

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GAINESVILLE-ALACHUA COUNTY REGIONAL
AIRPORT AUTHORITY
GAINESVILLE, FLORIDA**

SEPTEMBER 30, 2018

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SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Governing Board
Gainesville-Alachua County Regional
Airport Authority
Gainesville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Gainesville-Alachua County Regional Airport Authority (the Airport 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 Airport Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 risk assessments, the auditor considers internal control relevant to the Airport Authority'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 Airport Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Governing Board
Gainesville-Alachua County Regional
Airport Authority
Gainesville, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of September 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport Authority's financial statements. The revenue comparison and expense comparison listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

The revenue comparison, expense comparison and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 revenue comparison, expense comparison, and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Governing Board
Gainesville-Alachua County Regional
Airport Authority
Gainesville, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Airport Authority's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

May 20, 2019
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Gainesville-Alachua County Regional Airport Authority (GACRAA) activities and financial performance serves as an introduction and overview of the audited financial statements of GACRAA for the fiscal years ended September 30, 2018 and September 30, 2017. Governmental Accounting Standards Board Pronouncement Number 34 (GASB No. 34) requires an MD&A section to enhance the understandability and usefulness of the financial reports. The information contained in the MD&A has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

GACRAA engages in business-type activities, that is, activities that are financed either in whole or in part by charges to entities that are external to the operation of GACRAA and for which charges are for goods and services rendered. As a result, GACRAA's basic financial statements include the statements of net position, revenues, expenses, changes in net position, cash flows, and notes to the financial statements. These basic financial statements are designed to provide the readers with a broad overview of GACRAA's finances in a manner like that of the private sector.

GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY

GACRAA is an independent special district of the State of Florida operating under Chapter 2006-363, Laws of Florida, *Special Acts of 2006*. This Act amends and replaces earlier Acts dating back to 1986. Prior to 1986, the Airport was considered a dependent special district of the City of Gainesville. GACRAA is overseen by a governing board of nine members, comprised of five members appointed by the City of Gainesville, three members appointed by the State of Florida and one member appointed by Alachua County. As outlined in the bylaws for the GACRAA, the purpose of GACRAA is to develop, maintain, and operate the Gainesville Regional Airport.

GACRAA operates on a fiscal year basis of October 1 through September 30. GACRAA was created to operate as a self-sustaining entity, using aircraft landing fees, fees from terminal and other rentals, and revenues from concessions to fund operating expenses. Operating expenses of GACRAA are not taxpayer funded. Capital improvements are funded by federal and state grants, Passenger Facility Charges (PFCs), Capital Facility Charges (CFCs), and GACRAA revenues.

The initial construction of the Airport was done by the Work Progress Administration early in 1941. At that time, and upon conclusion of the construction by the U. S. Engineer Department, the field was known as the Alachua Army Airfield and was used by the Army Air Corp and the Army Air Forces. On March 2, 1942, the City Council, by City Ordinance No. 295, established the name of the airfield as the "John R. Alison Airport". The Airport was deeded to the City of Gainesville in 1948. At that time, the field was known as the John R. Alison Airport and also known as the Gainesville Municipal Airport. The City operated, maintained, and improved the Airport over the years as the Gainesville Municipal Airport until control transferred to GACRAA. In order to recognize the role the Airport carries in meeting the regional demands for aviation services, the Airport was renamed the Gainesville Regional Airport in October 1977.

The current terminal was dedicated to "John R. Alison" in 1979. It has approximately 59,000 square feet of interior space. In 2005, it was expanded to include three passenger boarding bridges. In 2007, construction began on renovating the main passenger areas and administrative offices of the terminal building. The majority of this work was completed by October 2008.

The airport is situated on approximately 2,000 acres in the northeast section of Gainesville in Alachua County. It is classified as a commercial non-hub airport by the Federal Aviation Administration (FAA). The airport has two grooved asphalt-surfaced runways, 7/25 and 11/29 that form a closed "V" configuration. Runway 7/25 is primarily used by general aviation aircraft. It is 4,147 feet long and 100 feet wide. Runway 11/29 is the main carrier runway used by commercial jets and other aircraft. It is 7,503 feet long and 150 feet wide. Runway 7/25, last resurfaced in 1984, was resurfaced again in 2015. Runway 11/29 was resurfaced in September 2004.

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY (Concluded)

GACRAA’s Board annually approves an Operating and Capital Outlay budget. GACRAA’s Board relies on the advice and recommendation of GACRAA’s Finance, Operations, and Audit Committee, which consists of four (4) members of the full Board.

As of September 30, 2018, the Gainesville Regional Airport was served by two (2) passenger carriers and five (5) rental car brands.

Passenger Airlines

Delta Airlines
American Airlines

Rental Car Companies

Avis Rent A Car
Budget Rent A Car
Enterprise Car Rental
Hertz Rent A Car
National and Alamo Car Rental

HISTORICAL ENPLANEMENT DATA

The summary of enplaned passengers of the Gainesville Regional Airport is depicted below for fiscal years 2012 through 2018.

<u>Fiscal Year, Ended</u> <u>September 30</u>	<u>Enplanements</u>
2018	\$ 236,019
2017	218,698
2016	211,848
2015	218,013
2014	208,262
2013	203,488
2012	193,476

FINANCIAL RESULTS

The following is a summary of financial results for the year ended September 30, 2018.

Operating revenues have increased by \$392,482, from \$6,292,877 in fiscal 2017 to \$6,685,359 in fiscal 2018. The revenues are greater in fiscal 2018 than in fiscal 2017 mainly due to the increases in revenue from the parking lot, the air carriers, and the rental car companies. The parking lot revenues increased by \$158k. Air carrier’s rent (exclusive and non-exclusive) and landing fees increased by \$35k and \$25k, respectively. Rental car revenues increased as follows: (MAG and excess) by \$63k and QTF (car wash) by \$8k. Other increases came from fuel storage and flowage fees by \$25k and \$17k, respectively; as well rents from the Silver hangar and the driving pad (Amazon) by \$28k and \$31k, respectively. There was a decrease in T-Hangar rent by approximately \$7k.

Operating expenses increased by \$163,394, from \$8,683,896 in fiscal 2017 to \$8,847,290 in fiscal 2018. Some noteworthy operating expense increases are as follows: F&M wages by \$28k, QTF fuel by \$22k, health insurance by \$50k, contractual services (curb/door security) by \$30k, airport fire services (from the City) by \$15k and equipment maintenance for the parking lot by \$17k. F&M wages increased mainly due to the facilities manager vacancy for part of fiscal year 2017, while QTF fuel jumped due to price increases. Health insurance increased due to a combination of greater participation and rate increases. Curb/door security increased because of an unfilled vacancy in the Operations Department and equipment maintenance for the parking lot rose because management implemented a maintenance contract with Hub Technology at the beginning of fiscal year 2018. Although there was little difference in the amount of depreciation between fiscal year 2017 and 2018, it should be noted that both years depreciation was approximately \$4.2 million dollars (a non-cash item), that is included in operating expenses.

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

FINANCIAL RESULTS (Concluded)

The operating loss before non-operating revenues and expenses decreased by \$229,088, from a \$2,391,019 loss in fiscal 2017 to a \$2,161,931 loss in fiscal 2018. While operating revenues increased by \$392k in 2018, operating expenses also increased by \$163k, which resulted in the favorable increase of \$229k to the operating loss before non-operating revenues and expenses when compared to the prior fiscal year. The highlights contributing to this favorable net increase are discussed in the previous two paragraphs.

Non-operating revenues and expenses changed positively by \$48,357, from a net expense of \$244,626 in fiscal 2017 to a net expense of \$196,269 in fiscal 2018. Thus, the decrease of interest expense of \$18k, the increase of interest income by \$22k and the sale of equipment for nearly \$8k combined result in a \$48k favorable change.

Capital contributions received in the form of grants from Federal and State governments, CFCs, and PFCs decreased by \$1,976,018, from \$4,453,225 in fiscal 2017 to \$2,477,207 in fiscal 2018. This decrease is driven by a decrease in Federal and State grant income of \$2,065,768 that funded capital projects. The amounts to fund these capital projects can vary substantially from one year to the next. Further, this is predicated upon the projects undertaken and their order in the capital improvement program. PFC revenues posted an increase in the amount of \$78k compared to the last fiscal year, as did CFC’s by \$4k. Lastly, CFC cash invested yielded \$7k in interest income for the current year.

