SANFORD AIRPORT AUTHORITY

Financial Statements

Years Ended September 30, 2019 and 2018

INTRODUCTORY SECTION

SANFORD AIRPORT AUTHORITY

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SANFORD AIRPORT AUTHORITY

(As of September 30, 2019)

BOARD OF DIRECTORS

Tim M. Slattery, Chairman

Tom Green, Vice Chairman	Jennifer T. Dane, Esq., Secretary/Treasurer
Clyde H. Robertson, Jr., Board Member	Chick Gregg, Sr., Board Member
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George Speake

Chief Financial Officer

Don Poore

FINANCIAL SECTION

MSL

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, 2019 and 2018, 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, 2019 and 2018, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated May 5, 2020, 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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
May 5, 2020

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, 2019 with selected comparative information for the years ended September 30, 2018 and 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 2019 recorded a record level of passenger traffic at over 3,291,112 passengers. This is the ninth consecutive year of growth and nearly a 182% increase since 2010 averaging greater than 12.5% growth over these last nine years.

Passenger Counts 2012 to 2019

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	**2019**	3,291,112

* 2019 figure is tentative and will not be confirmed by the FAA until August 2020

Highlights of the Fiscal Year 2018-2019 Budget

This section contains more than just highlights; it contains all major events or trends that affected the FY2018-19 budget. The specific major events are as follows:

Revenues Variances

Overall, total revenues from operations were $14,665,749 and exceeded budget by $41,563 (0.3%). This represents a record revenue amount for the authority 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, the force account grant revenue as shown in the Operating Revenue section of the financial statements, so that actual received revenues may be compared to those revenues that were anticipated in the airport's annual budget at the end of the fiscal year, this revenue can be moved to the salary expenses as contra-expense accounts. As a result, overall labor/personnel expenses may be reduced by much as several hundred thousands of dollars.

During the fiscal year 2018-2019, the Authority did not anticipate or budget to receive any force account revenue. The Authority completed one FAA force account grant with a total value to the Authority of $14,890. The force account revenue for fiscal year 2018-19 was earned entirely from work completed on Taxiway Romeo and the 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 ($4,022,731) increased nearly 10.33% over FY18 ($3,645,865).

Highlights of the Fiscal Year 2018-2019 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 $11.25 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 $2,213,374 in FY 2018-2019 of which $400,000 was aside for future projects. Although there are many purposes that 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. During FY19 a CFC funded project to build-out the remaining portion of the rental car facility (nearly one-half) was bid-out, awarded and completed. The cost of this project was $532,435 and was fully funded by CFCs.

Terminal Revenue –

An extensive re-work of the Leases, Agreements and/ Contracts was completed and became effective on 1 January 2017. A result of this re-work curtailed lease payments and changed the revenues. FY 2018-19 is the second year to reflect these changes. The Authority Share of Terminal Revenues decreased by 10.85% to $1,876,825.

Air Carrier Landing Fees & Public Safety Fees –

Landing Fees and Public Safety Fees did not meet the budget expectations. Several factors weigh in on this exception. First, during FY19 Allegiant (the primary airline) changed out its fleet from older and heavier MD-80s to lighter Airbus 319/320s. Second, there has been a precipitous decrease in international operations (24%). Last, as a participating airline with numerous new routes, Allegiant enjoys reduced fees for landing fees and public safety fees and incentives offered to assist in the establishment and success of new route. Domestic Landing fees increased 2.89% over the last year. International landing fees decreased by more than 28%. Since international carriers currently are not participating airlines their reduction is more reflective in Public Safety Fees, consequently, Public Safety fees decreased $4,661 (2.34%) from FY18.

Unrestricted Interest Earned –

Interest rates on deposited funds continue to perform well over expectations, earning $203,323. Continued efforts to preserve and grow our reserves coupled with our economy's strength has resulted in better results than anticipated.

Highlights of the Fiscal Year 2018-2019 Budget (continued)

Expense Variances

Salaries and Benefits –

Salaries and benefits fell short of the budget by $872,413 (11.5%). The effect of the Other Postemployment Benefits (OPEB) liability measurement are accrued at the full amount as required by GASB 75.

