

**St. Augustine-
St. Johns County
Airport Authority**

Audit Report

September 30, 2018 and 2017



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St. Augustine-St. Johns County Airport Authority

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of St. Augustine-St. Johns County Airport Authority (the "Authority") as of and for the years ended September 30, 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.

Auditors' Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Caru, Riggs & Ingram, L.L.C.

St. Augustine, Florida
February 27, 2019

Management's Discussion and Analysis

St. Augustine-St. Johns County Airport Authority

Management's Discussion and Analysis

This Discussion and Analysis of the St. Augustine-St. Johns County Airport Authority's (the "Airport Authority") financial performance provides an overview and cursory look at the financial activities of the Airport Authority for Fiscal Year 2017 - 2018. The reader is encouraged to read this section in conjunction with the Airport Authority's financial statements contained elsewhere in this document.

Highlights of Fiscal Year 2017 - 2018 include:

- Total Net Position decreased by approximately 2.65% or \$2,231,000, which correlates to a decrease in capital grants.
- Capital Grant proceeds for the period totaled approximately \$1,017,000 a decrease of approximately \$2,414,000 (70%) from the prior year. Grant proceeds decreased during the 2017 - 2018 fiscal year as the Airport Authority completed various capital projects and did not have the need for capital grants.

Overview of the Basic Financial Statements

Statement of Net Position

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

Statement of Revenue, Expenses and Changes in Net Position

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

Statement of Cash Flows

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

St. Augustine-St. Johns County Airport Authority

Management's Discussion and Analysis

Net Position

<i>As of September 30,</i>	2018	2017	2016
Current and other assets	\$ 4,356,250	\$ 3,019,767	\$ 3,324,827
Capital assets	78,612,819	82,160,478	81,022,184
Total assets	82,969,069	85,180,245	84,347,011
Deferred outflows	338,676	389,014	500,958
Long term-liabilities	845,896	881,120	877,644
Other liabilities	362,408	407,493	398,550
Total liabilities	1,208,304	1,288,613	1,276,194
Deferred inflows	139,132	89,544	131,132
Net position:			
Net investment in capital assets	78,612,819	82,160,478	81,022,184
Unrestricted	3,347,490	2,030,624	2,418,459
Total net position	\$ 81,960,309	\$ 84,191,102	\$ 83,440,643

Changes in Net Position

<i>Years ended September 30,</i>	2018	2017	2016
Revenues:			
Operating revenue	\$ 4,868,185	\$ 4,642,270	\$ 4,563,580
Nonoperating revenue	1,060,102	3,447,970	3,121,613
Total revenues	5,928,287	8,090,240	7,685,193
Expenses:			
Operating expenses	8,159,080	7,339,781	7,683,704
Nonoperating expenses	-	-	2,850,430
Total expenses	8,159,080	7,339,781	10,534,134
Change in net position	(2,230,793)	750,459	(2,848,941)
Net position, beginning of year	84,191,102	83,440,643	86,289,584
Net position, end of year	\$ 81,960,309	\$ 84,191,102	\$ 83,440,643



St. Augustine-St. Johns County Airport Authority

Management's Discussion and Analysis

Overall Financial Position and Results of Operations

The Authority completed several large renovation projects during the year. As portrayed in the financial statements, the Airport Authority has total net position of approximately \$81,960,300, of which approximately \$3,347,500 is unrestricted. The total net position decreased by approximately \$2,231,000 during the year as a result of decreased capital grant proceeds.

Capital Assets and Debt Administration

Capital Assets

There were significant additions to the Authority's capital assets during the year due to the completion of construction in progress for various improvement and expansion projects. More details regarding the asset and depreciation position of the Airport Authority is provided in the "Notes to Financial Statements" section of this document.

Debt Administration

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

Significant Economic Factors or Conditions

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

Contacting the Authority's Financial Management

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

St. Augustine-St. Johns County Airport Authority

Statements of Net Position
As of September 30, 2018 and 2017

	2018	2017
Current assets		
Cash	\$ 933,178	\$ 738,882
Investments	2,812,636	1,771,614
Grants receivable	118,750	25,188
Other current assets	491,686	484,083
Total current assets	4,356,250	3,019,767
Noncurrent assets		
Capital assets:		
Nondepreciable	21,281,255	27,761,993
Depreciable, net	57,331,564	54,398,485
Total noncurrent assets	78,612,819	82,160,478
Total assets	82,969,069	85,180,245
Deferred outflows of resources		
Deferred outflows - pension related	338,676	389,014
Current liabilities		
Accounts payable	213,821	335,654
Accrued liabilities	71,133	40,092
Unearned rent revenue	44,583	-
Current portion of net pension liability	4,700	5,700
Current portion of compensated absences	28,171	26,047
Total current liabilities	362,408	407,493
Long-term liabilities		
Net pension liability	782,849	817,438
Compensated absences	63,047	63,682
Total long-term liabilities	845,896	881,120
Total liabilities	1,208,304	1,288,613
Deferred inflows of resources		
Deferred inflows - pension related	139,132	89,544
Net position		
Net investment in capital assets	78,612,819	82,160,478
Unrestricted	3,347,490	2,030,624
Total net position	\$ 81,960,309	\$ 84,191,102

