SANFORD AIRPORT AUTHORITY

Financial Statements

Years Ended September 30, 2018 and 2017

INTRODUCTORY SECTION

SANFORD AIRPORT AUTHORITY

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SANFORD AIRPORT AUTHORITY

(As of September 30, 2018)

<u>President and Chief Executive Officer</u>

Diane Crews

<u>Executive Vice President and Chief Operating Officer</u>

George Speake

<u>Chief Financial Officer</u>

Don Poore

FINANCIAL SECTION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Sanford Airport Authority
Sanford, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Sanford Airport Authority (the Authority) as of and for the fiscal years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Board of Directors
Sanford Airport Authority

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, state financial assistance, and passenger facility charges (the Schedule) 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* (Uniform Guidance); Chapter 10.550, *Rules of the Auditor General*, and the *Passenger Facility Charge Audit Guide for Public Agencies,* and is not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Board of Directors
Sanford Airport Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 Authority's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Sanford Airport Authority (the Authority) is to provide an introduction of the basic financial statements for the fiscal year ended September 30, 2018 with selected comparative information for the year ended September 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statement and notes to financial statement found in this report. Following this Management Discussion and Analysis (MD&A) are the basic financial statements of the Authority. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

Overview of the Financial Statements

The Authority is structured as a business-type activity. The financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated, except for land, over their useful life. See notes to the financial statements for a summary of the Authority's significant accounting policies.

The Statements of Net Position present information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

The Statements of Revenues, Expenses and Changes in Net Position present information showing how the Authority's net position changed during the most recent and previous fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods.

The Statements of Cash Flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in these statements. A reconciliation follows these statements to assist in the understanding of the difference between cash flows from operating activities and operating loss.

Airport Activity Highlights

Passenger counts per the Federal Aviation Authority (FAA) are based upon a calendar year, as opposed to the federal fiscal year (October 1 to the following September 30). Air carrier passenger counts at the airport continue to be one of the best indicators of the overall business environment at the airport. Calendar year 2018 recorded a record level of passenger traffic at over 3,094,487 passengers. This is the eight consecutive year of growth and nearly a 166% increase since 2010 and 66% increase in the past 10 years.

Passenger Counts 2011 to 2018

2011	1,577,307	**2012**	1,815,729	**2013**	2,032,680	**2014**	2,184,701
2015	2,480,122	**2016**	2,752,410	**2017**	2,922,446	**2018**	3,094,487

* 2018 figure is tentative and will not be confirmed by the FAA until August 2019

Highlights of the Fiscal Year 2017-2018 Budget

This section contains more than just highlights; it contains all major events or trends that affected the FY2017-18 budget. The specific major events are as follows:

Revenues Variances

Overall, total revenues from operations were $14,314,694 and exceeded budget by $1,131,823 (8.6%). This represents a record for the Authority.

The term 'force Account' is used in conjunction with FAA funded construction grants where the airport utilizes its own employees to fill the roles usually filled by a contractor or an engineering consulting firm. The FAA requires that each airport employee utilized in these roles must prove, by resume, that they have the required education and experience to competently fill each position where force account work is requested. These positions are generally the project's Construction Manager, Project Coordinator, and Resident Project Representative (RPR), but virtually any position within a project could be requested to be a force account position.

When the airport receives grant payment for the force account work, the full amount must be listed as a project expense, but the FAA/FDOT only reimburses the airport for 90% of the project expense. During the fiscal year, this revenue is moved to the salary expenses as contra-expense accounts so that the grant revenue as shown in the Operating Revenue section of the financial statements may be compared to those revenues that were anticipated in the airport's annual budget at the end of the fiscal year. As a result, overall labor/personnel expenses may be reduced by several hundred thousands of dollars.

During the fiscal year 2017-2018, the Authority anticipated and budgeted to receive $210,000. The Authority participated in one FAA force account grant with a total value to the Authority of $158,596. The force account revenue for fiscal year 2017-18 was earned entirely from the expansion of terminal apron grant.

The Authority received $158,596 for force revenue during fiscal year 2018.

Miscellaneous Revenue and Fees -

This account is for unexpected revenue items, from various sources, and in varying amounts. These types of revenue generally occur every year, but cannot be accurately estimated or forecasted. The bulk of this type of revenue is derived from such items as insurance recoveries, recycled scrap, or millings.

Aviation Lease Revenue -

The exact categorization of revenue type with many of our properties is dependent upon the specific tenant involved. When a particular property's tenant changes, its associated revenue category may change from Commerce Park Revenue to Aviation Building Revenue or vice-versa. This change of category can cause the budgeted amount of one category to be under-budget while the other category is over-budget. Aviation revenue ($3,645,864) increased nearly 2% over FY17 ($3,576,787).

Highlights of the Fiscal Year 2016-2017 Budget (continued)

Revenues Variances (continued)

Parking Revenue and Customer Facility Charges (CFCs) –

Customer Facility Charges (CFCs) are fees charged by the Authority on the car rental operators renting cars at the airport. The level of these fees is set by the Authority's Board of Directors. Resolution 2016-10 set the current rate $2.25 per rental car transaction day, up to a maximum of five days, or $11.00 on any single car rental period, regardless of the duration. This rate was last set at the regularly scheduled meeting of the Authority's Board of Directors in December of 2016 and became effective for retail rental on January 1, 2017 and wholesale retails on July 1, 2017.

Customer Facility Charges generated $2,224,388 in FY 2017-2018 of which $400,000 was set aside for future projects. Although there are many purposes this remittance can be utilized for, the Authority has chosen to focus first on facilities and services that assist the operators and customers of the car rental agencies.

Terminal Revenue –

An extensive re-work of the Leases, Agreements and Contracts was completed and became effective on January 1, 2017. A result of this re-work curtailed lease payments and changed the revenues. FY 2017-18 is the first year to reflect these changes. The International Land Leases payments stopped all together and the Authority's share of Terminal Revenues increased by 16.5% to $2,105,299.

Air Carrier Landing Fees & Public Safety Fees –

The Domestic Landing Fees and Public Safety Fees exceeded budget expectations. Domestic Landing fees increased 20.2% over the last year. Public Safety Fee similarly increased 13.2%. International Landing fees (domestic and international), exceeded budget, however international continue to decline, losing 8.5% from FY 2016-17. Overall, the entire category generated $1,106,303 revenue, a 14.8% increase from FY2016-2017 levels and 12.2% over FY18 budget.

Unrestricted Interest Earned –

Interest rates on deposited funds continue to perform well over expectations, earning $123,498. Tenant build-outs constructed at Authority expense are being re-paid at rates exceeding market. This is by design to compensate for the financial risk the Authority assumes in those types of transactions. Only one such arrangement was in force on September 30, 2018, contributing $559 to this total.

Highlights of the Fiscal Year 2016-2017 Budget (continued)

Expense Variances

Salaries and Benefits –

Salaries and benefits fell short of the budget by $159,180. The effect of the Other Postemployment Benefits (OPEB) liability measurement are now in place and accrued at the full amount. The implementation of GASB 75 for Other Postemployment Benefits (OPEB) for retirees was completed during this year and resulted in an additional expense of $208,119 for fiscal year 2018.

GASB 68 requires that entities invested in pension plans reflect the unfunded liability of said plan. Application of this standard is complex and has resulted in a nearly two month delay in completing this audit process. The specifics of this process are complex and are best left to the notes that follow the financial statements.

Airline Origination Marketing –

The agreement the terminal manager was renegotiated during FY17. In the past, the Authority's obligation was based on a portion of those revenues derived from the parking revenues. This relationship with parking revenues has been eliminated. Under the new agreement the Authority's payment for marketing is established at 12.5% of the joint annual marketing budget, excluding certain related costs of the terminal manager.

Debt Service –Interest Paid –

During FY18 two loans were serviced and terminated and one larger loan was acquired. For the terminated loans, one loan was with Bank of America and was pay-fixed and included a derivative based swap. This loan financed the construction of three buildings in 2003. The second loan was for a large commercial hangar built in 2011.

A new Series 2017 loan was secured to finance the terminal expansion project. This project is PFC-backed and is partially paid for by FDOT. A general revenues pledge was made and consequently all existing loans and swap agreements were unwound, terminated and paid in full. The 2017 loan is an interest-only loan for the construction period (3 years) and will be re-financed once construction is complete with a long-term financing package.

Non-operating Revenues – Tenant Funded Projects –

Under FAA rules, the Authority cannot, except under rare circumstances, sell property to tenants to build upon. When Authority tenants pay for the improvements on airport owned land, the tenant pays only for the land lease for the duration of the lease. The duration of the lease is usually the standard depreciation period for the type of improvement. Upon conclusion of the lease, ownership of the improvements is given to the Authority.