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 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% excluding certain related costs.

Debt Service –Interest Paid –

During FY18 two loans were serviced and terminated and one larger loan was acquired. One loan with Bank of America was fixed based 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 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. This latter loan is an interest only loan for the construction period (3 yr.) and will be re-financed once construction is complete with a long-term financing package.

The financing facility procured for the terminal expansion project is a construction type loan that is a refundable line of credit. Interest is only payable quarterly and is capitalized as a cost of the terminal project. Additionally, all available PFCs and $65,000 per month are used to pay towards principal reduction.

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 enters into a 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 and if the tenants wishes to continue utilizing the premises the rent is based upon the value of the premises including the land and any improvement thereon.

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:

	2019	2018	2017
Assets:			
Current and other assets	$ 19,984,832	$ 16,760,947	$ 12,924,058
Capital assets, net	242,766,233	217,973,342	202,737,892
Total Assets	262,751,065	234,734,289	215,661,950
Deferred outflows of resources	2,968,046	2,807,553	2,619,121
Total assets and deferred outflows	265,719,111	237,541,842	218,281,071
Liabilities:			
Current liabilities	9,628,352	11,609,286	3,162,156
Noncurrent liabilities	35,975,162	11,451,358	10,401,820
Total Liabilities	45,603,514	23,060,644	13,563,976
Deferred inflows of resources	667,140	846,690	633,680
Total liabilities and deferred inflows	46,270,654	23,907,334	14,197,656
Net position:			
Net investment in capital assets	209,169,228	208,645,914	198,321,543
Restricted	19,182	18,419	1,505,400
Unrestricted	10,260,047	4,970,175	4,256,472
Total Net Position	$219,448,457	$213,634,508	$204,083,415

Changes in Net Position

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

	2019	2018	2017
Operating revenues	$ 14,385,268	$ 14,134,285	$ 12,419,138
Operating expenses	(11,678,626)	(10,090,269)	(9,419,735)
Operating income before depreciation	2,706,642	4,044,016	2,999,403
Depreciation	(13,771,190)	(13,127,855)	(11,647,172)
Operating loss	(11,064,548)	(9,083,839)	(8,647,769)
Non-operating revenues/expenses and capital contributions	16,878,497	18,634,932	10,029,825
Increase in net position	$ 5,813,949	$ 9,551,093	$ 1,382,056

Overview of the Financial Statements (Continued)

Changes in Net Position (Continued)

The Authority's operating income before depreciation decreased by $1,337,374 in 2019 compared to 2018 due primarily to increased expenses related to the Authority's proportionate share of the Florida Retirement System net pension liability.

Capital contributions decreased by $1,912,746 in 2019 compared to 2018 due to less federal and state grant reimbursable costs incurred in 2019. Grant revenue related to capital projects is only recognized as eligible project costs are incurred.

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 Atkins (formerly PBS&J) 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 various payments commencing in June 2021. 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 $209,290. 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 produced an RFQ for acquisition of 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 90BPS. The balance at the end of FY19 was $26,176,083. 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.

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 2018-2019 the Authority concentrated all PFC activities on the terminal expansion project. Funds collected to finance the project included PFCs with interest ($6,810,119), FDOT grant (2,574,595), and loan proceeds ($23,128,841). FY19 terminal project costs totaled $34,414,343. The remaining amount ($1,900,788) was provided from operating income of the airport authority.