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

St. Augustine-St. Johns County Airport Authority

Statements of Revenue, Expenses and Changes in Net Position
Years ended September 30, 2018 and 2017

	2018	2017
Operating revenue		
Airline operations	\$ -	\$ 34,174
Lease revenue	3,405,240	3,410,124
Self fuel sales, flowage fees and surcharges	990,385	894,321
Parking, rental cars and concession fees	472,560	303,651
Total operating revenue	4,868,185	4,642,270
Operating expenses		
Cost of fuel sold	828,524	671,004
General and administrative	1,311,997	1,224,141
Salaries and fringe benefits	999,853	1,021,643
Maintenance and other	429,547	291,780
Total operating expenses, excluding depreciation	3,569,921	3,208,568
Operating income before depreciation expense	1,298,264	1,433,702
Depreciation expense	4,589,159	4,131,213
Operating loss	(3,290,895)	(2,697,511)
Nonoperating revenue		
Delinquent property taxes	67	592
Interest income	10,435	16,369
Unrealized gain on investments	32,684	-
Total nonoperating revenue	43,186	16,961
Loss before capital grants	(3,247,709)	(2,680,550)
Capital grants	1,016,916	3,431,009
Change in net position	(2,230,793)	750,459
Net position, beginning of year	84,191,102	83,440,643
Net position, end of year	\$ 81,960,309	\$ 84,191,102

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

St. Augustine-St. Johns County Airport Authority

Statements of Cash Flows
Years ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Cash received from tenants	\$ 3,414,692	\$ 3,355,864
Cash received from fuel sales	988,983	894,701
Cash received from airlines and airport operations	472,560	337,825
Cash paid for fuel	(793,819)	(680,022)
Cash paid to employees	(900,334)	(959,429)
Cash paid for maintenance	(429,547)	(291,780)
Cash paid for administrative and other services	(1,442,257)	(1,155,790)
Net cash provided by operating activities	1,310,278	1,501,369
Noncapital financing activities		
Delinquent property taxes received	67	592
Capital and related financing activities		
Capital expenditures	(1,041,500)	(5,269,507)
Capital grants received	923,354	3,447,595
Net cash used by capital and related financing activities	(118,146)	(1,821,912)
Investing activities		
Interest income received	10,435	16,369
Purchase of investments	(1,008,338)	-
Proceeds from sale of investments	-	485,783
Net cash provided (used) by investing activities	(997,903)	502,152
Net increase in cash	194,296	182,201
Cash, beginning of year	738,882	556,681
Cash, end of year	\$ 933,178	\$ 738,882

(Continued)

St. Augustine-St. Johns County Airport Authority

Statements of Cash Flows
Years ended September 30, 2018 and 2017

	2018	2017
Reconciliation of operating loss to net cash provided		
by operating activities		
Operating loss	\$ (3,290,895)	\$ (2,697,511)
Depreciation	4,589,159	4,131,213
Change in:		
Other current assets	(7,603)	(15,108)
Deferred outflows of resources	50,338	111,944
Accounts payable	(121,833)	102,563
Accrued liabilities	31,041	(11,900)
Net pension liability	(35,589)	3,197
Deferred inflows of resources	49,588	(41,588)
Compensated absences	1,489	941
Unearned rent revenue	44,583	(82,382)
Net cash provided by operating activities	\$ 1,310,278	\$ 1,501,369

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

(Concluded)

Notes to Financial Statements

NOTE 1 – REPORTING ENTITY

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Measurement Focus

The Authority uses the economic resources measurement focus.

Basis of Accounting

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

Investments

The Authority invests temporarily idle resources pursuant to the provisions of Section 218.415, Florida Statutes, which limits the investment choices to only certain identified investments as defined in that statute. As of September 30, 2018 and 2017, the Authority's investments consisted of amounts in the Florida Safe Investment Pool ("Florida SAFE") and in the Local Government Surplus Funds Trust Fund ("Florida Prime").

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

Pensions

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

Deferred Outflows/Inflows of Resources

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

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

Net Position

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

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

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Risk Management

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

Use of Estimates

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

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

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

The Authority’s investments consisted of:

	2018	2017
Florida SAFE	\$ 2,789,381	\$ 1,748,796
Florida PRIME	23,255	22,818
Total	\$ 2,812,636	\$ 1,771,614

Notes to Financial Statements

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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

Florida Surplus Asset Trust Fund (Florida SAFE)

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

Florida SAFE is uninsured and is rated by Standard and Poor's and has a rating at September 30, 2018 of AAAM. The weighted average maturity (WAM) for Florida SAFE at September 30, 2018 was 23 days. The weighted average life (WAL) for Florida SAFE at September 30, 2018 was 50 days.