FINANCIAL STATEMENTS

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

The statement of net position presents information on all of GACRAA’s assets, deferred outflows and inflows of resources, and liabilities, with the net amount reported as net position. Over time, increases or decreases in GACRAA’s net position may serve as a useful indication of whether the financial position of GACRAA is improving or deteriorating. Also to be considered are nonfinancial factors when evaluating GACRAA’s financial position such as passenger activity, FAA Tower operations, fuel storage and usage amounts, and property vacancy rates. The statements of revenues, expenses, and changes in net position present information on how GACRAA’s net position changed during the year.

SUMMARY OF OPERATIONS AND CHANGE IN NET POSITION

See the chart below for changes in operating revenues, operating expenses, nonoperating revenues and expenses, and changes in net position. The changes in net position are primarily the result of capital contributions exceeding the net operating loss.

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Operating Revenues	\$ 6,685,359	\$ 6,292,877	\$ 6,011,826
Operating Expenses	(8,847,290)	(8,683,896)	(8,737,314)
Loss Before Nonoperating Revenues and Expenses	(2,161,931)	(2,391,019)	(2,725,488)
Nonoperating Revenues and Expenses, Net	(196,269)	(244,626)	(256,370)
Loss Before Capital Contributions	(2,358,200)	(2,635,645)	(2,981,858)
Capital Contributions	2,477,207	4,453,225	3,253,955
Increase in Net Position	\$ 119,007	\$ 1,817,580	\$ 272,097

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

SUMMARY OF ASSETS, LIABILITIES, AND NET POSITION

Current and restricted assets increased \$1,287,774, from \$10,518,500 in fiscal 2017 to \$11,806,274 in fiscal 2018. This increase was driven by several factors: an increase of unrestricted and restricted cash of \$809k and \$858k, respectively; offset by decreases in grants receivable and unrestricted accounts receivable by \$291k and \$100k, respectively. Also, restricted receivables increased by \$21k while other current assets decreased by \$9k. Capital assets (net of accumulated depreciation) decreased by \$1,868,483, from \$57,553,129 in fiscal 2017 to \$55,684,646 in fiscal 2018.

Current liabilities increased by \$224,146, from \$1,432,076 in fiscal 2017 to \$1,656,222 in fiscal 2018. This increase is primarily driven by the increase in the current portion of long term liabilities by \$582k, which includes increases for the 2006A and T-Hangar Bonds current portion by \$15k and \$567k, respectively; the T- Hangar bond had a balloon payment of \$613k that was due and paid off by March 31, 2019 to close this debt. The previously mentioned increase of \$582k was offset by decreases in retainage payable by \$254k and accounts payable & accrued liabilities by \$104k. Noncurrent liabilities (excluding the derivative instrument) decreased by \$923,862 from \$4,105,647 in fiscal 2017 to \$3,181,785 in fiscal 2018. The decrease in noncurrent liabilities is due to the pay down of \$341,798 noncurrent debt obligations accompanied with a change of noncurrent debt to current, in the amount of \$582,064.

Net position may, over time, serve as a useful indicator of GACRAA’s financial position. The GACRAA’s net position is \$62,652,913 at September 30, 2018, which is a \$119,007 increase over the \$62,533,906 September 30, 2017 balance.

The chart below compares and summarizes assets, deferred outflows of resources, liabilities, and net position:

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
ASSETS			
Current and Restricted Assets	\$ 11,806,274	\$ 10,518,500	\$ 8,617,586
Capital Assets, Net	<u>55,684,646</u>	<u>57,553,129</u>	<u>57,459,619</u>
Total Assets	<u>67,490,420</u>	<u>68,071,629</u>	<u>66,077,205</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>386,340</u>	<u>618,615</u>	<u>874,984</u>
LIABILITIES			
Current Liabilities	1,656,222	1,432,076	913,434
Noncurrent Liabilities	<u>3,568,125</u>	<u>4,724,262</u>	<u>5,322,429</u>
Total Liabilities	<u>5,224,347</u>	<u>6,156,338</u>	<u>6,235,863</u>
NET POSITION			
Net Investment in Capital Assets	51,526,793	52,499,293	52,679,510
Restricted	3,787,590	2,908,927	2,271,804
Unrestricted	<u>7,338,530</u>	<u>7,125,686</u>	<u>5,765,012</u>
Total Net Position	<u>\$ 62,652,913</u>	<u>\$ 62,533,906</u>	<u>\$ 60,716,326</u>

The largest portion of GACRAA’s net position each year represents its investment in capital assets (e.g., land, buildings, improvements, and equipment). GACRAA uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending.

An additional portion of GACRAA’s net position represents PFC that are restricted by Federal regulations and CFC that are restricted for rental car capital improvements. The remaining portion is the unrestricted net position which may be used to meet any of GACRAA’s ongoing obligations.

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

REVENUES AND CAPITAL CONTRIBUTIONS

A summary of revenues and capital contributions for the years ended September 30, 2018, 2017, and 2016, is as follows:

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Operating Revenues			
Parking Revenues	\$ 1,962,890	\$ 1,805,192	\$ 1,782,777
Commercial Terminal	2,100,250	2,025,611	1,844,919
Rental Car Companies (including QTF)	1,547,719	1,477,309	1,359,770
General Aviation	793,087	745,262	783,064
Fuel Flowage and Storage Fees	281,413	239,503	241,296
Total Operating Revenues	<u>6,685,359</u>	<u>6,292,877</u>	<u>6,011,826</u>
Capital Contributions and Nonoperating Revenues			
Passenger Facilities Fees	950,074	872,098	489,453
Capital Facility Charge (net)	51,955	47,578	78,702
Federal and State Grants	1,467,781	3,533,549	2,685,800
Sale of Surplus Equipment	7,879	0	0
CFC – Interest revenue	7,397	0	0
Interest Income	23,009	760	215
Other	10,618	10,936	17,866
Total Capital Contributions and Nonoperating Revenues	<u>2,518,713</u>	<u>4,464,921</u>	<u>3,272,036</u>
Total	<u>\$ 9,204,072</u>	<u>\$ 10,757,798</u>	<u>\$ 9,283,862</u>

As previously mentioned, operating revenues increased from the prior year primarily from the parking lot by \$158k, air carrier’s rent and landing fees of \$60k (combined) and concession related (from rental car companies, including the QTF) of \$81k (combined). General aviation was up mainly due to increased rents from the Silver hangar and driving pad, also previously discussed. However, a substantial decrease in capital contributions of \$2,065,768 for fiscal 2018 came from Federal and State Grants (see above). Federal and State grant income will vary year to year based on the type and timing of the active projects. In addition, PFC revenue was up by \$78k, which is relative to the increase in passenger activity and interest revenues increased by \$30k.

AIRPORT USE AND LEASE AGREEMENTS

GACRAA has entered into Airport Use and Lease Agreements with the following signatory airlines:

- Delta
- American Airlines

The airline agreements establish procedures for the periodic adjustment of signatory airline terminal rates and aircraft landing fees collected for the use and occupancy of terminal and airfield facilities.

The signatory airlines are granted the nonexclusive use of the airport for the purpose of operating an air transportation system for the carriage of persons, property, cargo and mail, according to the rules and regulations of GACRAA and the agreements with GACRAA.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

AIRPORT USE AND LEASE AGREEMENTS (Concluded)

Each of the signatory airlines leases space in the terminal for its exclusive use with the right to make certain leasehold improvements. Each of the airlines pays monthly: (1) rentals for exclusive and non-exclusive terminal space; and (2) landing fees. Rental and landing fees may be adjusted by GACRAA, as outlined in the agreements. Rental rates for space occupied and used by the Airlines were adjusted as of December 1, 2016.

LANDING FEES

All charges for the use of the field and runway area are combined in a monthly landing fee based upon the signatory airline's aircraft arrivals at the airport during the month. The landing fee is computed by multiplying the maximum gross certified landing weight of the aircraft arrival by a landing fee rate expressed in terms of thousand pound units of maximum certified landing weight.

AIRPORT LEASE AND CONCESSION AGREEMENTS

GACRAA has entered into lease and concession agreements with the following rental car companies:

- Avis Rent A Car
- Budget Rent A Car
- National and Alamo
- Hertz Rent A Car
- Enterprise Leasing

The current contract began July 2014 and expires June 30, 2019. Each contract year, the rental car companies pay rentals for exclusive terminal space, ready car return lot, and overflow lot space. Rentals are adjusted each contract year based on increases outlined in the rental agreement. In addition to rentals, the rental car companies also pay a concession fee equal to 10% of their gross revenues or a MAG, outlined in the agreement, whichever is greater.