Overview of the Financial Statements

A summarized comparison of the Authority's total assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at September 30 is as follows:

	2018	2017	2016
Assets:			
Current and other assets	$ 16,760,947	$ 12,924,058	$ 8,098,966
Capital assets, net	217,973,342	202,737,892	207,298,285
Total Assets	234,734,289	215,661,950	215,397,251
Deferred outflows of resources	2,807,553	2,619,121	2,431,355
Total assets and deferred outflows	237,541,842	218,281,071	217,828,606
Liabilities:			
Current liabilities	11,609,286	3,162,156	4,200,191
Noncurrent liabilities	11,451,358	10,401,820	10,652,247
Total Liabilities	23,060,644	13,563,976	14,852,438
Deferred inflows of resources	846,690	633,680	274,809
Total liabilities and deferred inflows	23,907,334	14,197,656	15,127,247
Net position:			
Net investment in capital assets	208,645,914	198,321,543	202,477,735
Restricted	18,419	1,505,400	26,840
Unrestricted	4,970,175	4,256,472	196,784
Total Net Position	$213,634,508	$204,083,415	$202,701,359

Changes in Net Position

The following is a summary of revenue, expenses, and changes in net position for the fiscal years ended September 30:

	2018	2017	2016
Operating revenues	$ 14,134,285	$ 12,419,138	$ 11,931,960
Operating expenses	(10,090,269)	(9,419,735)	(8,292,538)
Operating income before depreciation	4,044,016	2,999,403	3,639,422
Depreciation	(13,127,855)	(11,647,172)	(11,081,977)
Operating loss	(9,083,839)	(8,647,769)	(7,442,555)
Non-operating revenues/expenses and capital contributions	18,634,932	10,029,825	18,027,101
Increase in net position	$ 9,551,093	$ 1,382,056	$ 10,584,546

Overview of the Financial Statements (Continued)

Changes in Net Position (Continued)

The Authority's operating income before depreciation increased by $1,044,613 in 2018 compared to 2017 due primarily to revenues generated from increased passenger traffic.

Capital contributions increased by $9,243,031 in 2018 compared to 2017 due to more federal and state grant funding received in 2018. Grant revenue related to capital projects is only recognized as eligible project costs are incurred and the Authority had increased costs in 2018 as several large projects were started.

Capital Planning and Financing

Typically, airports in the United State develop Master Plans that define the airport's ultimate configuration at full development during 20-year time spans, thereby establishing an airport's complex requirements. Master Plans do not normally provide detailed information to determine funding strategies. The Authority periodically prepares (or updates) a strategic business plan to provide a 10-year detailed funding analysis of operating expenses, revenues, and projected airline charges and establish development and financial goals along with measurement criteria.

The plan's overriding objective is to place the Authority in a healthy financial position, without overburdening the air carriers, while still maintaining competitive airline rates and charges. Funding and improvements are brought online when needed, based on established trigger points. Funding is done in a manner that preserves the Authority's competitive cost structure and maintains maximum flexibility under changing circumstances.

The Authority executed a task order in the amount of $998,156 with PBS&J (now Atkins) in July 2009 to update the airport Master Plan. Master plan updates are multi-year projects normally taking 2-3 years to complete. This update reflects many capital projects that have been completed and serve as a guideline for future projects and endeavors. The FAA accepted the Authority's updated Master Plan in May 2012.

The master plans span a period of 20 years, but, are updated at approximately the 10 year mark. In concert with this methodology, in 2018 a task order was signed with Atkins to conduct the next update to the master plan. The cost of the update, $1,145,809 is primarily grant funded with the FAA providing $1,031,228 (90%) and the FDOT providing $57,291 (5%).

Debt Service

The Authority has two FDOT loans under extremely advantageous terms of 0% interest with the principal balance due after a ten year term. One loan of $1,206,250 was used for the acquisition of multiple properties west of Beardall Ave and between Runway 9L-27R and Runway 9R-27L. This loan will be due and callable in 2022. The project was completed in late June 2012. The Authority has established a "sinking fund" to prepare for the payment of this obligation in 2022.

A second 10 year 0% FDOT loan currently has a balance of $207,479. One piece of property was acquired during 2014 for the proposed extension of Runway 18-36 to the south. Additional properties are being considered, however, none have been agreed upon at the time of this writing.

Debt Service (continued)

During FY2017-18, the Authority acquired a financing package to facilitate the terminal expansion project. This project is being undertaken utilizing PFC funding joined with FDOT grant funding. The Series 2017 note is a three year loan for $60,500,000 at a rate of LIBOR plus 90 basis points. Securing of this credit necessitated the extinguishment of all existing debt since a general airport revenue pledge was given.

Passenger Facility Charges

As part of the Safety and Capacity Act of 1990, the Authority received approval from the FAA to impose a Passenger Facility Charge (PFC) of $1 per enplaned passenger at Orlando Sanford Airport and has imposed the PFC since December 2000. PFCs may be used either to pay for eligible capital improvements or to pay debt service on bonds issued to finance projects eligible for PFC funding. Through December 1, 2004, the Authority was approved to impose PFCs in the amount of **$1,192,352** to fund project costs of various Airport improvements. Projects funded by PFCs can be past eligible projects (constructed after November 1991), current eligible projects, or future eligible projects. To be eligible for PFC funding, the airlines that serve SFB must be consulted with, the project must be included and approved by the FAA in an approved PFC application, and the eligible project must improve or enhance facilities for air carrier passengers.

The Authority also received approval from the FAA for PFC #2 in the amount of $2 per enplaned passenger with an authorized amount of **$13,312,090**. Additionally, the FAA approved increasing the Authority's PFC from $2 per enplaned passenger to $4 per enplaned passenger in 2011. Total PFC collections as of September 30, 2013 (including investment earnings) are $23,598,749. The Authority collected $4,329,332 for FY 2014. On July 12, 2012, the Authority received approval from the FAA for PFC #3 in the amount of $4 per enplaned passenger with an authorized amount of **$29,837,167**.

On January 23, 2018, the FAA approved application number 17-04-C-OO-SFB. This application included reimbursement for $1,974,940 in past completed projects and $30,319,836 for the terminal expansion project that is currently underway and should complete construction in 2021.

PFC funds are not operating revenues and cannot be used to supplement or subsidize day-to-day operations. However, it must be understood that 100% of each year's PFC collections are available to be returned to the Authority's financial reserves in order to collect for past already "paid-for" projects. Once the Authority is fully reimbursed for all eligible past projects, all PFC revenue has to go to the funding of future eligible projects. PFC funds are restricted until the end of each quarter. At the conclusion of each quarter, the funds become available on the first day of the subsequent quarter.

A copy of the Authority's FAA approved PFC #4 Final Agency Decision is available online at http://www.osaa.net/documents/bids/01-28-2018-144740.pdf.

During FY 2017-2018 the Authority completed Application #3 projects, reimbursed itself $1,974,940 for past projects, and commenced the terminal expansion project under application #4. As of September 30, 2018, the Authority has spent $6,532,711 on the baggage system replacement and $10,080,935 on the terminal expansion project.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, *Sanford Airport Authority*, 1200 Red Cleveland Blvd., Sanford, FL 32773.

BASIC FINANCIAL STATEMENTS

SANFORD AIRPORT AUTHORITY
STATEMENTS OF NET POSITION

	September 30, 2018	September 30, 2017
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 8,946,496	$ 10,214,343
Accounts receivable, net	868,497	963,870
Federal grants receivable	2,109,189	-
State grants receivable	1,177,458	9,765
Prepaid expenses	339,896	230,680
Total current assets	13,441,536	11,418,658
Noncurrent assets:		
Restricted cash	3,319,411	1,505,400
Capital assets, net of accumulated depreciation	217,973,342	202,737,892
Total noncurrent assets	221,292,753	204,243,292
Total assets	234,734,289	215,661,950
Deferred outflows of resources:		
Deferred outflows related to pensions	2,807,553	2,516,681
Deferred swap outflow	-	102,440
Total deferred outflows of resources	2,807,553	2,619,121
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities (payable from current assets):		
Current portion of notes payable	-	422,631
Accounts payable and accrued liabilities	10,660,722	1,950,272
Rent collected in advance and deposits	447,627	388,321
Accrued sick and vacation pay	261,978	216,334
Unearned revenue	238,959	184,598
Total current liabilities	11,609,286	3,162,156
Noncurrent liabilities:		
Notes payable, net of current portion	4,460,971	3,993,718
Net pension liability	6,729,444	6,261,718
OPEB liability	260,943	43,944
Other long-term liabilities	-	102,440
Total noncurrent liabilities	11,451,358	10,401,820
Total liabilities	23,060,644	13,563,976
Deferred inflows of resources:		
Deferred inflows related to pensions	846,690	633,680
Net position:		
Net investment in capital assets	208,645,914	198,321,543
Restricted for:		
Passenger facility charges	-	1,484,718
Airport memorial fund	18,419	20,682
Unrestricted	4,970,175	4,256,472
Total net position	$ 213,634,508	$ 204,083,415

The accompanying Notes to the Financial Statements are an integral part of these statements.