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, 2019	September 30, 2018
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 13,529,756	$ 8,946,496
Accounts receivable, net	552,929	868,497
Federal grants receivable	268,243	2,109,189
State grants receivable	2,916,871	1,177,458
Prepaid expenses	337,552	339,896
Total current assets	17,605,351	13,441,536
Noncurrent assets:		
Restricted cash	2,379,481	3,319,411
Capital assets, net of accumulated depreciation	242,766,233	217,973,342
Total noncurrent assets	245,145,714	221,292,753
Total assets	262,751,065	234,734,289
Deferred outflows of resources:		
Deferred outflows related to pensions	2,968,046	2,807,553
Total deferred outflows of resources	2,968,046	2,807,553
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities (payable from current assets):		
Current portion of notes payable	-	-
Accounts payable and accrued liabilities	8,882,960	10,660,722
Rent collected in advance and deposits	429,896	447,627
Accrued sick and vacation pay	279,335	261,978
Unearned revenue	36,161	238,959
Total current liabilities	9,628,352	11,609,286
Noncurrent liabilities:		
Notes payable, net of current portion	27,589,812	4,460,971
Net pension liability	8,114,373	6,729,444
OPEB liability	270,977	260,943
Total noncurrent liabilities	35,975,162	11,451,358
Total liabilities	45,603,514	23,060,644
Deferred inflows of resources:		
Deferred inflows related to pensions	667,140	846,690
Net position:		
Net investment in capital assets	209,169,228	208,645,914
Restricted for:		
Airport memorial fund	19,182	18,419
Unrestricted	10,260,047	4,970,175
Total net position	$ 219,448,457	$ 213,634,508

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, 2019	2018
Operating revenues:		
Commerce park revenue	$ 2,404,658	$ 2,378,424
Other leases and revenue	496,966	540,381
Aviation rents	4,430,062	4,051,527
Terminal - domestic	5,694,277	5,881,389
Airfield	890,728	907,127
Ground transportation	274,062	176,261
Public safety fees	194,515	199,176
Total operating revenues	14,385,268	14,134,285
Operating expenses:		
Salaries and fringe benefits	8,443,258	7,127,698
Office and administrative	459,537	409,681
Professional fees and contract services	1,137,554	1,172,584
Marketing and advertising	258,705	166,228
Fuel, tools, and supplies	284,354	267,736
Repairs and maintenance	582,795	446,999
Utilities	165,916	191,473
Insurance	346,507	307,870
Total operating expenses	11,678,626	10,090,269
Operating income before depreciation	2,706,642	4,044,016
Depreciation	(13,771,190)	(13,127,855)
Operating loss	(11,064,548)	(9,083,839)
Nonoperating revenues (expenses):		
Investment income	218,910	181,831
Interest expense	-	(143,273)
Passenger facility charges	6,794,532	6,525,427
Gain on disposal of capital assets	24,290	47,940
Settlement proceeds	-	305,757
Miscellaneous income	37,423	1,162
Total nonoperating revenues (expenses)	7,075,155	6,918,844
Loss before capital contributions	(3,989,393)	(2,164,995)
Capital contributions	9,803,342	11,716,088
Change in net position	5,813,949	9,551,093
Net position at beginning of year	213,634,508	204,083,415
Net position at end of year	$ 219,448,457	$ 213,634,508

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, 2019	2018
Cash flows from operating activities:		
Receipts from customers and tenants	$ 14,480,307	$ 14,649,082
Payments to suppliers	(5,210,826)	(1,774,657)
Payments to employees	(7,370,981)	(6,372,751)
Net cash provided by operating activities	1,898,500	6,501,674
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(37,967,504)	(20,963,624)
Proceeds from sale of capital assets	11,285	62,741
Principal paid on notes payables	-	(3,105,060)
Grants and contributions received	9,904,875	8,439,206
Interest paid	(346,109)	(143,273)
Passenger facility charges received	6,794,532	6,525,427
Net cash used in capital and related financing activities	1,525,920	(6,137,341)
Cash flows from investing activities:		
Interest income	218,910	181,831
Net increase (decrease) in cash and cash equivalents	3,643,330	546,164
Cash and cash equivalents at beginning of year	12,265,907	11,719,743
Cash and cash equivalents at end of year*	$ 15,909,237	$ 12,265,907

*Classified as:		
Cash and cash equivalents - current assets	$ 13,529,756	$ 8,946,496
Cash and cash equivalents - restricted assets	2,379,481	3,319,411
	$ 15,909,237	$ 12,265,907