EXPENSES

A summary of expenses for the years ended September 30, 2018, 2017, and 2016, is as follows:

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Operating Expenses			
Administration and General	\$ 1,141,775	\$ 1,133,220	\$ 1,122,930
Operations and Security	1,455,454	1,374,088	1,324,225
Facilities and Maintenance	1,405,677	1,367,684	1,319,602
Fuel Farm	20,054	20,828	18,229
General Aviation	72,316	79,215	97,994
Parking Lot	147,668	125,512	171,882
Quick Turn-around Facility	361,229	334,935	269,044
Depreciation	4,243,117	4,248,414	4,413,408
Total Operating Expenses	8,847,290	8,683,896	8,737,314
Nonoperating Expenses			
Interest Expense	237,775	256,322	274,451
Total Nonoperating Expenses	237,775	256,322	274,451
Total Expenses	\$ 9,085,065	\$ 8,940,218	\$ 9,011,765

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

SUMMARY OF CASH FLOW ACTIVITIES

Cash increased by \$1,666,772 in fiscal 2018 and \$1,255,130 in fiscal year 2017. This increase was primarily due to the cash flow provided by operating activities. The summary of cash flows for the years ended September 30, 2018, 2017, and 2016 are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Net Cash Provided by Operating Activities	\$ 2,398,884	\$ 1,955,756	\$ 1,712,419
Cash Flows Used in Capital Financing Activities	(762,518)	(701,386)	(335,910)
Cash Flows from Investing Activities	30,406	760	215
Increase in Cash	<u>\$ 1,666,772</u>	<u>\$ 1,255,130</u>	<u>\$ 1,376,724</u>

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

During fiscal 2018, nearly \$5.9 million of capitalized items were moved from construction in progress to depreciable capital assets. These capitalized items were substantially represented by the following several items: the new ARFF building at about \$4.1 million, the Parking lot (phase #2) project at \$1.4 million and the Beacon replacement at \$227k. The balance was spread amongst various smaller projects.

Construction in progress at September 30, 2018, is \$977k, about half of this is dedicated to the terminal expansion project, while the remainder is spread over a few smaller projects. The cost of construction projects was largely paid for by Federal and State grants, as well as PFCs and CFCs.

PASSENGER FACILITY CHARGE

PFCs are available to airports to finance AIP-eligible projects approved by the Federal Aviation Administration (FAA) that preserve or enhance capacity, safety, or security of the National Air Transportation System, reduce noise resulting from airport activity, or furnish opportunities to enhance competition among air carriers. GACRAA has applied for and received approval to collect PFCs on four applications. The first application, PFC 1, was closed out in fiscal 2003. The second application dated June 18, 2002, was approved on August 30, 2002, to collect and use PFCs beginning January 11, 2003. The first PFC was approved at a rate of \$3.00 per enplaned passenger and the second PFC was approved at the rate of \$4.50 per enplaned passenger. PFC 2 was approved in the amount of \$4,637,954 but was amended in December of 2010, to increase collections by \$1,030,630, for a collection total of \$5,668,584. PFC 2 was closed in September of 2014. On November 8 of 2013, PFC application #3 was approved by the FAA with a total collection allowance of \$1,250,942. Collections under PFC 3 began January 1, 2014. On July 6 of 2015, an amendment to PFC 3 was approved by the FAA increasing the collection allowance by \$87,218 for a total collection allowance of \$1,338,160. Effective October 31, 2015, collections under PFC application #3 were terminated. A total of \$1,287,853 had been expended on PFC 3 as of September 30, 2016. On January 20, 2016, PFC application #4 was approved in the amount of \$6,277,987. Collections on PFC #4 began March 1, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

CAPITAL FACILITY CHARGE

On August 1, 2005, GACRAA instituted a CFC. The CFC is a \$3.00 charge per rental car per day. Rental car companies collect CFCs and remit them to the airport for use on projects which enhance the operation of rental car companies. CFCs were used to expand the rental car ready return parking lot, construct a quick turn-around service facility and pay for its maintenance, while upgrading the terminal area occupied by the rental car companies, as agreed upon. As of September 30, 2018, \$4,873,072 in CFCs have been collected and \$7,397 interest has been earned, while \$3,670,581 had been spent. On July 1, 2014, CFC collections were reduced to \$1.00 per rental car day.

LONG-TERM DEBT

GACRAA issued Airport Revenue Bond, Series 2006A. Series 2006A authorized the financing of \$6.025 million for the design and construction of a SATS maintenance facility. As of September 30, 2007, the full \$6,025,000 had been drawn against Series 2006A to pay for costs related to the project. As of September 30, 2018, the principal balance was \$3,492,243. A principal payment of \$310,458 is due during fiscal year 2019; principal payments are due each subsequent year on June 1 with the final maturity on June 1, 2027. For fiscal year-end 2015 through the first quarter of 2016, series 2006A's amended primary revenue pledge were the rents received from Silver Airways as part of a lease agreement they entered into with GACRAA during March 2012. Subsequently, by default, the secondary revenue pledge of parking revenues from terminal parking operations became the primary revenue pledged beginning the second quarter of fiscal 2016. The interest rate on this issuance is 5.49% and is fixed during the entire term of the loan.

Airport Revenue Bond, Series 2006A have semiannual interest payments due on December 1 and June 1 from inception to maturity.

On March 1, 2007, GACRAA issued Airport Revenue Bond Series 2007. Series 2007 authorized \$985,580 in financing related to anticipated revenues from rents received, and was used for the construction of T-Hangars. As of September 30, 2018, the outstanding balance was \$613,404. Series 2007 has a final maturity date of March 31, 2019. The interest rate is one-month LIBOR plus 2% through March 31, 2008, then 5.06% from April 1, 2008, through maturity. The final principal payment of \$613,404 was due on March 31, 2019 and has been paid. The primary revenue pledge was rents received from hangar leases.

LINE OF CREDIT

On January 20, 2005, GACRAA authorized the execution of a \$2,000,000 line of credit with Compass Bank secured by revenues generated from PFCs. Effective September 1, 2009, the agreement was amended to allow the Airport Authority to borrow \$1,250,000 under the line of credit. Later, effective August 28, 2014, the Board approved the renewal of the Airport's line of credit for \$1,000,000 maturing June 30, 2015, with an interest rate based on monthly LIBOR plus 2.75% or a floor of 4.5%. The Board has approved a renewal of the line of credit with these same terms every year through November 16, 2017; the November 16, 2017 approval had a maturity date of June 26, 2018. Subsequently, the current years' renewal was approved by the Board on June 26, 2018 with a maturity date of June 25, 2019. This last LOC renewal had all the same terms except the floor was changed to 4.824% from 4.5%.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Concluded)*

CURRENT OPERATION FINANCIAL SITUATION

Commercial passenger volume increased by 7.36% or 32,069 passengers from fiscal 2017 to 2018, and the overall airline load factors increased by 2.9% to 85.9%. The annual regional carrier increase distributed as follows: Delta up by 12,592 passengers, American (Charlotte) and (Miami) up by 16,535 and 2,942 passengers, respectively. Annual load factors compared to prior year by carrier are as follows: Delta up by 1.1% to 88.3%, American (Charlotte) up by 5.8% to 85.6% and (Miami) up by 2.8% to 75%. Specifically, commercial enplanements increased by 7.77% or 16,964 passengers from fiscal 2017 to 2018 and the related load factor increased by 3.2% from 83.2% to 86.4%. American (Charlotte) and (Miami) increased their enplanement load factors by 5.7% and 4.5% to 86% and 77.3%, respectively; as did Delta by 1.4% to 88.6%.

General aviation operations have been weak most of the last decade, seemingly due to high fuel prices and a weakened economy, combined with attrition from an aging pilot population: fiscal 2016 showed a bit of a rebound in activity and this trend has seemed to level out the past two years. Thus, General aviation operations were up slightly by 1.38% from fiscal 2017 to 2018, the related fuel flowage (in gallons) remained relatively flat during the same period.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the GACRAA's finances for all those interested. Questions concerning any of the information provided in this report, or request for additional information should be addressed to the Gainesville Regional Airport, Attn: Communications Director, 3880 NE 39th Avenue, Suite A, Gainesville, Florida 32609 or by e-mailing info@flygainesville.com.

FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 6,400,162	\$ 5,591,231
Accounts Receivable (Net of Allowance for Uncollectible Accounts of \$17,445 and \$13,195, Respectively)	496,147	595,838
Grants Receivable	1,012,139	1,303,557
Prepaid Expenses	90,304	104,099
Inventories	19,932	14,848
Total Current Assets	<u>8,018,684</u>	<u>7,609,573</u>
Restricted Assets		
Accounts Receivable	188,224	167,402
Cash - Passenger Facility Charge	1,914,851	1,384,634
Cash - Capital Facility Charge	1,209,888	1,157,875
Cash - Debt Service	474,627	199,016
Total Restricted Assets	<u>3,787,590</u>	<u>2,908,927</u>
Property, Plant and Equipment		
Land	2,956,264	2,956,264
Buildings	31,635,481	27,544,878
Improvements Other Than Buildings	77,924,604	76,167,041
Fuel Farm Land and Improvements	653,371	653,371
Vehicles and Equipment	3,260,870	3,492,734
Leasehold Acquisitions	450,000	450,000
Construction Work in Progress	977,279	4,610,598
	<u>117,857,869</u>	<u>115,874,886</u>
(Accumulated Depreciation)	(62,173,223)	(58,321,757)
Total Property, Plant and Equipment - Cost Less Depreciation	<u>55,684,646</u>	<u>57,553,129</u>
Total Assets	<u>67,490,920</u>	<u>68,071,629</u>
Deferred Outflows of Resources		
Accumulated Decrease in Fair Value of Hedging Derivative Instrument	386,340	618,615
Total Assets and Deferred Outflows of Resources	<u>\$ 67,877,260</u>	<u>\$ 68,690,244</u>
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 732,360	\$ 836,673
Contract Retainage Payable	0	253,605
Current Portion of Long-term Liabilities	923,862	341,798
Total Current Liabilities	<u>1,656,222</u>	<u>1,432,076</u>
Long-term Liabilities		
Notes and Bonds Payable	3,181,785	4,105,647
Fair Value of Derivative Instrument	386,340	618,615
Total Long-term Liabilities	<u>3,568,125</u>	<u>4,724,262</u>
Total Liabilities	<u>5,224,347</u>	<u>6,156,338</u>
Net Position		
Net Investment in Capital Assets	51,526,793	52,499,293
Restricted	3,787,590	2,908,927
Unrestricted	7,338,530	7,125,686
Total Net Position	<u>62,652,913</u>	<u>62,533,906</u>
Total Liabilities and Net Position	<u>\$ 67,877,260</u>	<u>\$ 68,690,244</u>

See accompanying notes.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA

	2018	2017
Operating Revenues		
Sales and Service Charges	\$ 6,685,359	\$ 6,292,877
Operating Expenses		
Administration and General	1,141,775	1,133,220
Operations and Security	1,455,454	1,374,088
Facilities and Maintenance	1,405,677	1,367,684
Fuel Farm	20,054	20,828
General Aviation	72,316	79,215
Parking Lot	147,668	125,512
Quick Turn-around Facility (QTF)	361,229	334,935
Depreciation and Amortization	4,243,117	4,248,414
(Total Operating Expenses)	(8,847,290)	(8,683,896)
Operating (Loss)	(2,161,931)	(2,391,019)
Nonoperating Revenues (Expenses)		
Interest Revenue	23,009	760
Sale of surplus equipment	7,879	0
Miscellaneous	10,618	10,936
Interest Expense	(237,775)	(256,322)
Total Nonoperating Revenues (Expenses)	(196,269)	(244,626)
(Loss) Before Capital Contributions	(2,358,200)	(2,635,645)
Capital Contributions		
Passenger Facility Charge Revenue	950,074	872,098
Capital Facility Charge Revenue (Net of \$140,046 and \$134,770 in 2018 and 2017, respectively, for QTF Expenses)	51,955	47,578
Interest revenue - CFC	7,397	0
Federal and State Grants Income	1,467,781	3,533,549
Total Capital Contributions	2,477,207	4,453,225
Net Position		
Increase in Net Position	119,007	1,817,580
Total Net Position, Beginning of Year	62,533,906	60,716,326
Total Net Position, End of Year	\$ 62,652,913	\$ 62,533,906

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 6,777,764	\$ 6,482,748
Cash Paid to Employees	(1,754,833)	(1,634,869)
Cash Paid to Suppliers	(2,624,047)	(2,892,123)
Net Cash Provided by (Used in) Operating Activities	<u>2,398,884</u>	<u>1,955,756</u>
 Cash Flows from Capital and Related Financing Activities		
Proceeds from Federal Grants	1,298,615	2,190,979
Proceeds from State Grants	460,584	562,446
Passenger Facility Charge Revenue	932,633	840,749
Capital Facility Charge	48,574	51,374
Sale of Surplus equipment	7,879	0
Miscellaneous	10,618	10,936
Principal Repaid	(341,798)	(324,328)
Interest Paid	(250,804)	(253,934)
Acquisition and Construction of Fixed Assets	(2,928,819)	(3,779,608)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(762,518)</u>	<u>(701,386)</u>
 Cash Flows from Investing Activities		
Interest Received	<u>30,406</u>	<u>760</u>
 Increase in Cash	1,666,772	1,255,130
 Cash, Beginning of Year	<u>8,332,756</u>	<u>7,077,626</u>
 Cash, End of Year	<u>\$ 9,999,528</u>	<u>\$ 8,332,756</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Concluded)

	2018	2017
<u>Presented in Accompanying Financial Statements as</u>		
Current Assets		
Cash and Cash Equivalents	\$ 6,400,162	\$ 5,591,231
Restricted Assets		
Cash - Passenger Facility Charge	1,914,851	1,384,634
Cash - Capital Facility Charge	1,209,888	1,157,875
Cash - Debt Service	474,627	199,016
Total Cash, End of Year (Above)	\$ 9,999,528	\$ 8,332,756
 <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>		
Operating Income (Loss)	\$ (2,161,931)	\$ (2,391,019)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	4,243,117	4,248,414
Bad Debt Expense	7,286	18,149
Decrease (Increase) in Receivables	92,405	189,871
Decrease (Increase) in Inventories and Prepaid Expenses	8,711	(10,388)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	209,296	(99,271)
Net Cash Provided by (Used in) Operating Activities	\$ 2,398,884	\$ 1,955,756

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Gainesville-Alachua County Regional Airport Authority (the Airport Authority) is an independent special district created for the purpose of providing airport services and facilities for the citizens of Alachua County, Florida, and surrounding areas. The accompanying financial statements of the Airport Authority have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As a result of applying the reporting entity criteria under GASB, no other component units exist in which the Airport Authority has any financial accountability, which would require inclusion in the Airport Authority's financial statements.

Accounting 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Airport Authority's financial statements are presented in the form of a single enterprise fund, which encompasses all financial activity relative to owning, operating, and improving the Airport facilities.

Governmental proprietary operations (enterprise funds) are accounted for using a flow of economic resources measurement focus on an accrual basis of accounting. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

Revenues from airlines, concessions, rental cars, and parking are reported as operating revenues. Transactions which are capital, financing, or investing-related are reported as nonoperating revenues. All expenses related to operating the Airport Authority are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

The accounting and reporting policies of the Airport Authority conform to the accounting rules prescribed by GASB.

GASB establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following four net position categories:

- Net Investment in Capital Assets—Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

- Restricted—
 - *Nonexpendable*—Net position subject to externally imposed stipulations requiring that the Airport Authority maintain them permanently. The Airport Authority has no nonexpendable net position.
 - *Expendable*—Net position whose use by the Airport Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Airport Authority pursuant to those stipulations or that expire by the passage of time. Such net position included passenger facility and customer facility charge assets and assets restricted for debt service.
- Unrestricted—Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Cash and Cash Equivalents

Cash includes cash on hand and cash in banks.

Accounts and Grants Receivable

Accounts receivable represent amounts due from various vendors who use airport facilities. Grants receivable represent amounts due from other government entities and are recorded when the Airport Authority has incurred qualified expenditures in accordance with various grant agreements. Receivables are recorded at net realizable value. The allowance for uncollectible receivables was \$17,445 for the year ended September 30, 2018, and \$13,195 for the year ended September 30, 2017.

Inventories

Inventories are recorded at the lower of cost or market and are valued using the specific identification method.