SANFORD AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended September 30, 2018	Years Ended September 30, 2017
Operating revenues:		
Commerce park revenue	$ 2,378,424	$ 2,241,395
Other leases and revenue	540,381	344,198
Aviation rents	4,051,527	3,943,855
Terminal - domestic	5,881,389	4,795,847
Airfield	907,127	789,809
Ground transportation	176,261	129,809
Public safety fees	199,176	174,225
Total operating revenues	14,134,285	12,419,138
Operating expenses:		
Salaries and fringe benefits	7,127,698	6,315,727
Office and administrative	409,681	247,318
Professional fees and contract services	1,172,584	1,222,988
Marketing and advertising	166,228	329,909
Fuel, tools, and supplies	267,736	238,523
Repairs and maintenance	446,999	500,845
Utilities	191,473	181,968
Insurance	307,870	382,457
Total operating expenses	10,090,269	9,419,735
Operating income before depreciation	4,044,016	2,999,403
Depreciation	(13,127,855)	(11,647,172)
Operating loss	(9,083,839)	(8,647,769)
Nonoperating revenues (expenses):		
Investment income	181,831	78,028
Interest expense	(143,273)	(142,065)
Passenger facility charges	6,525,427	5,747,025
Gain on disposal of capital assets	47,940	-
Settlement proceeds	305,757	1,871,265
Miscellaneous income	1,162	2,515
Total nonoperating revenues (expenses)	6,918,844	7,556,768
Loss before capital contributions	(2,164,995)	(1,091,001)
Capital contributions	11,716,088	2,473,057
Change in net position	9,551,093	1,382,056
Net position at beginning of year	204,083,415	202,701,359
Net position at end of year	$ 213,634,508	$ 204,083,415

The accompanying Notes to the Financial Statements are an integral part of these statements.

SANFORD AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended September 30, 2018	2017
Cash flows from operating activities:		
Receipts from customers and tenants	$ 14,649,082	$ 13,372,552
Payments to suppliers	(1,774,657)	(2,816,428)
Payments to employees	(6,372,751)	(5,947,907)
Net cash provided by operating activities	6,501,674	4,608,217
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(20,963,624)	(7,899,132)
Proceeds from sale of capital assets	62,741	-
Principal paid on notes payables	(3,105,060)	(404,201)
Grants and contributions received	8,439,206	3,671,868
Interest expense	(143,273)	(142,065)
Passenger facility charges received	6,525,427	5,747,025
Net cash used in capital and related financing activities	(6,137,341)	973,495
Cash flows from investing activities:		
Interest income	181,831	78,028
Net increase (decrease) in cash and cash equivalents	546,164	5,659,740
Cash and cash equivalents at beginning of year	11,719,743	6,060,003
Cash and cash equivalents at end of year*	$ 12,265,907	$ 11,719,743

	2018	2017
*Classified as:		
Cash and cash equivalents - current assets	$ 8,946,496	$ 10,214,343
Cash and cash equivalents - restricted assets	3,319,411	1,505,400
	$ 12,265,907	$ 11,719,743

The accompanying Notes to the Financial Statements are an integral part of these statements.

SANFORD AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended September 30, 2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	$ (9,083,839)	$ (8,647,769)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	13,127,855	11,647,172
Settlement proceeds	305,757	1,871,265
Changes in assets and liabilities:		
Allowance for doubtful accounts	(15,659)	63,891
Accounts receivable	111,032	(466,998)
Prepaid expenses	(109,216)	38,944
Deferred outflows of resources	(290,872)	(254,891)
Accounts payable and accrued liabilities	1,297,130	248,636
Rents collected in advance	59,306	(11,827)
Accrued sick and vacation pay	45,644	24,542
Unearned revenue	54,361	(502,917)
Net pension liability	467,726	233,805
OPEB liability	319,439	5,493
Deferred inflows of resources	213,010	358,871
Net cash provided by operating activities	$ 6,501,674	$ 4,608,217
Noncash investing and financing activities:		
Increase in fair value of derivative financial instrument	$ 102,440	$ 67,125

The accompanying Notes to the Financial Statements are an integral part of these statements.

Note 1 - Summary of Significant Accounting Policies:

The Sanford Airport Authority (the Authority) was established as a special district by Chapter 71-924 of the laws of the State of Florida and operates the Orlando Sanford Airport. For reporting purposes, this airport is reported as a business-type activity.

A. Reporting entity

The Authority is a discretely presented component unit of the City of Sanford, Florida (the City). The City's governing board appoints all members of the Board of Directors of the Authority and approves the Authority's annual operating budget, as well as any budget adjustments or amendments.

In defining the Authority for financial reporting purposes, management applied the requirements as set forth by the Governmental Accounting Standard Board (GASB). These requirements establish the basis for defining the reporting entity and whether it is considered a component unit of another entity and whether other entities are component units. Based on these criteria, the reporting includes only the accounts of the Authority in the reporting entity. The Authority identified no potential component units to include in these statements.

B. Basis of presentation, measurement focus, and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's financial statements are prepared using the flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred.

The principal operating revenues of the Authority are from sources, such as airlines, concessions, rental cars, customer facility charges, parking and the commerce park. Investment income, passenger facility charges, federal and state operating grants and other revenues not related to the operations of the airport are considered non-operating revenues. Operating expenses include the cost of airport and related facilities maintenance, administrative expenses and depreciation on capital assets. Interest expense and financial costs are reported as non-operating expenses.

C. Assets, liabilities, deferred outflows/inflows of resources, and net position

1. *Cash and cash equivalents*

The Authority's cash and cash equivalents are considered to be demand deposits, certificates of deposit, cash on hand and repurchase agreements, with original maturities of three months or less from the date of acquisition.

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position (Continued)

2. Accounts receivable

Receivables are reported at their gross value when earned and reduced by the estimated portion that is expected to be uncollectible. An allowance for uncollectible accounts is based on an analysis of past due amounts. The provision for uncollectible accounts at September 30, 2018 and 2017 was $48,232 and $63,891, respectively.

3. Prepaid expense and inventory

Prepaid expenses consist primarily of expenditures expected to benefit future periods. Inventory primarily consists of fuel held for consumption and is valued using the average cost method.

4. Lease and concession agreements

The Authority's operations consist of agreements for the use of land, buildings, terminal space and privileges to airlines and concessionaires. The T-Hangar leases are primarily month-to-month, cancelable leases. The building, office, residential and land leases are generally non-cancelable leases, with terms ranging one to fifty years. The Authority accounts for revenue from these agreements under the operating method and reports over the terms of the agreements.

5. Capital assets

Capital assets are recorded at cost when purchased or constructed and at fair market value when donated. Capital assets are defined by the Authority as assets with an initial cost of more than $1,000 and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Capitalized interest consists of interest expense on certain borrowings in excess of interest earned on related investments acquired with the proceeds of borrowings.

Land and construction in progress are not depreciated. The other capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, improvements, water and sewer system	12 - 50 years
T-Hangars	30 years
Streets	20 - 40 years
Equipment and vehicles	3 - 20 years

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Assets, liabilities, deferred outflows/inflows of resources, and net position (Continued)

5. Pensions

In the balance sheets, net pension liability represents the Authority's proportionate share of the net pension liability of the cost-sharing pension plans in which it participates. This proportionate amount represents a share of the present value of projected benefit payments to be provided through the cost-sharing pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the cost-sharing pension plan's fiduciary net position.

The Authority participates in both the Florida Retirement System (FRS) defined benefit pension plan and the Retiree Health Insurance Subsidy Program (HIS) defined benefit pension plan administered by the Florida Division of Retirement (collectively, FRS/HIS).

For purposes of measuring the Authority's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of FRS/HIS and additions to/deductions from FRS/HIS's fiduciary net position have been determined on the same basis as they are reported by FRS/HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Deferred outflows/inflows of resources

In addition to assets, the Authority reports a separate section for deferred outflows of resources in its statements of net position. Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting as deferred outflows of resources.