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

Investment in State Pool (Florida PRIME)

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

The Florida PRIME is an external investment pool that meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, the Authority's investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares. The Florida PRIME is rated by Standard and Poor's and has a rating at September 30, 2018 of AAAM. The weighted average maturity (WAM) of the Florida PRIME at September 30, 2018 was 33 days. The weighted average life (WAL) for Florida PRIME at September 30, 2018 is 72 days.

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

Notes to Financial Statements

NOTE 4 – LEASING OPERATIONS/CONCENTRATION

A significant portion of the Authority's buildings and related land are leased to tenants under operating leases. The approximate cost of leased assets was \$36,450,000 and \$36,450,000 at September 30, 2018 and 2017, respectively with accumulated depreciation of approximately \$17,430,000 and \$16,230,000 at September 30, 2018 and 2017, respectively. These leases are generally for a term of twenty years and allow the lessees to renew for varying periods. The leases generally provide for annual rent increases that are based on changes in the consumer price index.

Minimum future lease income under operating leases based on the rentals in effect at September 30, 2018, without regard to the exercise of renewal options, is as follows:

Years Ended September 30,	
2019	\$ 2,609,402
2020	1,541,934
2021	889,653
2022	780,811
2023	709,049
2024-2028	1,441,930
2029-2033	887,986
2034-2038	237,220
2039-2043	165,477
2044-2048	15,788
Total	\$ 9,279,250

For the years ended September 30, 2018 and 2017, three tenants accounted for approximately 69% and 76%, respectively of total lease revenues.

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2018 is as follows:

	Balance 2017	Increases	Decreases	Balance 2018
Capital assets not being depreciated:				
Land	\$ 19,375,641	\$ -	\$ -	\$ 19,375,641
Construction in progress	8,386,352	1,037,182	7,517,920	1,905,614
Total capital assets not being depreciated	27,761,993	1,037,182	7,517,920	21,281,255
Capital assets being depreciated:				
Furniture and equipment	3,160,452	643,772	-	3,804,224
Buildings	46,338,631	3,764,865	-	50,103,496
Airport improvements	53,474,182	3,113,599	68,246	56,519,535
Total capital assets being depreciated	102,973,265	7,522,236	68,246	110,427,255
Less accumulated depreciation for:				
Furniture and equipment	1,984,373	298,499	-	2,282,872
Buildings	40,623,385	3,181,493	68,246	43,736,632
Airport improvements	5,967,022	1,109,165	-	7,076,187
Total accumulated depreciation	48,574,780	4,589,157	68,246	53,095,691
Total capital assets being depreciated, net	54,398,485	2,933,079	-	57,331,564
Net capital assets	\$ 82,160,478	\$ 3,970,261	\$ 7,517,920	\$ 78,612,819

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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

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

NOTE 6 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net pension liability	\$ 823,138	\$ -	\$ 35,589	\$ 787,549	\$ 4,700
Compensated absences	89,729	30,908	29,419	91,218	28,171
Total long-term liabilities	\$ 912,867	\$ 30,908	\$ 65,008	\$ 878,767	\$ 32,871

Notes to Financial Statements

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

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

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

NOTE 7 – STATE OF FLORIDA PENSION PLANS

Defined Benefit Plans

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

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

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

Notes to Financial Statements

NOTE 7 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Benefits Provided

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

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

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer’s contribution rates as of September 30, 2018, were as follows:

	FRS	HIS
Regular class	6.60%	1.66%
Special risk class	22.84%	1.66%
Senior management service class	22.40%	1.66%
Elected officials	47.04%	1.66%
DROP from FRS	12.37%	1.66%

The employer’s contributions for the year ended September 30, 2018, were \$56,681 to the FRS and \$9,585 to the HIS. Contributions for the year ended September 30, 2017 were \$52,846 to the FRS and \$10,220 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2018, the Authority reported a liability for its proportionate shares of the net pension liabilities of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS program. The net pension liabilities were measured as of June 30, 2018. The Authority’s proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

Notes to Financial Statements

NOTE 7 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

	FRS		HIS	
Net pension liability 2018	\$	595,101	\$	192,448
Net pension liability 2017		611,344		211,794
Proportion at:				
Current measurement date		0.0020%		0.0018%
Prior measurement date		0.0021%		0.0020%
Pension expense 2018	\$	117,513	\$	12,881
Pension expense 2017		119,660		16,957