Property, Plant and Equipment

Property, plant and equipment purchased or constructed are recorded at cost. Repairs and maintenance are charged to expense as incurred. Donated assets are recorded at acquisition cost at the date of contribution. Assets acquired or constructed are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	10-40 Years
Improvements Other Than Buildings	20-30 Years
Vehicles and Equipment	3-15 Years
Leasehold Acquisitions	20 Years

Budgets

Estimates of revenues and expenses are adopted prior to October 1 of each year. There were no budget amendments made during fiscal years 2018 or 2017.

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Capital Contributions

Contributions and grants are funds granted by various governmental agencies and collected from tenants for specific improvements to the Airport facilities (improvements). In the normal course of business, the Airport Authority applies for and receives grant funds primarily from the Federal Aviation Administration (FAA) and the Florida Department of Transportation (FDOT). Costs incurred under these agreements are subject to review and approval by the FAA and FDOT. Contributions and grants for improvements are reported in the statements of revenues, expenses, and changes in net position after nonoperating revenues and expenses as capital contributions.

Passenger Facility Charges

The Airport Authority currently has one active Passenger Facility application, PFC 16-04-C-00-GNV. Approved by the FAA, PFC applications allow the Authority to impose a Passenger Facility Charge (PFC) at the \$4.50 level. Air carriers are required to collect the PFCs and remit \$4.39 per enplaned passenger to the Airport Authority on a monthly basis. PFC funds are used for specific improvements to Airport facilities, which are approved by the FAA and the air carriers. The authorization to impose the PFC is contingent on continued compliance with the terms of FAA regulations. On January 20, 2016, PFC application #4 was approved in the amount of \$6,277,987. Collections on PFC #4 began March 1, 2016.

Capital Facility Charges

On June 23, 2005, the Airport Authority passed Resolution 05-025 authorizing the implementation of a \$3.00 Capital Facility Charge (CFC), for use on rental car-related projects. The CFC has been collected by the rental car companies at the rate of \$3.00 per rented car per day and is remitted to the Airport Authority monthly. As a result of completing the Quick Turn-around Facility in fiscal year 2012, as well as other rental car-related projects it was determined that the CFC rate would be reduced from \$3 to \$1 as of July 1, 2014.

Terminal Rents and Concessions

Rental and concession fees are generated from airlines, parking lots, food and beverage, rental cars, advertising, and other commercial tenants.

Compensated Absences

Accumulated unpaid vacation pay is recorded as accrued.

Restricted Assets

Certain resources are restricted for future use by enabling legislation or debt covenants. These resources are classified as restricted because their use is limited. When both restricted and unrestricted resources are available for use, the Airport Authority's practice is to use the restricted resources first, then unrestricted resources as they are needed.

Note 2 - Cash and Cash Equivalents

The carrying amount of cash on hand and on deposit was as follows:

<u>September 30</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
2017	\$ 8,332,756	\$ 9,284,424
2018	\$ 9,999,528	\$ 10,396,894

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)

Note 2 - Cash and Cash Equivalents (Concluded)

All of the Airport Authority's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act* (the Act). Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. The Airport Authority's deposits are considered to be fully insured.

Note 3 - Commitments

The Airport Authority is currently conducting various improvement projects that are eligible for federal, state, and local reimbursements. Commitments outstanding are approximately \$895,857 and \$2,423,717 at September 30, 2018 and 2017, respectively.

Note 4 - Pension Plans

During both 2018 and 2017, the Airport Authority had approximately 32 employees, hired and supervised directly by the Airport Authority. The employees who worked for the Airport Authority participated in a defined contribution pension plan administered by the Airport Authority.

Defined Contribution Pension Plan

The Plan is open to all Airport Authority personnel. The Plan is qualified under the provisions of Section 401(a) of the Internal Revenue Code. Under the provisions of the Plan, the Airport Authority contributes an amount equal to 10% of the employees' gross pay. Covered employees are required to contribute 5% of gross pay. Employees are vested in the Plan when they begin employment.

Employer contributions are submitted to ICMA Retirement Corporation, which invests the assets on behalf of the employees and reports the results of the investment activity on a quarterly basis. Employees may withdraw these contributions and any interest earned thereon upon separation from service. Withdrawals prior to the age of 55 are subject to a 10% penalty.

Total pension expense under this plan was \$125,249 and \$119,567 for the years ended September 30, 2018 and 2017, respectively.

Note 5 - Services Provided by the City of Gainesville, Florida

During the years ended September 30, 2018 and 2017, the Airport Authority paid the City of Gainesville, Florida, for services as follows:

	<u>2018</u>	<u>2017</u>
Fire Protection	\$ 524,172	\$ 508,905
Security	325,527	314,392
Indirect Costs	27,659	33,025
Utilities	466,598	468,373
Total	<u>\$ 1,343,956</u>	<u>\$ 1,324,695</u>

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)

Note 6 - Long-term Debt

The Airport Authority issued and has outstanding Series 2006A Revenue Bonds and Series 2007 Revenue Bonds.

\$6,025,000 Airport Revenue Bonds, Construction of a Small Aircraft Transportation System (SATS) Maintenance Facility, Series 2006A

Type—Revenue Bonds

Dated—July 6, 2006

Final Maturity—June 1, 2027

Principal Payment Date—June 1

Interest Payment Date—June 1 and December 1

Interest Rates—Floating rate (0.65 x 6 months LIBOR + 2%) through May 31, 2007, then 5.49% from June 1, 2007, through maturity.

Reserve Requirement—None

Revenue Pledged—For the fiscal year-end 2015 through the first quarter of 2016, the primary revenue guarantee was rents received from Silver Airways as outlined in the amended lease agreement between the Airport Authority and Silver Airways during fiscal year 2013. The secondary revenue guarantee (upon default by Silver Airways) is parking lot revenues equal to annual debt service. Effective the second quarter of fiscal year 2016, parking lot revenues became the primary revenue pledged and remain so through fiscal year 2018.

Purpose—To design and construct a 61,000 square foot SATS maintenance facility.

Call Provisions—The Series 2006A Bonds are subject to redemption at any time prior to maturity in \$5,000 increments at the option of the Airport Authority without a premium. However, as part of this issuance, the Airport Authority also entered into a Hedge Agreement, which provides a mechanism for fixing the interest rate. While the underlying bonds may be redeemed without premium, the Hedge Agreement is subject to gains or losses that may be incurred for early termination depending on market conditions at the time of an early termination.

During construction, draws were made against the Bond Issuance as part of the Loan Agreement. As of September 30, 2018, the amount of outstanding principal on the Series 2006A Bonds is \$3,492,243.

<u>Year Ending September 30,</u>	<u>Business Activity</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 310,458	\$ 188,658	\$ 499,116
2020	328,725	171,526	500,251
2021	345,979	152,424	498,403
2022	364,641	132,822	497,463
2023	384,309	112,162	496,471
2024-2027	<u>1,758,131</u>	<u>219,161</u>	<u>1,977,292</u>
Total	<u>\$ 3,492,243</u>	<u>\$ 976,753</u>	<u>\$ 4,468,996</u>

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)

Note 6 - Long-term Debt (Concluded)

\$985,580 Airport Revenue Bonds, T-Hangar Project, Series 2007

Type—Revenue Bonds

Dated—March 1, 2007

Final Maturity—March 31, 2019

Principal Payment Date—March 31

Interest Payment Date—March 31 and September 30

Interest Rates—Floating rate (1 month LIBOR + 2%) through March 31, 2008, then 5.06% from April 1, 2008, through maturity.

Revenue Requirement—None

Revenue Pledged—The primary revenue guarantee are rents received from T-Hangar lease revenues.

Purpose—To construct 26 new T-Hangar spaces for storage of private aircraft in T-Hangar rows “K” and “L”.

Call Provisions—The Series 2007 Bonds are subject to redemption at any time prior to maturity in \$5,000 increments at the option of the Airport Authority without a premium.

Year Ending September 30,	Business Activity		
	Principal	Interest	Total
2019	\$ 613,404	\$ 15,691	\$ 629,095
Total	\$ 613,404	\$ 15,691	\$ 629,095

Long-term liability activity for the years ended September 30, 2018 and 2017, was as follows:

	Beginning Balance 10/1/17	Increases	Decreases	Ending Balance 9/30/18	Due Within One Year
Revenue Bonds/Notes					
Series 2006A	\$ 3,787,805	\$ 0	\$ 295,562	\$ 3,492,243	\$ 310,458
Series 2007	659,640	0	46,236	613,404	613,404
Total Revenue Bonds	\$ 4,447,445	\$ 0	\$ 341,798	\$ 4,105,647	\$ 923,862

	Beginning Balance 10/1/16	Increases	Decreases	Ending Balance 9/30/17	Due Within One Year
Revenue Bonds/Notes					
Series 2006A	\$ 4,068,241	\$ 0	\$ 280,436	\$ 3,787,805	\$ 295,562
Series 2007	703,532	0	43,892	659,640	46,236
Total Revenue Bonds	\$ 4,771,773	\$ 0	\$ 324,328	\$ 4,447,445	\$ 341,798

Interest expense totaled \$237,775 and \$256,322, respectively, in 2018 and 2017.