Accumulated decrease in fair value of hedging derivative – As described in Note 10, the Authority had an interest rate swap agreement that qualified as an effective cash flow hedge in connection with a variable rate bond. The fair value of the swap is presented in the statements of net position as a deferred outflow of resources and a derivative financial instrument liability in the amount of $0 and $102,440 at September 30, 2018 and 2017, respectively, with changes in valuation applied to those same accounts.

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Assets, liabilities, deferred outflows/inflows of resources, and net position (Continued)

7. Deferred outflows/inflows of resources (continued)

Deferred outflows related to pensions - These deferred outflows of resources are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred outflows related to pensions totaled $2,807,553 and $2,516,681 at September 30, 2018 and 2017, respectively, and will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. Details on the composition of the deferred outflows of resources related to pensions are further discussed in Note 6.

In addition to liabilities, the Authority reports a separate section for deferred inflows of resources in its statements of net position. Deferred inflows of resources, represent an acquisition of net position that applies to a future period(s) and will *not* be recognized as an inflow of resources until then. The Authority has one item that qualifies for reporting as deferred inflows of resources.

Deferred inflows related to pensions - These deferred inflows of resources are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The deferred inflows related to pensions totaled $846,690 and $633,680 at September 30, 2018 and 2017, respectively, and will be recognized as a reduction to pension expense in future reporting years. Details on the composition of the deferred inflows of resources related to pensions are further discussed in Note 6.

8. Net position flow assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statements of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Revenues and expenses

1. Passenger facility charges

The Federal Aviation Administration (FAA) approved the collection of passenger facility charges (PFCs). The Authority uses PFCs for pre-approved airport projects that meet at least one of the following criteria: preserve or enhance safety, security or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers. The airlines collect and remit this revenue to the Authority and the Authority records this as non-operating revenue.

2. Customer Facility Charges

The Authority approved the collection of customer facility charges (CFCs) on August 2, 2011. All rental car companies (RACs) agreed to assess and collect CFCs to pay the costs and expenses of financing, designing, constructing and relocating the rental automobile-related facilities. The RACs collect and remit this revenue to the Authority and the Authority records this as operating revenue.

3. Capital contributions

Capital contributions consist primarily of grants and contributions from federal and state governmental agencies, airlines and tenants. The Authority recognizes contributions as earned as related project costs are incurred. The Authority recognizes donated property at acquisition value when received.

4. Compensated Absences

The Authority recognizes expenses relating to compensated absences as incurred and includes those liabilities in accrued expenses.

E. Other significant accounting policies

1. Fair value of financial instruments

The Authority has accounted for all investments, regardless of time to maturity or their acquisition date, at fair value on the balance sheets, with unrealized gains and losses charged or credited to investment income. The Authority uses available market information to determine these fair values.

2. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Note 1 - Summary of Significant Accounting Policies: (Continued):

E. Other significant accounting policies (continued)

3. Reclassifications

Certain amounts in the prior-year financial statements may have been reclassified to conform to the current-year presentation.

Note 2 - Cash Deposits and Investments:

The Authority's cash and cash equivalents balances include amounts deposited with commercial banks in interest-bearing and non-interest bearing demand deposit accounts, as well as the Florida State Board of Administration's Local Government Surplus Investment Pool (LGIP). The commercial bank balances are entirely insured by federal depository insurance or by collateral pursuant to the Florida Security for Public Deposits Act of the State of Florida (the Act).

The Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the Authority's deposits in qualified public depositories are considered totally insured. The qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125% may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State of Florida's Chief Financial Officer (State's CFO) or, with the approval of the State's CFO, to a bank, savings association, or trust company, provided that a power of attorney is delivered to the State's CFO.

Investments are presented at fair value, which is based on available market values. The LGIP operated by the State of Florida State Board of Administration is a "2a-7-like" pool; therefore, it is not presented at fair value but at its actual pooled share price which approximates fair value. Adjustments of the carrying value of investments to fair value is presented as a component of investment income.

The LGIP is not a registrant with the Securities and Exchange Commission (SEC); however, the state of Florida does provide regulatory oversight.

Following are the components of the Authority's cash and investments at September 30:

	2018	2017
Cash and cash equivalents - current assets	$ 8,946,496	$ 10,214,343
Cash and cash equivalents - restricted assets	3,319,411	1,505,400
	$ 12,265,907	$ 11,719,743

Note 2 - Cash Deposits and Investments (Continued):

A. Cash deposits with financial institutions

At September 30, 2018 and 2017, the carrying amounts of deposits were $6,622,644 and $8,227,133, respectively. The bank balances were $7,406,408 and $8,680,912 respectively, at September 30, 2018 and 2017.

B. Investments

Investment income is recognized as earned and is allocated to the participating funds based on their equity participation. At September 30, 2018, the Authority's investments were held in interest-bearing time deposits in qualified public depositories.

Florida Statutes authorize the Authority to invest in direct obligations of or obligations guaranteed by the United States of America, LGIP, SEC-registered money market funds, and interest-bearing time deposits or savings accounts in qualified public depositories.

The Authority does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The Authority's policy requires that bank deposits be secured, as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the State's CFO, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred.

At September 30, 2018 and 2017, the Authority had the following investment:

	2018 Fair Value	2017 Fair Value	Credit Rating	Weighted Average Maturity
Local government investment pool:				
Florida Prime	$ 5,642,882	$ 3,491,834	AAAm	50 days

Note 3 - Restricted Assets:

At September 30, 2018 and 2017, the Authority has a restricted cash balance of $18,419 and $20,682, respectively, for the Airport Memorial Fund.

Note 4 – Capital Assets:

A summary of capital assets activity for the years ended September 30, 2017 and 2016 follows:

	Balance October 1, 2017	Additions	Deductions and Reclass-ifications	Balance September 30, 2018
Capital assets, not being depreciated				
Land	$ 53,533,530	$ 200,118	$ -	$ 53,733,648
Construction in progress	9,584,512	26,877,205	(6,732,829)	29,728,888
Total capital assets, not being depreciated	63,118,042	27,077,323	(6,732,829)	83,462,536
Capital assets, being depreciated				
Buildings & improvements	231,296,239	888,603	-	232,184,842
T-Hangars	1,492,276	129,042	-	1,621,318
Street construction	10,985,754	58,040	-	11,043,794
Equipment & vehicles	32,537,859	6,957,928	(403,267)	39,092,520
Total capital assets, being depreciated	276,312,128	8,033,612	(403,267)	283,942,473
Less accumulated depreciation				
Buildings & improvements	(112,655,244)	(10,273,568)	-	(122,928,812)
T-Hangars	(1,294,839)	(52,663)	-	(1,347,502)
Street construction	(4,891,711)	(433,120)	-	(5,324,831)
Equipment & vehicles	(17,850,484)	(2,368,504)	388,466	(19,830,522)
Total accumulated depreciation	(136,692,278)	(13,127,855)	388,466	(149,431,667)
Total capital assets, being depreciated, net	139,619,850	(5,094,243)	(14,801)	134,510,806
Capital assets, net	$ 202,737,892	$ 21,983,080	$ (6,747,630)	$ 217,973,342

Note 4 - Capital Assets (Continued):

	Balance October 1, 2016	Additions	Deductions and Reclass-ifications	Balance September 30, 2017
Capital assets, not being depreciated				
Land	$ 53,533,530	$ -	$ -	$ 53,533,530
Construction in progress	36,362,928	6,608,854	(33,387,270)	9,584,512
Total capital assets, not being depreciated	89,896,458	6,608,854	(33,387,270)	63,118,042
Capital assets, being depreciated				
Buildings & improvements	197,755,815	33,540,424	-	231,296,239
T-Hangars	1,492,276	-	-	1,492,276
Street construction	10,985,754	-	-	10,985,754
Equipment & vehicles	32,223,734	324,771	(10,646)	32,537,859
Total capital assets, being depreciated	242,457,579	33,865,195	(10,646)	276,312,128
Less accumulated depreciation				
Buildings & improvements	(104,015,097)	(8,640,174)	-	(112,655,244)
T-Hangars	(1,242,176)	(52,663)	-	(1,294,839)
Street construction	(4,456,912)	(434,799)	-	(4,891,711)
Equipment & vehicles	(15,341,567)	(2,519,563)	10,646	(17,850,484)
Total accumulated depreciation	(125,055,752)	(11,647,172)	10,646	(136,692,278)
Total capital assets, being depreciated, net	117,401,827	22,218,023	-	139,619,850
Capital assets, net	$ 207,298,285	$ 28,826,877	$ (33,387,270)	$ 202,737,892

Note 4 - Capital Assets (Continued):

Total interest incurred for the years ended September 30, 2018 and 2017 was $143,273 and $142,065, respectively. No interest was capitalized in either fiscal year.

