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, stylized font.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 15, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited Charlotte County Airport Authority's compliance with the types of compliance requirements described in the OMB Compliance Supplement as applicable, that could have a direct and material effect on each of Charlotte County Airport Authority's major federal programs for the year ended September 30, 2018. Charlotte County Airport Authority's major federal programs 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Charlotte County Airport Authority's major federal programs 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"). Those standards, and the Uniform Guidance 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 occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each major federal program. 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 for the year ended September 30, 2018.

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 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 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 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 OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 15, 2019

CHARLOTTE COUNTY AIRPORT AUTHORITY

Page 61 of 66

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS

Year ended September 30, 2018

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 33
20.106	Federal Aviation Administration - AIP 35
20.106	Federal Aviation Administration - AIP 36

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, CONTINUED
Year ended September 30, 2018

Page 62 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.

**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, 2018. 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, 2018.

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 15, 2019

INTEGRITY SERVICE EXPERIENCE

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, 2018 and have issued our report thereon dated January 15, 2019.

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 15, 2019, 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 were no prior year financially significant comments.
- 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. One such recommendation was noted to improve financial management.

INTEGRITY SERVICE EXPERIENCE

- 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.
- Pursuant to Sections 10.554(1)(i)5.b. 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.c., 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 15, 2019, included herein.

PRIOR YEAR COMMENTS:

There were no prior year financially significant comments noted.

CURRENT YEAR COMMENTS:

Capital Assets Should be Permanently Identified and Marked

During the audit, we noted two (2) out of twenty-five (25) capital assets tested for compliance with Administrative Code 69I-73 did not appear to have an assigned identification number permanently marked on the capital asset. Per Administrative Code 69I-73, capital assets must be permanently marked with an identification number matching the fixed asset software report. Although the capital assets tested appeared to be well maintained and in good condition, we recommend all capital assets contain permanently marked identification numbers per Florida Administrative Code 69I-73.

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.

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

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

January 15, 2019

EXHIBIT

28000 A-1 Airport Road
Punta Gorda, Florida 33982
www.flypgd.com



(941) 639-1101
(941) 639-4792 Fax
airport@flypgd.com

May 7, 2019

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 James W. Parish, Chief Executive Officer of the Charlotte County Airport Authority (CCAA), for the 2017/2018 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,

A handwritten signature in blue ink, appearing to read "James W. Parish".

James W. Parish
Chief Executive Officer

CHARLOTTE COUNTY AIRPORT AUTHORITY

**SCHEDULE OF PASSENGER FACILITY
CHARGES COLLECTED AND EXPENDED
TOGETHER WITH ADDITIONAL REPORTS**

**YEAR ENDED
SEPTEMBER 30, 2018**

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report on Compliance With Requirements Applicable to the Passenger Facility Charge Program and Internal Control Over Compliance in Accordance with the Passenger Facility Charge Audit Guide Including the Independent Auditor's Report on the Schedule of Passenger Facility Charges Collected and Expended.....	1-4
Schedule of Passenger Facility Charges (PFC) Collected and Expended (as Reported to FAA) - Cash Basis.....	5
Notes to the Schedule of Schedule of Passenger Facility Charges (PFC) Collected and Expended (as Reported to FAA) - Cash Basis.....	6
Schedule of Findings and Questioned Costs - Passenger Facility Charge Program.....	7

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY
CHARGE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE
PASSENGER FACILITY CHARGE AUDIT GUIDE
INCLUDING THE INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED**

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

Report on Compliance for the Passenger Facility Charge Program

We have audited Charlotte County Airport Authority (the "Authority") compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (the "Guide"), issued by the Federal Aviation Administration that could have a direct and material effect on the Authority's passenger facility charge program for the year ended September 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide 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

INTEGRITY SERVICE EXPERIENCE

the passenger facility charge program 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 with the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2018.

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 the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, 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 the passenger facility charge program 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 the passenger facility charge program 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 the passenger facility charge program 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.

Report on Schedule of Passenger Facility Charges Collected and Expended

We have audited the financial statements of the business-type activities of the Charlotte County Airport Authority as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Charlotte County Airport Authority's basic financial statements. We issued our report thereon dated January 15, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charges collected and expended for the year ended September 30, 2018 (cash basis) is presented for purposes of additional analysis as required by the Federal Aviation Administration, and is not a required part of the basic 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 basic financial statements. The 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 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 passenger facility charges collected and expended (cash basis) reported is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this 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 result of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "TUSCAN & COMPANY, P.A." in a cursive, stylized font.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
January 15, 2019

CHARLOTTE COUNTY AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES (PFC) COLLECTED
AND EXPENDED (AS REPORTED TO FAA) - CASH BASIS
Year ended September 30, 2018

	Quarter Ended December 31, 2017	Quarter Ended March 31, 2018	Quarter Ended June 30, 2018	Quarter Ended September 30, 2018
Collections				
PFCs Collected	\$ 298,356	\$ 231,041	\$ 562,117	\$ 458,259
Interest Earned	6	33	15	3
Total Collection	<u>\$ 298,362</u>	<u>\$ 231,074</u>	<u>\$ 562,132</u>	<u>\$ 458,262</u>
Expenditures on Approved PFC Projects Included in Application No. 1 17-01-C-00-PGD				
	298,314	231,054	562,150	458,304
	<u>\$ 298,314</u>	<u>\$ 231,054</u>	<u>\$ 562,150</u>	<u>\$ 458,304</u>

Notes to the Schedule of Passengers Facility Charges Collected and Expended are an integral part of this schedule.

Cumulative Totals as of September 30, 2017	Cumulative Totals as of September 30, 2018
\$ -	\$ 1,549,773
-	57
<u>\$ -</u>	<u>\$ 1,549,830</u>
-	1,549,822
<u>\$ -</u>	<u>\$ 1,549,822</u>

Notes to the Schedule of Passengers Facility Charges Collected and Expended are an integral part of this schedule.

CHARLOTTE COUNTY AIRPORT AUTHORITY
NOTES TO THE SCHEDULE OF PASSENGER FACILITY
CHARGES (PFC) COLLECTED AND EXPENDED - CASH BASIS
Year ended September 30, 2018

Page 6 of 7

General

The accompanying schedule of passenger facility charges (PFC) collected and expended presents the activity of all passenger facility charges of Charlotte County Airport Authority pursuant to application 17-01-C-00-PGD. The Charlotte County Airport Authority is approved for a level of PFC of \$2.00 to a total revenue of \$5,225,793 beginning August 1, 2017, and approved for use of \$2,475,793. On November 1, 2018 the FAA approved Amendment #1 to increase the approved collection amount to \$5,289,817 and raise the PFC from \$2.00 to \$4.50 effective January 1, 2019.

Basis of Accounting

The accompanying schedule of passenger facility charges collected and expended is presented using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

CHARLOTTE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
PASSENGER FACILITY CHARGE PROGRAM
Year ended September 30, 2018

Page 7 of 7

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
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

Passenger Facility Charge Program Section

Internal control over program:			
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 the passenger facility charge program?	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with the Passenger Facility Charge Audit Guide for Public Agencies?	_____ Yes	<u> X </u>	No

This Schedule encompasses the Charlotte County Airport Authority only, and is provided as required by the Passenger Facility Charge Program

Section II- Financial Statement Findings

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

Section III- Findings and Questioned Costs - Passenger Facility Charge Program

There were no such findings required to be reported related to the audit of the Passenger Facility Charge Program.

Section IV- Status of Prior Year Findings

There were no prior year findings.