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)

Note 7 - Line of Credit

On January 31, 2005, the Airport Authority entered into a revolving loan agreement with Compass Bank secured by revenues generated from passenger facility charges. The original agreement allows the Airport Authority to borrow up to \$2,000,000; as of and during the years September 30, 2018, and 2017, the Airport Authority had borrowed \$0. Interest accrues on the unpaid principal balance at the LIBOR-Market Index Rate plus 200 basis points. The interest rate will not decrease below 4.5% nor increase above 18% per annum. Beginning on March 1, 2005, and continuing on the first day of each month thereafter, the Airport Authority shall pay monthly payments of interest only with interest calculated on the unpaid principal balance. The agreement was amended to allow the Airport Authority to borrow \$1,250,000 under the line of credit and extend the line of credit until December 1, 2013, the date it expired. Subsequently, effective August 28, 2014, the Board approved the renewal of the Airport's line of credit for \$1,000,000 maturing June 30, 2015, with an interest rate of monthly LIBOR plus 2.75% or a floor of 4.5%. The Board has approved a renewal of the line of credit for these same terms every year through November 16, 2017; the November 16 2017 approval, had a maturity date of June 26, 2018. Then, the current years renewal was approved by the Board on June 26, 2018, with a maturity date of June 25, 2019. This last LOC renewal had all the same terms except the floor was changed to 4.824% instead of 4.5%.

Note 8 - Derivative Instruments

During the year, the Airport Authority was party to two interest rate swap agreements.

At September 30, 2018, the Airport Authority had the following derivative instruments outstanding:

	<u>Notional Amount</u>	<u>Fair Value</u>		<u>Changes in Fair Value</u>	
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>
Cash Flow Hedges					
Pay-fixed Interest Rate Swap	\$ 6,025,000	Debt	\$ (379,989)	Deferred Outflow	\$ 213,880
Pay-fixed Interest Rate Swap	985,580	Debt	(6,351)	Deferred Outflow	18,395

At September 30, 2017, the Airport Authority had the following derivative instruments outstanding:

	<u>Notional Amount</u>	<u>Fair Value</u>		<u>Changes in Fair Value</u>	
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>
Cash Flow Hedges					
Pay-fixed Interest Rate Swap	\$ 6,025,000	Debt	\$ (593,869)	Deferred Outflow	\$ 233,868
Pay-fixed Interest Rate Swap	985,580	Debt	(24,746)	Deferred Outflow	22,501

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)

Note 8 - Derivative Instruments (Concluded)

Derivative Instrument Types

As of September 30, 2018 and 2017, the interest rate swaps are considered to be hedging derivative instruments and are identified as a cash flow hedge. The Airport Authority used the synthetic instrument method to evaluate hedge effectiveness. This method evaluates effectiveness by combining the hedgeable item and the potential hedging derivative instrument to simulate a third synthetic instrument. A potential hedging derivative instrument is effective if its total variable cash flows substantially offset the variable cash flows of the hedgeable item, substantially fixing the actual synthetic rate.

Fair Values

Fair values of the interest rate swaps were estimated using the zero-coupon method.

Hedging Derivative Instruments - Objectives and Terms

The objectives and terms of the Airport Authority's hedging derivative instruments outstanding at September 30, 2018 and September 30, 2017, and counterparty credit ratings are as follows:

<u>Instrument</u>	<u>Derivative Type</u>	<u>Counterparty Credit Rating</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>
1	Pay-fixed Interest Rate Swap	A3	Hedge Changes in Cash Flows on the 2006A Note	\$ 6,025,000	6/29/2006	6/01/2027	Pay Synthetic Fixed Rate of 5.49% Receive 65% of LIBOR Plus 130 Basis Points
2	Pay-fixed Interest Rate Swap	A3	Hedge Changes in Cash Flows on the 2007 Note	985,580	3/08/2007	3/31/2019	Pay Synthetic Fixed Rate of 5.06% Receive 65% of LIBOR Plus 130 Basis Points

Derivative Instruments Risks

Interest Rate Risk—The Airport Authority is exposed to interest rate risk on its swap agreements. On pay-fixed, receive-variable interest rate swaps, the Airport Authority's net payment increases as LIBOR decreases.

Termination Risk—The swaps may be terminated at any time if certain events occur that result in one party not performing in accordance with the agreement. If a swap is terminated, the variable rate notes would no longer carry a synthetic fixed interest rate. Also, if, at the time of termination, the swap has a negative fair value, the Airport Authority would be liable to the Counterparty for a payment equal to the swap's fair value at that time.

Note 9 - Pledged Revenues

The Authority has pledged certain revenues to repay revenue bonds as of September 30, 2018 and September 30, 2017. The following table reports the revenues pledged for each debt issue, the amount of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the revenue bonds at September 30, 2018 and September 30, 2017:

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)

Note 9 - Pledged Revenues (Concluded)

FISCAL YEAR ENDED SEPTEMBER 30, 2018

<u>Pledged Revenue</u>	<u>Description of Bonds</u>	<u>Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percentage Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
Parking Revenues	Revenue Bonds, Series 2006A	\$ 1,962,890	\$ 500,975	26%	\$ 4,468,996	2027
T-Hangar Lease Revenues	Revenue Bonds, Series 2007	\$ 210,506	\$ 78,598	37%	\$ 629,095	2019

FISCAL YEAR ENDED SEPTEMBER 30, 2017

<u>Pledged Revenue</u>	<u>Description of Bonds</u>	<u>Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percentage Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
Parking Revenues	Revenue Bonds, Series 2006A	\$ 1,805,192	\$ 501,790	28%	\$ 4,969,943	2027
T-Hangar Lease Revenues	Revenue Bonds, Series 2007	\$ 217,283	\$ 78,860	36%	\$ 707,897	2019

Note 10 - Risk Management

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Airport Authority carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' Compensation
- Business Auto
- Real and Personal Property Damage
- Cyber Liability
- Directors and Officers Liability
- Airport Liability
- Fiduciary Liability
- Crime

Settlements have not exceeded coverage during the past three years.

Note 11 - Interlocal Agreement

Pursuant to an interlocal agreement, the City of Gainesville, Florida, has agreed to share the ad valorem tax proceeds for the sale of certain parcels of land owned by the City of Gainesville, Florida, in the Airport Industrial Park. All proceeds must be used for capital projects at the airport or operations. The amounts to be paid by the City of Gainesville, Florida, are based upon 50% of ad valorem tax proceeds and will be spread over periods not to exceed ten years. The ad valorem tax proceeds and land sales proceeds that was shared with the Airport Authority were \$0 for the years ended September 30, 2018 and 2017. Such amounts would be recorded as revenues when they became due from the City of Gainesville, Florida. Thus, there were no parcels that actively generated revenues per the agreement for fiscal year 2018 or 2017.