Note 5 - Lease Agreements:

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30:

Year Ending September 30,	
2019	$ 3,613,731
2020	2,658,994
2021	2,485,918
2022	2,216,397
2023	1,654,314
Thereafter	12,670,897
	$ 25,300,251

Total income on non-cancellable operating leases for the years ended September 30, 2018 and 2017 was $4,947,285 and $5,071,024, respectively.

Following is a schedule of approximate cost or carrying value and accumulated depreciation of capital assets under operating leases:

	2018	2017
Buildings and improvements	$ 82,051,973	$ 81,440,660
Accumulated depreciation	(46,956,215)	(46,856,625)
Capital assets held for lease, net	$ 35,095,758	$ 34,584,035

Note 6 - Retirement Plans

Plan Descriptions

Florida Retirement System

The Authority's authorized permanent full and part-time employees participate in the Florida Retirement System (FRS), a cost-sharing, multiple-employer defined-benefit public retirement plan. Effective December 1, 2000, the City of Sanford, Florida (the City) and, consequently, the Authority, terminated its single-employer, defined benefit pension plan and re-entered the FRS.

The FRS provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan participants and beneficiaries. Florida Statutes establish benefit provisions and the plan is administered by the Florida Department of Administration, Division of Retirement.

FRS members are eligible for retirement after vesting, which occurs at six or eight years of creditable service for regular members, depending upon the employee's hire date. Normal retirement age is attained at the earlier of 30 years of creditable service, regardless of age, or retirement at age 62, with at least 10 years of creditable service. Early retirement may be taken anytime: however, there is a 5% benefit reduction for each year prior to normal retirement age. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation and service credit.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program ("DROP"). This program allows eligible employees to defer receipt of monthly retirement benefit payments, while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The FRS has six classes of membership. Only three apply to the Authority's eligible employees. These three classes, with descriptions and contribution rates in effect during the two-year period ended September 30, 2015 are as follows:

Regular Class – Members not qualifying for other classes (7.52% from 10/1/16 to 6/30/17; 7.92% from 7/1/17 to 6/30/18, 8.26% from 7/1/18 to 9/30/18).

Senior Management Class – Members of senior management (21.77% from 10/1/16 to 6/30/17; 22.71% from 7/1/17 to 6/30/18, 24.06% from 7/1/18 to 9/30/18).

Special Risk Class – Members employed as law enforcement officers, fire fighters, or correctional officers and meeting the criteria set to qualify for this class (22.57% from 10/1/16 to 6/30/17; 23.27% from 7/1/17 to 6/30/18, 24.50% from 7/1/18 to 9/30/18).

Note 6 - Retirement Plans (Continued)

Plan Descriptions (Continued)

Retiree Health Insurance Subsidy (HIS) Program

The Authority's employees also participate in the Retiree Health Insurance Subsidy (HIS) Program, which is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement system in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $5. The minimum payment is $30 and the maximum is $150 per month per Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Public Employee Optional Retirement Program

Employees may participate in the Public Employee Optional Retirement Program (the "Investment Plan"), a defined contribution retirement program, in lieu of participation in the defined-benefit retirement plan ("Pension Plan"). If the Investment Plan is elected, active membership in the defined-benefit retirement plan is terminated. Eligible members of the Investment Plan are vested at one year of service and receive a contribution for self-direction in an investment product with a third-party administrator selected by the State Board of Administration. The contribution rates for both plans are identical.

Contributions

The contribution requirements to the Pension Plan and HIS Program are established and may be amended by FRS. Effective July 1, 2011, all FRS employees, with the exception of DROP participants and re-employed retirees who are initially re-employed under covered employment on or after July 1, 2010, are required to make pretax retirement contributions of 3% of their gross salary to the plan.

The fiscal year 2018 contribution rate applied to regular employee salaries was 7.92%, including 1.66% for a post-retirement health insurance subsidy ("HIS"). The fiscal year 2017 contribution was 7.52%, which included 1.66% for HIS. The fiscal year 2018 contribution rate applied to senior management salaries was 22.71% including 1.66% HIS. The fiscal year 2017 contribution rate was 21.77% which included 1.66% for HIS. The fiscal year 2018 contribution rate applied to the salaries of the employees in the Special Risk Class was 23.27%, including 1.66% for HIS. The fiscal year 2017 contribution rate was 22.57% which included 1.66% for HIS. The fiscal year 2018 contribution rate applied to the salaries of the employees in DROP was 13.26%, including 1.66% for HIS. The fiscal year 2017 contribution rate was 12.99% which included 1.66% for HIS.

The Authority's contributions to FRS for the years ended September 30, 2018 and 2017 were $572,181 and $498,225, respectively, equal to the required contributions for each year.

Note 6 - Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018 and 2017, the Authority reported a liability of $6,729,444 and $6,261,718, respectively, for its proportionate share of the net pension liability of the Pension Plan and HIS Program. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Authority's proportion of the net pension liability was based on the Authority's historical employer contributions to the pension plans for fiscal year 2018 and 2017 relative to the historical contributions of all participating employers. At June 30, 2018, the Authority's proportion was 0.0174% and 0.0141% for the Pension Plan and HIS Program, respectively, which was an increase of 0.0009% and 0.0001% from its respective proportion measured as of June 30, 2017. For the years ended September 30, 2018 and 2017, the Authority recognized pension expense of $979,017 and $880,606, respectively.

At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Pension Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 444,045	$ 16,117
Changes of assumptions	1,712,710	-
Differences between projected and actual earnings on pension plan investments	-	404,980
Changes in proportion	203,453	221,894
Authority's contributions subsequent to the measurement date	126,393	-
Total	$ 2,486,601	$ 642,991

HIS Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 22,778	$ 2,528
Changes of assumptions	165,463	157,304
Differences between projected and actual earnings on pension plan investments	898	-
Changes in proportion	113,601	43,867
Authority's contributions subsequent to the measurement date	18,212	-
Total	$ 320,952	$ 203,699

Note 6 - Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

$126,393 and $18,212 reported as deferred outflows of resources related to pensions for the Pension Plan and HIS Program, respectively, resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Years Ending September 30:	Pension Plan Expense	HIS Expense
2019	$ 215,922	$ 14,685
2020	245,768	14,685
2021	270,179	12,305
2022	262,441	14,403
2023	271,457	14,956
Thereafter	451,450	28,007

Actuarial Assumptions - Actuarial assumption for both the Pension Plan and HIS Program are reviewed annually by the Florida Retirement System Actuarial Assumption Conference. The Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed.

The actuarial assumptions that determined the total pension liability as of June 30, 2018 and 2017, were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed.

Valuation date	July 1, 2018	July 1, 2017
Measurement date	June 30, 2018	June 30, 2017
Inflation	2.60%	2.60%
Salary increases including inflation	3.25%	3.25%
Mortality	Generational RP-2000 with Projection Scale BB	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age	Individual Entry Age

Note 6 - Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The long-term expected rate of return, net of investment expense on the Pension Plan investments was 7.00% as of June 30, 2018 and 7.10% as of June 30, 2017. This rate was determined using a forward-looking capital market economic model. The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The expected real rate of return is presented in arithmetic means.

Asset Class	Target Allocation	Annual Arithmetic Return
Cash	1%	2.9%
Fixed income	18%	4.4%
Global equity	54%	7.6%
Real estate (property)	11%	6.6%
Private equity	10%	10.7%
Strategic investments	6%	6.0%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability for the Pension Plan was 7.00% for June 30, 2018 and 7.10% for June 30, 2017. The discount rate used to measure the total pension liability for the HIS Program was 3.58% and 3.87% for the HIS Program as of June 30, 2018 and June 30, 2017, respectively. For the Pension Plan, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The discount rates used at the two dates differ due to changes in the applicable bond index.