Deferred Outflows/Inflows of Resources Related to Pensions

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

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,396	\$ 1,829	\$ 2,946	\$ 327
Changes of assumptions	194,382	-	21,403	20,347
Net difference between projected and actual earnings on pension plan investments	-	45,963	116	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,286	36,828	13,253	33,838
Employer contributions subsequent to the measurement date	15,470	-	2,424	-
Total	\$ 298,534	\$ 84,620	\$ 40,142	\$ 54,512

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2019. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS		HIS	
2019	\$	92,105	\$	1,215
2020		55,266		1,215
2021		1,811		(901)
2022		28,573		(4,982)
2023		19,739		(8,627)
Thereafter		950		(4,714)
Total	\$	198,444	\$	(16,794)

Notes to Financial Statements

NOTE 7 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2018. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2018. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2018. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.00%	N/A
Discount rate	7.00%	3.87%

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

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

The following changes in key actuarial assumptions occurred in 2018:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.10% to 7.00%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 3.58% to 3.87%.

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

Notes to Financial Statements

NOTE 7 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	2.9%	2.9%
Fixed income	18%	4.4%	4.3%
Global equity	54%	7.6%	6.3%
Real estate	11%	6.6%	6.0%
Private equity	10%	10.7%	7.8%
Strategic investments	6%	6.0%	5.7%
	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.00%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

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

	FRS			HIS		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Employer's proportionate share of the net pension liability	\$ 1,085,703	\$ 595,101	\$ 187,245	\$ 219,187	\$ 192,448	\$ 170,159

Notes to Financial Statements

NOTE 7 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Pension Plans' Fiduciary Net Position

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

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2018, totaled \$7,746, and totaled \$9,604 for the year ended September 30, 2017.

NOTE 8 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2019. The statements address:

- Asset retirement obligations; and
- Disclosures related to debt.

The Authority is currently evaluating the effects that these statements will have on its 2019 financial statements.

Required Supplementary Information

St. Augustine-St. Johns County Airport Authority

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

Florida Retirement System	2015	2016	2017	2018
Employer's proportion of the net pension liability (asset)	0.0023%	0.0021%	0.0021%	0.0020%
Employer's proportionate share of the net pension liability (asset)	\$ 299,107	\$ 556,867	\$ 611,344	\$ 595,101
Employer's covered payroll (2)	\$ 682,688	\$ 696,831	\$ 631,369	\$ 593,891
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.81%	79.91%	96.83%	100.20%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	84.88%	83.89%	84.26%
Health Insurance Subsidy Program	2015	2016	2017	2018
Employer's proportion of the net pension liability (asset)	0.0023%	0.0023%	0.0020%	0.0018%
Employer's proportionate share of the net pension liability (asset)	\$ 229,491	\$ 263,074	\$ 211,794	\$ 192,448
Employer's covered payroll (2)	\$ 682,688	\$ 696,831	\$ 631,369	\$ 593,891
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.62%	37.75%	33.55%	32.40%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.97%	1.64%	2.15%

Notes to schedules:

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

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

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

St. Augustine-St. Johns County Airport Authority

Schedules of Employer Contributions
Last 10 Fiscal Years

Florida Retirement System	2015	2016	2017	2018
Contractually required contribution	\$ 58,677	\$ 55,584	\$ 52,846	\$ 56,681
Contributions in relation to the contractually required contribution	58,677	55,584	52,846	56,681
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll (1)	\$ 727,518	\$ 691,528	\$ 615,500	\$ 580,058
Contributions as a percentage of covered payroll	8.07%	8.04%	8.59%	9.77%

Health Insurance Subsidy Program	2015	2016	2017	2018
Contractually required contribution	\$ 9,903	\$ 11,482	\$ 10,220	\$ 9,585
Contributions in relation to the contractually required contribution	9,903	11,482	10,220	9,585
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll (1)	\$ 727,518	\$ 691,528	\$ 615,500	\$ 580,058
Contributions as a percentage of covered payroll	1.36%	1.66%	1.66%	1.65%

Notes to schedules:

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

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

**Additional Elements Required by the Rules of the
Auditor General**

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the St. Augustine-St. Johns County Airport Authority (the "Authority") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated February 27, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 27, 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 financial audit report. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. The Authority has no uncorrected prior audit findings that are required to be identified pursuant to the Rules of the Auditor General.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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 for the Authority. 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 review of financial information provided by same.

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

Additional Matters

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

Purpose of this Letter

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

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

Caru, Riggs & Ingram, L.L.C.

St. Augustine, Florida
February 27, 2019

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Augustine-St. Johns County Airport Authority (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 27, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Caru, Riggs & Ingram, L.L.C.

St. Augustine, Florida

February 27, 2019

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

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

We have examined the St. Augustine-St. Johns County Airport Authority's (the "Authority") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

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

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

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

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

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

St. Augustine, Florida
February 27, 2019