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)

Note 12 - Capital Assets

A summary of changes in capital assets for the years ended September 30, 2018 and 2017, is as follows:

	Beginning Balance October 1, 2017	Increases	Decreases	Ending Balance September 30, 2018
Capital Assets Not Being Depreciated				
Land	\$ 2,956,264	\$ 0	\$ 0	\$ 2,956,264
Capital Assets Being Depreciated				
Buildings	27,544,878	4,090,603	0	31,635,481
Improvements Other than Buildings	76,167,041	1,757,563	0	77,924,604
Fuel Farm Land and Improvements	653,371	0	0	653,371
Vehicles and Equipment	3,492,734	159,787	391,651	3,260,870
Leasehold Acquisitions	450,000	0	0	450,000
Total Capital Assets Being Depreciated	108,308,024	6,007,953	391,651	113,924,326
Less Accumulated Depreciation for				
Buildings	13,830,734	909,451	0	14,740,185
Improvements Other than Buildings	40,794,571	3,110,992	0	43,905,563
Fuel Farm Land and Improvements	500,802	10,278	0	511,080
Vehicles and Equipment	2,745,650	212,396	391,651	2,566,395
Leasehold Acquisitions	450,000	0	0	450,000
Total Accumulated Depreciation	58,321,757	4,243,117	391,651	62,173,223
Total Being Depreciated, Net	49,986,267	1,764,836	0	51,751,103
Construction Work in Progress	4,610,598	2,245,954	5,879,273	977,279
Capital Assets, Net	\$ 57,553,129	\$ 4,010,790	\$ 5,879,273	\$ 55,684,646

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)

Note 12 - Capital Assets (Concluded)

	Beginning Balance October 1, 2016	Increases	Decreases	Ending Balance September 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 2,956,264	\$ 0	\$ 0	\$ 2,956,264
Capital Assets Being Depreciated				
Buildings	27,544,878	0	0	27,544,878
Improvements Other than Buildings	76,077,031	90,010	0	76,167,041
Fuel Farm Land and Improvements	653,371	0	0	653,371
Vehicles and Equipment	3,367,802	142,240	17,308	3,492,734
Leasehold Acquisitions	450,000	0	0	450,000
Total Capital Assets Being Depreciated	108,093,082	232,250	17,308	108,308,024
Less Accumulated Depreciation for				
Buildings	12,992,975	837,759	0	13,830,734
Improvements Other than Buildings	37,607,071	3,187,500	0	40,794,571
Fuel Farm Land and Improvements	481,715	19,087	0	500,802
Vehicles and Equipment	2,569,973	192,818	17,141	2,745,650
Leasehold Acquisitions	438,750	11,250	0	450,000
Total Accumulated Depreciation	54,090,484	4,248,414	17,141	58,321,757
Total Being Depreciated, Net	54,002,598	(4,016,164)	167	49,986,267
Construction Work in Progress	500,757	4,238,287	128,446	4,610,598
Capital Assets, Net	\$ 57,459,619	\$ 222,123	\$ 128,613	\$ 57,553,129

NOTES TO FINANCIAL STATEMENTS
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Concluded)

Note 13 - Operating Leases

The Airport Authority is the lessor on various leases of facilities located at the Gainesville Regional Airport and other leases for property owned by the City of Gainesville. The following is a schedule of estimated minimum future lease income on noncancelable operating leases:

Fiscal Year	Amount
2019	\$ 414,350
2020	341,998
2021	343,854
2022	336,190
2023	337,872
2024-2028	850,270
2029-2033	269,008
2034-2038	246,385
Total	\$ 3,139,927

Assumptions:

- Tenants do not exercise the no-fault cancellation option in lease.
- Tenants accept renewal options in lease.
- CPI increases are estimated at 3%.

Note 14 - Contingencies

The Airport Authority would be contingently liable with respect to any claims incidental to its ordinary course of business. The Airport Authority is insured and, to the best of the Airport Authority management's knowledge, any claims existing from last fiscal year were settled without any adverse financial impact to the Airport Authority. The Airport Authority's management is not aware of any existing claims outstanding.

Note 15 - Restricted Net Position

Certain net position is considered restricted for future use by enabling legislation or from other restricted sources. A summary of the Airport Authority's restricted net position at September 30, 2018 and 2017, is as follows:

	2018	2017
Capital Facility Charge	\$ 1,224,449	\$ 1,169,055
Passenger Facility Charge	2,088,514	1,540,856
Debt Service	474,627	199,016
Total Restricted Net Position	\$ 3,787,590	\$ 2,908,927

OTHER SUPPLEMENTARY INFORMATION

REVENUE COMPARISON - BUDGET VS. ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA

	Fiscal Year 2017-2018 Total Budget	Fiscal Year 2017-2018 Actual Revenues	Over (Under) Budget
Operating Revenues			
Commercial Terminals			
Airport Terminal Parking	\$ 1,700,000	\$ 1,962,890	\$ 262,890
Air Carriers Rent - Exclusive Space	530,872	528,233	(2,639)
Other Exclusive Rent	594	1,321	727
Air Carriers Rent - Nonexclusive Space	624,325	624,325	0
Air Carriers - Landing Fees	380,388	397,981	17,593
Passenger Boarding Bridge Fees	50,119	50,559	440
Charter Landing Fees	11,500	13,982	2,482
TSA LEO Reimbursement	90,000	102,880	12,880
TSA Office Rent	40,740	41,097	357
TSA Screening Checkpoint Reimbursement	21,558	22,157	599
Airways Facility Rent	38,784	38,878	94
Industrial Park Rent	13,000	13,386	386
Rental Car Company Rent - Exclusive Space	94,011	94,207	196
Rental Car Company Concession Fees	782,317	783,792	1,475
Rental Car Company over MAG	190,000	248,669	58,669
Overflow Parking	2,000	441	(1,559)
QTF	432,550	420,610	(11,940)
Food Concessionaire	44,400	48,967	4,567
Advertising Fees	30,828	39,712	8,884
Ground Transportation Fees	15,000	31,493	16,493
Automated Teller Machine Revenue	2,400	2,400	0
Cell Phone Tower Rent	16,560	19,044	2,484
Solar Revenue	107,000	102,360	(4,640)
Miscellaneous Revenue	15,500	21,475	5,975
Total Commercial Terminals	5,234,446	5,610,859	376,413
General Aviation			
Fuel Flowage Fees	92,500	112,920	20,420
Fixed Base Operators' Rent	229,701	223,526	(6,175)
FBO/GA Landing Fees	4,000	11,273	7,273
FBO Specialty Airport Services Rent	124,566	131,539	6,973
Corporate Aviation Rent	25,327	27,227	1,900
T-Hangar Rent (FBO/GA)	216,126	210,506	(5,620)
Sunshade Rent (FBO/GA)	4,208	2,933	(1,275)
Bulk Hangar Rent	43,154	44,022	868
Tie Downs (FBO/GA)	1,400	3,406	2,006
Storage Fees (GA)	1,332	1,383	51
Port-O-Port Rent (FBO/GA)	19,521	16,875	(2,646)
FBO Charter Passenger Fee	0	1,098	1,098
FBO Ramp Parking Fees	1,000	1,686	686
GA Grounds Support Equipment Rental	400	1,585	1,185
Fuel Farm Facilities Storage Fees	147,500	168,493	20,993
Silver Hangar Rents	30,000	73,496	43,496
AFSS Rent	2,925	11,700	8,775
Driving Pad Lease - Amazon	0	30,832	30,832
Total General Aviation	943,660	1,074,500	130,840
Total Operating Revenues	6,178,106	6,685,359	507,253

REVENUE COMPARISON - BUDGET VS. ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Concluded)

	Fiscal Year 2017-2018 Total Budget	Fiscal Year 2017-2018 Actual Revenues	Over (Under) Budget
Nonoperating Revenues			
Passenger Facility Charge Revenue	\$ 0	\$ 950,074	\$ 950,074
Capital Facility Charge Revenue	0	51,955	51,955
CFC - Interest revenue	0	7,397	7,397
Federal and State Grants	0	1,467,781	1,467,781
Miscellaneous	7,900	10,618	2,718
Interest Income	500	23,009	22,509
Sale of surplus equipment	0	7,879	7,879
Total Nonoperating Revenues	8,400	2,518,713	2,510,313
Total Revenues	\$ 6,186,506	\$ 9,204,072	\$ 3,017,566

**EXPENSE COMPARISON - BUDGET VS. ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA**

	Fiscal Year 2017-2018 Total Budget	Fiscal Year 2017-2018 Actual Expenses	(Over) Under Budget
Expenses from Operations			
Airport Administration			
Personal Services	\$ 678,876	\$ 642,539	\$ 36,337
Operating Expenses	596,860	499,236	97,624
Total Airport Administration	<u>1,275,736</u>	<u>1,141,775</u>	<u>133,961</u>
Airport Operations and Maintenance			
Personal Services	1,270,161	1,112,294	157,867
Operating Expenses	2,017,972	1,896,505	121,467
Total Airport Operations and Maintenance	<u>3,288,133</u>	<u>3,008,799</u>	<u>279,334</u>
General Aviation Operations			
Operating Expenses	88,536	67,054	21,482
Cost of Sales	4,554	5,262	(708)
Total General Aviation Operations	<u>93,090</u>	<u>72,316</u>	<u>20,774</u>
Fuel Farm			
Operating Expenses	26,235	20,054	6,181
Total Fuel Farm	<u>26,235</u>	<u>20,054</u>	<u>6,181</u>
Quick Turn-around Facility			
Operating Expenses	349,821	361,229	(11,408)
Total Quick Turn-around Facility	<u>349,821</u>	<u>361,229</u>	<u>(11,408)</u>
Depreciation Expense	<u>0</u>	<u>4,243,117</u>	<u>(4,243,117)</u>
Total Expenses from Operations	<u>5,033,015</u>	<u>8,847,290</u>	<u>(3,814,275)</u>
Nonoperating Expenses			
Interest Expense	249,951	237,775	12,176
Total Nonoperating Expenses	<u>249,951</u>	<u>237,775</u>	<u>12,176</u>
(Total Expenses)	<u>\$ 5,282,966</u>	<u>\$ 9,085,065</u>	<u>\$ (3,802,099)</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA**