Note 6 - Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate for FRS of 7.00% for September 30, 2018 and 7.10% for September 30, 2017. The discount rate of 3.87% and 3.58% was used for the HIS Program for September 30, 2018 and 2017, respectively. The following also presents what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the respective current rate:

As of September 30, 2018

Pension Plan	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Authority's proportionate share of the net pension liability (asset)	$ 9,566,197	$ 5,241,631	$ 1,649,824

HIS Program	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Authority's proportionate share of the net pension liability (asset)	$ 1,694,532	$ 1,487,813	$ 1,315,501

As of September 30, 2017

Pension Plan	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Authority's proportionate share of the net pension liability (asset)	$ 8,849,036	$ 4,889,133	$ 1,601,507

HIS Program	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Authority's proportionate share of the net pension liability (asset)	$ 1,566,301	$ 1,372,585	$ 1,211,230

Pension Plan Fiduciary Net Position - Detailed information about FRS and HIS fiduciary net position is available in the separately issued FRS financial report. The latest available report may be obtained by writing to the Department of Management Services, Office of the Secretary, 4050 Esplanade Way, Tallahassee, FL 32399-0950 or from the website:
http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

Note 6 - Retirement Plans (Continued)

Deferred Compensation - The Authority has a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code 457, in which all employees may voluntarily elect to participate. The Plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. Because the Plan assets are held in trust for the exclusive benefit of Plan participants and their beneficiaries, the Plan is not accounted for in the Authority's financial statements.

Note 7 - Postemployment Benefits Other Than Pension Benefits (OPEB)

In accordance with Florida Statutes, Section 112.0801, the Authority makes continuation of group health insurance through the Authority's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the Authority other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree. The Authority has chosen pay-as-you-go funding, but is recording the liability in the financial statements. This plan does not issue stand-alone financial statements.

In fiscal year 2018, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Authority recognized its total OPEB liability and OPEB expense in the financial statements based on the actuarial present value of projected benefit payments, rather than the smaller net OPEB obligation based on contribution requirements, under GASB Statement No. 45. The Authority elected to recognize the $236,317 difference between the new total OPEB liability and the prior net OPEB obligation as an adjustment to fiscal year 2018 expenses instead of restating beginning net position.

Plan Description:

The Authority's Retiree Health Care Plan (Plan) is a single employer defined benefit postemployment health care plan that covers eligible retired employees of the Authority. The Plan, which is administered by the Authority, allows employees who retire and meet retirement eligibility requirements under the Florida Retirement System to continue medical insurance coverage as a participant in the Authority's plan.

Plan Membership as of October 1, 2017:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	4
Active Plan Members	93
	97

Benefits Provided:

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the Authority are eligible to receive postemployment health care benefits. All retiree and dependent coverage is at the expense of the retiree.

Note 7 - Postemployment Benefits Other Than Pension Benefits (Continued)

Total OPEB Liability

The measurement date is September 30, 2018. The measurement period for the OPEB expense was October 1, 2017 to September 30, 2018. The reporting period is October 1, 2017 through September 30, 2018.

The Sponsor's Total OPEB Liability was measured as of October 1, 2017.

Note – The Sponsor's Total OPEB Liability for the Authority's ledger adjustment was measured as September 30, 2017 using a discount rate of 3.64%. The Total OPEB Liability was "rolled-forward" from September 30, 2017 at 3.64%, thus producing no experience gain or loss for the period ending September 30, 2018.

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2017 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.18%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55

For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA.

Discount Rate

Given the Authority's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

OPEB Expense

For the year ended September 30, 2018, the Authority will recognize OPEB expense of $8,880.

Note 7 - Postemployment Benefits Other Than Pension Benefits (Continued)

Changes in Total OPEB Liability

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30, 2017	$ 280,261
Changes for a year:	
Service Cost	9,582
Interest	10,115
Changes of Assumptions	(14,817)
Benefit Payments	(24,198)
Net Changes	(19,318)
Reporting Period Ending September 30, 2018	$ 260,943

Changes of assumptions reflect a change in the discount rate from 3.64% for the fiscal year ending September 30, 2017 to 4.18% for the fiscal year ending September 30, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB Liability of the Authority, as well as what the Authority's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 3.18%	Current Discount Rate 4.18%	1% Increase 5.18%
Total OPEB Liability	$ 289,530	$ 260,943	$ 236,810

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB Liability of the Sponsor, as well as what the Sponsor's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that is one percentage-point lower or one percentage-point higher than the current healthcare cost trend rate:

	1% Decrease 3.00%-7.50%	Healthcare Cost Trend Rates 4.00%-8.50%	1% Increase 5.00%-9.50%
Total OPEB Liability	$ 233,435	$ 260,943	$ 294,099

Note 7 - Postemployment Benefits Other Than Pension Benefits (Continued)

Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios

Reporting Period Ending	09/30/2018
Measurement Date	09/30/2018
Total OPEB Liability	
Service Cost	$ 9,582
Interest	10,115
Changes of Assumptions	(14,817)
Benefit Payments	(24,198)
Net Change in Total OPEB Liability	(19,318)
Total OPEB Liability - Beginning	280,261
Total OPEB Liability - Ending	$ 260,943
Covered Employee Payroll	$ 4,417,989
Total OPEB Liability as a percentage of Covered Employee Payroll	5.91%

Note 8 – Notes Payable – Bank

On April 16, 2018 the Authority entered into a $60,500,000 million construction loan. The purpose of this loan is the funding of the terminal expansion. The Authority pledged “Gross Authority Revenues”, passenger facility charges (PFCs) and a related FDOT grant. The loan is for temporary financing covering the construction period only. Once construction is completed, permanent financing will be procured. Interest is payable quarterly in arrears on the principal balance outstanding. The note bears an interest rate of LIBOR plus 90 basis points.

In concert with procurement of the loan all other outstanding notes and lines of credit were paid off and terminated. No other financing activities are in place at September 30, 2018.

Note 9 - Non-Current Liabilities

A summary of non-current liability activity for the years ended September 30, 2018 and 2017 is as follows:

	Balance October 1, 2017	Additions	Deductions	Balance September 30, 2018	Amounts Due Within One Year	Amounts Due After One Year
Notes payable:						
Revenue notes:						
Series 2003	$ 1,408,939	$ -	$ 1,408,939	$ -	$ -	$ -
Construction Note	1,593,681	-	1,593,681	-	-	-
Series 2018 Construction Note	-	3,047,242	-	3,047,242	-	3,047,242
Florida Department of Transportation	1,413,729	-	-	1,413,729	-	1,413,729
Total notes payable	4,416,349	3,047,242	3,002,620	4,460,971	-	4,460,971
Other long-term liabilities						
Derivative instrument - interest rate swap	102,440	-	102,440	-	-	-
Net pension liability	6,261,718	467,726	-	6,729,444	-	6,729,444
Other postemployment benefits	43,944	216,999	-	260,943	-	260,943
Total other long-term liabilities	6,408,102	684,725	102,440	6,990,387	-	6,990,387
Total non-current liabilities	$ 10,824,451	$ 3,731,967	$ 3,105,060	$ 11,451,358	$ -	$ 11,451,358

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017	Amounts Due Within One Year	Amounts Due After One Year
Notes payable:						
Revenue notes:						
Series 2003	$ 1,607,776	$ -	$ 198,837	$ 1,408,939	$ 208,332	$ 1,200,607
Construction Note	1,799,045	-	205,364	1,593,681	214,299	1,379,382
Florida Department of Transportation	1,413,729	-	-	1,413,729	-	1,413,729
Total notes payable	4,820,550	-	404,201	4,416,349	422,631	3,993,718
Other long-term liabilities						
Derivative instrument - interest rate swap	169,565	-	67,125	102,440	-	102,440
Net pension liability	6,027,913	233,805	-	6,261,718	-	6,261,718
Other postemployment benefits	38,451	5,493	-	43,944	-	43,944
Total other long-term liabilities	6,235,929	239,298	67,125	6,408,102	-	6,408,102
Total non-current liabilities	$ 11,056,479	$ 239,298	$ 471,326	$ 10,824,451	$ 422,631	$ 10,401,820

Note 9 - Non-Current Liabilities (Continued)

Minimum principal and interest payments have not been established. The only outstanding debt is a construction interest only loan which is due on April 1, 2021.

Notes payable at September 30, 2018 and 2017 are summarized as follows:

	2018	2017
Revenue note payable Series 2003 - bank collateralized by pledged revenues; variable interest rate, calculated at 63.7% of the 30-day LIBOR plus 115 basis (1.681% at September 30, 2016): principal and interest payable monthly through 2023	$ -	$ 1,408,939
Note payable - bank; collateralized by pledged revenues; fixed interest rate at 4.25%; principal and interest payable monthly through 2024	-	1,539,681
Construction Note Payable Series 2018 - bank; collateralized by pledge of gross airport revenues, PFC's and grant revenues; variable interest payable quarterly at LIBOR plus 90 bps. Interest only payable through March 2021	3,047,242	-
Note payable - Florida Department of Transportation for land acquisition for 9L-27R runway extension; no interest; due 2020; unsecured	1,206,250	1,206,250
Note payable - Florida Department of Transportation for land acquisition for 18/36 runway; due 2024	207,479	207,479
	$ 4,460,971	$ 4,416,349

Note 9 - Non-Current Liabilities (Continued)

The Authority's notes payable contain various restrictive covenants, including the maintenance of certain liquidity ratios. All covenants have been met through September 30, 2018.