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, 2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	$ (11,064,548)	$ (9,083,839)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	13,771,190	13,127,855
Settlement proceeds	-	305,757
Changes in assets and liabilities:		
Allowance for doubtful accounts	(756)	(15,659)
Accounts receivable	316,324	111,032
Prepaid expenses	2,344	(109,216)
Deferred outflows of resources	(160,493)	(290,872)
Accounts payable and accrued liabilities	(1,977,802)	1,297,130
Rents collected in advance	(17,731)	59,306
Accrued sick and vacation pay	17,357	45,644
Unearned revenue	(202,798)	54,361
Net pension liability	1,384,929	467,726
OPEB liability	10,034	319,439
Deferred inflows of resources	(179,550)	213,010
Net cash provided by operating activities	$ 1,898,500	$ 6,501,674
Noncash investing and financing activities:		
Increase in fair value of derivative financial instrument	$ -	$ 102,440

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, 2019 and 2018 was $47,476 and $48,232, 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 one item that qualifies for reporting as deferred outflows of resources.

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 $2,968,046 and $2,807,553 at September 30, 2019 and 2018, 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.

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)

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 $667,140 and $846,690 at September 30, 2019 and 2018, 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.

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.

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

D. Revenues and expenses (continued)

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.

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).

Note 2 - Cash Deposits and Investments (Continued):

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:

	2019	2018
Cash and cash equivalents - current assets	$ 13,529,756	$ 8,946,496
Cash and cash equivalents - restricted assets	2,379,481	3,319,411
	$ 15,909,237	$ 12,265,907

A. Cash deposits with financial institutions

At September 30, 2019 and 2018, the carrying amounts of deposits were $9,872,803 and $6,622,644, respectively. The bank balances were $10,969,199 and $7,406,408 respectively, at September 30, 2019 and 2018.

B. Investments

Investment income is recognized as earned and is allocated to the participating funds based on their equity participation. At September 30, 2019, 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.

Note 2 - Cash Deposits and Investments (Continued):

B. Investments

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, 2019 and 2018, the Authority had the following investment:

	2019 Fair Value	2018 Fair Value	Credit Rating	Weighted Average Maturity
Local government investment pool:				
Florida Prime	$ 6,030,590	$ 5,642,882	AAAm	50 days

The local government investment pool ("Florida Prime") is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight. Florida Prime is measured at amortized cost.

As of September 30, 2019 and 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that served to limit the Authority's access to 100 percent of its account value in the external investment pool.

Note 3 - Restricted Assets:

At September 30, 2019 and 2018, the Authority has a restricted cash balance of $19,181 and $18,419, respectively, for the Airport Memorial Fund.

Note 4 – Capital Assets:

A summary of capital assets activity for the years ended September 30, 2019 and 2018 follows:

	Balance October 1, 2018	Additions	Deductions and Reclass-ifications	Balance September 30, 2019
Capital assets, not being depreciated				
Land	$ 53,733,648	$ 11,420	$ -	$ 53,745,068
Construction in progress	29,728,888	37,408,091	(16,380,514)	50,756,465
Total capital assets, not being depreciated	83,462,536	37,419,511	(16,380,514)	104,501,533
Capital assets, being depreciated				
Buildings & improvements	232,184,842	17,043,310	-	249,228,152
T-Hangars	1,621,318	-	-	1,621,318
Street construction	11,043,794	-	-	11,043,794
Equipment & vehicles	39,092,520	481,774	(79,549)	39,494,475
Total capital assets, being depreciated	283,942,473	17,525,084	(79,549)	301,388,007
Less accumulated depreciation				
Buildings & improvements	(122,928,812)	(10,332,894)	-	(133,261,706)
T-Hangars	(1,347,502)	(36,889)	-	(1,384,391)
Street construction	(5,324,831)	(436,651)	-	(5,761,482)
Equipment & vehicles	(19,830,522)	(2,964,756)	79,549	(22,715,729)
Total accumulated depreciation	(149,431,667)	(13,771,190)	79,549	(163,123,307)
Total capital assets, being depreciated, net	134,510,806	3,753,894	-	138,264,700
Capital assets, net	$ 217,973,342	$ 41,173,405	$ (16,380,514)	$ 242,766,233

Note 4 - Capital Assets (Continued):

	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

Total interest incurred and capitalized for the years ended September 30, 2019 and 2018 are presented as follows:

	2019	2018
Interest incurred	$ 346,109	$ 143,273
Interest capitalized	346,109	-
Interest expense, net	$ -	$ 143,273

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,	
2020	$ 5,111,107
2021	4,182,111
2022	3,473,317
2023	2,546,668
2024	2,237,392
Thereafter	15,539,037
	$ 33,089,632

Total income on non-cancellable operating leases for the years ended September 30, 2019 and 2018 was $5,386,141 and $4,947,285, respectively.