<u>Grantor/Program Title</u>	<u>CFDA Contract Number</u>	<u>Program or Award Amount</u>	<u>Receivable (Payable) Balance 10/1/2017</u>	<u>(Receipts)</u>	<u>Eligible Expenditures</u>	<u>Receivable (Payable) Balance 9/30/2018</u>
U.S. Department of Transportation						
Federal Aviation Administration:						
Airport Improvement Programs (AIP 39)						
ARFF Construction and Terminal Design	20.106	\$ 4,253,212	\$ 1,009,928	\$ (1,094,333)	\$ 648,781	\$ 564,376
AIP 39 Totals		<u>4,253,212</u>	<u>1,009,928</u>	<u>(1,094,333)</u>	<u>648,781</u>	<u>564,376</u>
Airport Improvement Programs (AIP 40)						
Replace Beacon	20.106	204,283	19,750	(204,282)	184,532	0
AIP 40 Totals		<u>204,283</u>	<u>19,750</u>	<u>(204,282)</u>	<u>184,532</u>	<u>0</u>
Airport Improvement Programs (AIP 41)						
Terminal Expansion Utility	20.106	647,514	0	0	2,296	2,296
AIP 41 Totals		<u>647,514</u>	<u>0</u>	<u>0</u>	<u>2,296</u>	<u>2,296</u>
Total Federal Financial Assistance		<u>\$ 5,105,009</u>	<u>\$ 1,029,678</u>	<u>\$ (1,298,615)</u>	<u>\$ 835,609</u>	<u>\$ 566,672</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Continued)**

<u>Grantor/Program Title</u>	<u>CSFA Contract Number</u>	<u>FIN Number</u>	<u>Program or Award Amount</u>	<u>Receivable (Payable) Balance 10/1/2017</u>	<u>(Receipts)</u>	<u>(Adjustments) Eligible Expenditures</u>	<u>Receivable (Payable) Balance 9/30/2018</u>
Florida Department of Transportation							
State Grants and Aids Appropriations							
Crack Seal Machine	55.004	43846619417	\$ 45,000	\$ 9,023	\$ (9,023)	\$ 0	\$ 0
Fuel Farm Upgrades	55.004	43922219416	9,000	9,000	(9,000)	0	0
Terminal and PK Improvements	55.004	43873919416	1,000,000	72,785	(82,768)	42,405	32,422
K-9	55.004	44216319418	11,000	0	(7,541)	7,541	0
Tractors	55.004	43676119419	100,000	0	0	97,682	97,682
GA Facility Rehab and Bulk Hangar	55.004	43492119419	400,000	0	0	123	123
Terminal Parking Phase 2	55.004	42882919416	192,299	99,509	(99,509)	0	0
Supplement 1	55.004	42882919416	365,400	71,736	(240,104)	293,664	125,296
Supplement 2	55.004	42882919416	433,825	0	0	178,838	178,838
Loop Road							
Supplement 1	55.004	43667019415	25,868	0	0	0	0
Security Equipment	55.004	44095419417	58,700	11,826	(12,639)	11,919	11,106
Subtotal Expenditures - CSFA No. 55.004			<u>2,641,092</u>	<u>273,879</u>	<u>(460,584)</u>	<u>632,172</u>	<u>445,467</u>
Total State Financial Assistance			<u>2,641,092</u>	<u>273,879</u>	<u>(460,584)</u>	<u>632,172</u>	<u>445,467</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 7,746,101</u>	<u>\$ 1,303,557</u>	<u>\$ (1,759,199)</u>	<u>\$ 1,467,781</u>	<u>\$ 1,012,139</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Concluded)**

Note to Schedule of Federal Awards and State Financial Assistance

Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance is presented on the accrual basis of accounting.

The Airport Authority did not elect to use the 10% de minimus indirect cost rate as covered in Section 200.414, Indirect (F&A) costs, of the Uniform Guidance.

The Airport Authority expended less than \$750,000 in state financial assistance and, therefore, no State Single Audit was required for the fiscal year ended September 30, 2018.

OTHER INFORMATION

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

To the Governing Board
Gainesville-Alachua County Regional
Airport Authority
Gainesville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Gainesville-Alachua County Regional Airport Authority (the Airport Authority) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Airport Authority's financial statements, and have issued our report thereon dated May 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Airport Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Governing Board
Gainesville-Alachua County Regional
Airport Authority
Gainesville, Florida

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

Compliance and Other Matters

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

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 Airport 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 Airport Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

May 20, 2019
Gainesville, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Governing Board
Gainesville-Alachua County Regional
Airport Authority
Gainesville, Florida

Report on Compliance for Each Major Federal Program

We have audited the Gainesville-Alachua County Regional Airport Authority (the Airport Authority)'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, that could have a direct and material effect on the Airport Authority's major federal programs for the year ended September 30, 2018. The Airport Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the 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 the Airport Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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.

Certified Public Accountants

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To the Governing Board
Gainesville-Alachua County Regional
Airport Authority
Gainesville, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Concluded)**

Report on Internal Control Over Compliance

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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


May 20, 2019
Gainesville, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Gainesville-Alachua County Regional Airport Authority.
2. The audit disclosed no material weaknesses or significant deficiencies in internal control over financial reporting and compliance.
3. No instances of noncompliance material to the financial statements of the Airport Authority were disclosed during the audit.
4. No significant deficiencies and/or material weaknesses relating to internal control and compliance over major federal programs were disclosed.
5. The report on compliance for major federal programs expresses an unmodified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with Section 510(a) of the Uniform Guidance relative to major federal programs.
7. The programs tested as major programs included the following:

Major Federal Program	Federal CFDA No.
U.S. Department of Transportation, Airport Improvement Program	20.106

8. The threshold for distinguishing Type A and B programs was \$750,000 for major federal award programs.
9. The Gainesville-Alachua County Regional Airport Authority did not qualify as a low-risk auditee pursuant to the Uniform Guidance.

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS)

The audit disclosed no findings that are required to be reported under Generally Accepted Government Auditing Standards (GAGAS).

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
GAINESVILLE-ALACHUA COUNTY REGIONAL AIRPORT AUTHORITY
GAINESVILLE, FLORIDA
(Concluded)**

III. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARD PROGRAMS

There were no findings or questioned costs for the year ended September 30, 2018.

IV. OTHER ISSUES

No summary schedule of prior audit findings is required because there were no prior year audit findings related to federal programs or state projects.

No corrective action plan is required because there were no findings required to be reported under the *Federal Single Audit Act*.

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

To the Governing Board
Gainesville-Alachua County Regional
Airport Authority
Gainesville, Florida

We have examined the Gainesville-Alachua County Regional Airport Authority (the Airport Authority)'s compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2018, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the Airport Authority's compliance with those requirements. Our responsibility is to express an opinion on the 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Airport Authority complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Airport Authority complied with the specified requirements. The nature, timing, and extent of procedures selected depend on our judgment, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the 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 Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Airport Authority, and applicable management, and is not intended to be, and should not be, used by anyone other than those specified parties.



May 20, 2019
Gainesville, Florida

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MANAGEMENT LETTER

To the Governing Board
Gainesville-Alachua County Regional
Airport Authority
Gainesville, Florida

Report on the Financial Statements

We have audited the financial statements of the Gainesville-Alachua County Regional Airport Authority (the Airport Authority), whose headquarters are located in Gainesville, Florida, as of and for the year ended September 30, 2018, and have issued our report thereon dated May 20, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U. S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Florida Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated May 20, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Airport Authority was established by Chapters 86-469 and 89-433, Laws of Florida, as amended by Chapter 95-457 in 1996 and Chapter 2006-363 in 2006. There were no component units related to the Airport Authority.

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To the Governing Board
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Airport Authority
Gainesville, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition and Management

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

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

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

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Airport Authority, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

May 20, 2019
Gainesville, Florida