During 2010, the Authority entered into a $2.5 million construction note payable with a bank to provide financing for the North Ramp Commercial Aviation Hangar. The Authority pledged airport customer facility charges and if this revenue stream is not at least 110% of the debt service, then the Authority must pledge additional revenues. The note was paid in full during 2018. For the twelve month period ended September 30, 2018, principal and interest paid was $1,448,525.

The Authority has pledged future airport revenues, net of specific operating expense, to repay, approximately $3.5 million in Revenue Note Series 2003. Proceeds from the Revenue Note, 2003 provided financing for various capital projects. The note is payable solely from the airport system revenues and is payable through the year 2023. The Authority has agreed to maintain rates and charges each year to provide net revenues, as defined in the applicable note agreement, equal to at least 1.10 times the sum of the aggregate debt service. The note was paid in full during 2018. For the twelve month period ended September 30, 2018, principal and interest paid was $1,629,158.

During 2011, the Authority entered into a $1.21 million note payable with the Florida Department of Transportation (FDOT) for the acquisition of multiple properties west of Beardall Avenue and between Runway 9L-27R and Runway 9R-29L. The note is a non-interest bearing obligation that will mature ten years after the grant is closed.

During 2014, the Authority entered into a $207,479 note payable with the Florida Department of Transportation (FDOT) for the acquisition of a land parcel near the end of Runway 18. The note is a non-interest bearing obligation that will mature ten years after the grant is closed.

During 2018, the Authority entered into a three year construction note, Series 2018 with a bank to finance the terminal expansion. The note is collateralized with gross airport revenue, PFCs and grant revenue. Interest is payable quarterly. Total principal remaining as of September 30, 2018 is $3,047,242. For the twelve month period ended September 30, 2018, interest paid was $24,132 and total pledged revenues for the year was $22,332,828.

Note 10 - Derivatives and Hedging Activities

Swap Payments and Associated Debt

Pay-Fixed, Receive-Variable Interest Rate Swap

Revenue Note, Series 2003: This note was paid off during fiscal year 2018 and associated swap agreement was terminated as of September 30, 2018.

Objective of the swap: The Authority entered into a pay-fixed, receive-variable interest rate swap agreement in 2003 in order to reduce the impact of fluctuations in interest rates on its variable rate debt.

Fair value and classification: The fair value as of September 30, 2017 was obtained from the swap counterparty, Bank of America Merrill Lynch. In accordance with generally accepted accounting principles, the fair value is reflected as a liability in the long-term section on the balance sheets, with a corresponding deferred outflow of resources. The fair value of the deferred outflows in connection with the swap was $0 and $102,440 for the years ended September 30, 2018 and 2017, respectively.

Terms and Risk: The notational amount of the swap matches the principal amount of the associated debt. The Authority's swap agreement contains scheduled reductions to the outstanding notional amount that approximates scheduled or anticipated reductions in the outstanding principal amount from debt repayment. The terms, fair value and credit rating of the outstanding swap as of September 30, 2017 and 2016 are as follows:

Associated Note Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	September 30, 2018 Fair Value	Swap Termination Date	Counterparty Credit Rating
2003	$ -	Sept. 1, 2003	4.62%	LIBOR*	$ -	April 2018	A+/A-1

Associated Note Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	September 30, 2017 Fair Value	Swap Termination Date	Counterparty Credit Rating
2003	$1,408,939	Sept. 1, 2003	4.62%	LIBOR*	$(102,440)	Sept. 2023	A+/A-1

* London Interbank Offered Rate

Credit Risk: As of September 30, 2018, the Authority was not exposed to credit risk because the pay-fixed, receive-variable swap was terminated during fiscal year 2018.

Termination risk: An early termination in 2018 resulted in a cash settlement based upon market conditions at the time of termination.

Note 11 – Grants and Contributions

Grants and contributions are used primarily for capital assets and are classified as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position. Grants and contributions consisted of the following at September 30, 2018 and 2017:

	2018	2017
Federal grants	$ 10,082,510	$ 1,816,055
State of Florida grants	1,634,078	657,002
	$ 11,716,588	$ 2,473,057

Note 12 - Related Party Transactions

Airport Lease – The City of Sanford, Florida granted the Authority the exclusive right to occupy, operate, control, maintain and use the Orlando Sanford Airport for a term of 50 years starting in 2009. After 50 years, the grant automatically renews every ten (10) years unless expressly rejected in writing by the City. The purpose of the grant is for public airport purposes, subject to easements, deed restrictions, grant assurances with the United States, State of Florida, applicable laws and ordinances and other restrictions of record.

Note 13 – Commitments and Contingencies

Litigation – During the ordinary course of its operations, the Authority is a party to various claims, legal actions, and complaints. Although the outcome of these lawsuits is not determinable at the time of an audit, in the opinion of the Authority's management and legal counsel, these matters are not anticipated to have a material adverse effect on the financial condition of the Authority.

Construction Projects – At September 30, 2018 the Authority had entered into a construction contract with Wahlbridge Aldinger LLC for $60,642,363.

Grant Compliance - The Authority receives grants from federal and state assistance programs. Amounts received or receivable under these programs are subject to audit and adjustment. The amount, if any, of disallowed claims, including amounts already collected, cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

Environmental Issues – The Authority has identified several sites that have environmental issues on airport property. The State of Florida and the United States Navy are responsible for cleaning up the majority of these sites. At this time the Authority is unable to determine the cost and their responsibility in the clean-up of these sites. The Authority has pursued all possible remedies to mitigate any contamination and as of September 30, 2017 the Authority has no known sites requiring mitigation. The Authority does not have an ongoing obligation to monitor and test each site.

Note 13 - Commitments and Contingencies (Continued)

Construction Disputes – While performing a test as part of the Runway Incursion Mitigation grant an employee of the contractor sustained a fatal injury. The contractor's insurance carrier has provided the company a litigation hold letter regarding the incident. No litigation has been filed against the company. The Company's insurer has opened a file and assigned counsel to defend the company should any claims be made against the company.

Note 14 – Risk Management

The 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 Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past five years.

The Authority used interest rate swap agreements to reduce its debt service costs. The final interest rate swap agreement associated with Series 2003 note was terminated during 2018. Disclosures related to interest-rate swaps are discussed in Note 10.

REQUIRED SUPPLEMENTARY INFORMATION

SANFORD AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Fiscal Years (1)(2)

Florida Retirement System (FRS) Defined Benefit Pension Plan

	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.017402196%	0.016528885%	0.017732946%	0.016769923%	0.017440249%
Proportionate share of the net pension liability	$ 5,241,631	$ 4,889,133	$ 4,477,583	$ 2,166,060	$ 1,064,112
Covered payroll	$ 3,915,789	$ 3,622,296	$ 3,379,063	$ 3,277,475	$ 3,184,959
Proportionate share of the net pension liability as a percentage of its covered payroll	133.86%	134.97%	132.51%	66.09%	33.41%
Plan fiduciary net position as a percentage of the total pension liability (2)	84.26%	83.89%	84.88%	92.00%	96.09%

Retiree Health Insurance Subsidy (HIS) Program

	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.014057046%	0.012836939%	0.013302314%	0.013290973%	0.013559918%
Proportionate share of the net pension liability	$ 1,487,813	$ 1,372,585	$ 1,550,330	$ 1,355,470	$ 1,267,885
Covered payroll	$ 4,688,161	$ 4,102,304	$ 4,108,811	$ 4,041,507	$ 4,029,429
Proportionate share of the net pension liability as a percentage of its covered payroll	31.74%	33.46%	37.73%	33.54%	31.47%
Plan fiduciary net position as a percentage of the total pension liability (2)	2.15%	1.64%	0.97%	0.50%	0.99%

Notes:

(1) The Authority implemented GASB Statement No. 68 for fiscal year 2015, including a restatement for fiscal year 2014. Information for prior years is not available.

(2) The Plan's ficuciary net position as a percentage of the total pension liability is published in Note 4 of the FRS Comprehensive Annual Financial Report.