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

	2019	2018
Buildings and improvements	$ 83,333,543	$ 82,051,973
Accumulated depreciation	(52,220,287)	(46,956,215)
Capital assets held for lease, net	$ 31,113,256	$ 35,095,758

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 (7.92% from 7/1/17 to 6/30/18; 8.26% from 7/1/18 to 6/30/19, 8.47% from 7/1/19 to 9/30/19).

Senior Management Class – Members of senior management (22.71% from 10/1/17 to 6/30/18; 24.06% from 7/1/18 to 6/30/19, 25.41% from 7/1/19 to 9/30/19).

Special Risk Class – Members employed as law enforcement officers, fire fighters, or correctional officers and meeting the criteria set to qualify for this class (23.27% from 10/1/17 to 6/30/18; 24.50% from 7/1/18 to 6/30/19, 25.48% from 7/1/19 to 9/30/19).

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 2019 contribution rate applied to regular employee salaries was 8.26%, including 1.66% for a post-retirement health insurance subsidy ("HIS"). The fiscal year 2018 contribution was 7.92%, which included 1.66% for HIS. The fiscal year 2019 contribution rate applied to senior management salaries was 24.06% including 1.66% HIS. The fiscal year 2018 contribution rate was 22.71% which included 1.66% for HIS. The fiscal year 2019 contribution rate applied to the salaries of the employees in the Special Risk Class was 24.50%, including 1.66% for HIS. The fiscal year 2018 contribution rate was 23.27% which included 1.66% for HIS. The fiscal year 2019 contribution rate applied to the salaries of the employees in DROP was 14.03%, including 1.66% for HIS. The fiscal year 2018 contribution rate was 13.26% which included 1.66% for HIS.

The Authority's contributions to FRS for the years ended September 30, 2019 and 2018 were $662,471 and $572,181, 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, 2019 and 2018, the Authority reported a liability of $8,114,373 and $6,729,444, 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, 2019 and 2018, 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 2019 and 2018 relative to the historical contributions of all participating employers. At June 30, 2019, the Authority's proportion was 0.0187% and 0.0151% for the Pension Plan and HIS Program, respectively, which was an increase of 0.0013% and 0.0010% from its respective proportion measured as of June 30, 2018. For the years ended September 30, 2019 and 2018, the Authority recognized pension expense of $1,725,207 and $979,017, respectively.

At September 30, 2019, 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	$ 381,299	$ 3,990
Changes of assumptions	1,651,143	-
Differences between projected and actual earnings on pension plan investments	-	355,664
Changes in proportion	372,904	133,501
Authority's contributions subsequent to the measurement date	143,008	-
Total	$ 2,548,354	$ 493,155

HIS Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,476	$ 2,064
Changes of assumptions	195,197	137,785
Differences between projected and actual earnings on pension plan investments	1,088	-
Changes in proportion	183,483	34,136
Authority's contributions subsequent to the measurement date	19,448	-
Total	$ 419,692	$ 173,985

Note 6 - Retirement Plans (Continued)

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

$143,008 and $19,448 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, 2019.