SANFORD AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (1)

Florida Retirement System (FRS) Defined Benefit Pension Plan

	2018	2017	2016	2015	2014
Actuarially Determined Contribution	$ 495,949	$ 430,288	$ 432,446	$ 408,865	$ 382,015
Contributions in relation to the Actuarially Determined Contributions	495,949	430,288	432,446	408,865	382,015
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,915,789	$ 3,622,296	$ 3,379,063	$ 3,277,475	$ 3,184,959
Contributions as a percentage of covered payroll	12.67%	11.88%	12.80%	12.47%	11.99%

Retiree Health Insurance Subsidy (HIS) Program

	2018	2017	2016	2015	2014
Actuarially Determined Contribution	$ 76,232	$ 67,937	$ 68,183	$ 50,806	$ 46,452
Contributions in relation to the Actuarially Determined Contributions	76,232	67,937	68,183	50,806	46,452
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,688,161	$ 4,102,304	$ 4,108,811	$ 4,041,507	$ 4,029,429
Contributions as a percentage of covered payroll	1.63%	1.66%	1.66%	1.26%	1.15%

Notes:

(1) The Authority implemented GASB Statement No. 68 for fiscal year 2015, including a restatement for fiscal year 2014. Information for prior years is not available.

SANFORD AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years (1)

Reporting Period Ending		9/30/2018
Measurement Date		9/30/2018
Total OPEB Liability		
Service Cost	$	9,582
Interest		10,115
Changes of Assumptions		(14,817)
Benefit Payments		(24,198)
Net Change in Total OPEB Liability		(19,318)
Total OPEB Liability - Beginning		280,261
Total OPEB Liability - Ending	$	260,943
Covered Employee Payroll	$	4,417,989
Total OPEB Liability as a Percentage of Covered Employee Payroll		5.91%

Notes:

Changes of assumption: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year Ending September 30, 2018:	4.18%
Fiscal Year Ending September 30, 2017:	3.64%

(1) The Authority implemented GASB Statement No. 75 for fiscal year 2018. Information for prior years is not available.

COMPLIANCE SECTION

MSL

Certified Public Accountants

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

The Board of Directors
Sanford Airport Authority
Sanford, 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 basic financial statements, as listed in the table of contents, of the Sanford Airport Authority (the Authority) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 29, 2019.

Internal Control over Financial Reporting

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

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

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

The Board of Directors
Sanford Airport Authority

Compliance and Other Matters

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

We noted certain other matters that we reported to management in a separate letter dated March 29, 2019.

Purpose of this Report

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

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 29, 2019

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, MAJOR STATE PROJECT, AND THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE, CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*, AND *PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES*

The Board of Directors
Sanford Airport Authority
Sanford, Florida

Report on Compliance for Each Major Federal Program, Major State Project, and the Passenger Facility Charge Program

We have audited the compliance of the Sanford Airport Authority (the Authority), with the types of compliance requirements described in the OMB *Compliance Supplement*, the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, and the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the Guide) that could have a direct and material effect on each of the Authority's major federal programs, major state projects, and the passenger facility charge program for the year ended September 30, 2018. The Authority's major federal program and major state project is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs, major state projects, and the passenger facility charge program 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; 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); Chapter 10.550, *Rules of the Auditor General*; and the Guide.

***Auditor's Responsibility* (*Cont.*)**

Those standards, the Uniform Guidance, Chapter 10.550, *Rules of the Auditor General*, and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on a major federal program, major state project, or the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program, Major State Project, and the Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on its major federal program, major state project, and the passenger facility charge program for the fiscal year ended September 30, 2018.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program, state project, or the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program, state project, or the passenger facility charge program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program, state project, or the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Board of Directors
Sanford Airport Authority

Report on Internal Control over Compliance (*Cont.*)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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, Chapter 10.550, *Rules of the Auditor General*, and the Guide. Accordingly, this report is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 29, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE, AND PASSENGER FACILITY CHARGES

Year Ended September 30, 2018

Grantor Pass-through grantor Federal Program/State Project	CFDA/ CFSA Number	Contract/Grant Number		Expenditures
United States Department of Transportation				
Federal Aviation Administration				
Airport Improvement Program				
	20.106	3-12-0069-7616	$	1,530,269
	20.106	3-12-0069-7717		4,944,292
	20.106	3-12-0069-7818		3,607,949
Total Federal Awards			$	10,082,510
Florida Department of Transportation				
Aviation Development Grants				
	55.004	437713	$	1,000,869
	55.004	431598		18,817
Total State Financial Assistance			$	1,019,686

See accompanying Notes to the Schedule of Expenditures of Federal Awards, State Financial Assistance, and Passenger Facility Charges.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE, AND PASSENGER FACILITY CHARGES (CONTINUED)

Year Ended September 30, 2018

Sanford Airport Authority is approved by the FAA to collect Passenger Facility Charges (PFC's) under PFC #3 Final Agency Decision. As of September 30, 2018, the Authority had collected $45,264,367 in PFC's, of which $6,583,760 was collected in fiscal year 2018. Total expended as of September 30, 2018 amounted to $47,169,285, of which $11,429,115 was spent in fiscal year 2018. These amounts were determined on the cash basis of accounting and, therefore, may differ from amounts presented in the basic financial statements. Although administered by the U.S. Department of Transportation, PFC's are not considered federal awards as defined by Uniform Guidance and are not included in this schedule.

See accompanying Notes to the Schedule of Expenditures of Federal Awards, State Financial Assistance and Passenger Facility Charges.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL ASSISTANCE, AND PASSENGER FACILITY CHARGES

Year Ended September 30, 2018

Note 1 – Basis of Presentation:

The accompanying schedule of expenditures of federal awards, state financial assistance, and passenger facility charges (the Schedule) includes the federal and state grant activity of the Sanford Airport Authority (the Authority) under programs of the federal and state government for the year ended September 30, 2018. The information in the Schedule is presented in accordance with the 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 in accordance with the requirements of Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 – Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Federal expenditures are recognized following the cost principles contained in OMB's Uniform Guidance (2 CFR part 200, subpart E), wherein certain types of expenditures are not allowable or are limited as to reimbursement. If applicable, negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Indirect Costs:

The Authority did not charge indirect costs to its federal program for the year ended September 30, 2018.

SANFORD AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2018

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:	**Unmodified Opinion**	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ Yes	_X_ No
• Significant deficiency(ies) identified?	____ Yes	_X_ None reported
Noncompliance material to financial statements noted?	____ Yes	_X_ No

Federal Awards and State Financial Assistance

Internal control over major programs/projects:		
• Material weakness(es) identified?	____ Yes	_X_ No
• Significant deficiency(ies) identified?	____ Yes	_X_ None reported
Type of report issued on compliance for major federal programs and major state projects:	**Unmodified Opinion**	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance or Chapter 10.557, *Rules of the Auditor General*?	____ Yes	_X_ No

Identification of Major Federal Programs and Major State Projects:

CFDA Number	Name of Federal Program
20.106	FAA: Airport Improvement Program

CSFA Number	Name of State Project
55.004	FDOT: Aviation Development Grants

Dollar threshold used to distinguish between Type A and Type B programs/projects: Federal	$750,000	
State	$300,000	
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance?	_X_ Yes	____ No

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III - FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS SECTION

None Reported.

SECTION IV - PRIOR AUDIT FINDINGS

None Reported.

MSL

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

The Board of Directors
Sanford Airport Authority
Sanford, Florida

We have examined the compliance of the Sanford Airport Authority (the Authority) with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2018. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the 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 Authority complied with those requirements. An examination involves performing procedures to obtain evidence about the Authority's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 29, 2019

MSL

Certified Public Accountants

MANAGEMENT LETTER

The Board of Directors
Sanford Airport Authority
Sanford, Florida

Report on the Financial Statements

We have audited the basic financial statements of the Sanford Airport Authority (the Authority) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 29, 2019.

Auditor's 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); Chapter 10.550, *Rules of the Auditor General*; and the *Passenger Facility Charge Audit Guide for Public Agencies*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program, Major State Project, and the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with the Uniform Guidance, Chapter 10.550, *Rules of the Auditor General* and the *Passenger Facility Charge Audit Guide for Public Agencies*; Schedule of Findings and Questioned Costs; and Independent Accountant's 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 March 29, 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 annual financial 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 legal authority is disclosed in the notes to the financial statements.

The Board of Directors
Sanford Airport Authority

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 report the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General,* requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. There were no special district component units that were required to provide financial information to the Authority for the fiscal year ended September 30, 2018.

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 which 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 Authority's Board, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 29, 2019