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
2020	$ 277,635	$ 35,852
2021	302,046	33,472
2022	294,308	35,570
2023	303,323	36,125
2024	300,387	41,187
Thereafter	434,492	44,053

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, 2019 and 2018, 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, 2019	July 1, 2018
Measurement date	June 30, 2019	June 30, 2018
Inflation	2.60%	2.60%
Salary increases including inflation	3.25%	3.25%
Mortality	PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details in valuation report	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 6.90% as of June 30, 2019 and 7.00% as of June 30, 2018. 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%	3.3%
Fixed income	18%	4.1%
Global equity	54%	8.0%
Real estate (property)	11%	6.7%
Private equity	10%	11.2%
Strategic investments	6%	5.9%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability for the Pension Plan was 6.90% for June 30, 2019 and 7.00% for June 30, 2018. The discount rate used to measure the total pension liability for the HIS Program was 3.50% and 3.87% for the HIS Program as of June 30, 2019 and June 30, 2018, 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 6.90% for September 30, 2019 and 7.00% for September 30, 2018. The discount rate of 3.50% and 3.87% was used for the HIS Program for September 30, 2019 and 2018, 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, 2019

	Pension Plan		
	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Authority's proportionate share of the net pension liability (asset)	$ 11,112,733	$ 6,428,606	$ 2,516,412

	HIS Program		
	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Authority's proportionate share of the net pension liability (asset)	$ 1,924,390	$ 1,685,767	$ 1,487,022

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

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 was September 30, 2019 and September 30, 2018 for fiscal year 2019 and 2018, respectively. The measurement and reporting periods for the OPEB expense for fiscal year 2019 and 2018 was the years ended September 30, 2019 and 2018, respectively.

The Sponsor's Total OPEB Liability was measured as of September 30, 2019 for fiscal year 2019 and as of October 1, 2017 for fiscal year 2018.

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2017, updated to September 30, 2019 using the following actuarial assumptions:

	2019	2018
Inflation	2.50%	2.50%
Salary Increases	2.50%	2.50%
Discount Rate	3.58%	4.18%
Initial Trend Rate	8.50%	8.50%
Ultimate Trend Rate	4.00%	4.00%
Years to Ultimate	55	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 3.58% and 4.18% for the measurement periods ending September 30, 2019 and 2018, respectively. The high-quality municipal bond rate for 2019 was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Fund Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard & Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

OPEB Expense

For the years ended September 30, 2019 and 2018, the Authority recognized OPEB expense of $37,989 and $8,880, respectively.

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

Changes in Total OPEB Liability

Reporting Period Ending	9/30/2019	9/30/2018
Measurement Date	9/30/2019	9/30/2018
Service Cost	$ 9,010	$ 9,582
Interest	10,741	10,115
Changes of Assumptions	16,538	(14,817)
Benefit Payments	(26,255)	(24,198)
Net Changes	10,034	(19,318)
Total OPEB Liability - Beginning	260,943	280,261
Total OPEB Liability - Ending	$ 270,977	$ 260,943

Changes of assumptions reflect a change in the discount rate from 4.18% for the fiscal year ending September 30, 2018 to 3.58% for the fiscal year ending September 30, 2019.

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:

	As of September 30, 2019		
	1% Decrease 2.58%	**Current Discount Rate 3.58%**	**1% Increase 4.58%**
Total OPEB liability	$ 302,606	$ 270,977	$ 244,286

	As of September 30, 2018		
	1% Decrease 3.18%	**Current Discount Rate 4.18%**	**1% Increase 5.18%**
Total OPEB liability	$ 289,530	$ 260,943	$ 236,810

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

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:

	As of September 30, 2019		
	1% Decrease 3.00% - 7.50%	Healthcare Cost Trend Rates 4.00% – 8.50%	1% Increase 5.00% - 9.50%
Total OPEB liability	$ 237,742	$ 270,977	$ 311,320

	As of September 30, 2018		
	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 8 – Notes Payable – Bank

On April 16, 2018 the Authority entered into a $60,500,000 million construction loan, which is a direct borrowing. 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 were in place at September 30, 2019 and 2018.

Note 9 - Non-Current Liabilities

A summary of non-current liability activity for the years ended September 30, 2019 and 2018 is as follows:

	Balance October 1, 2018	Additions	Deductions	Balance September 30, 2019	Amounts Due Within One Year	Amounts Due After One Year
Notes payable:						
Revenue notes:						
Series 2018 Construction Note	$ 3,047,242	$ 23,128,841	$ -	$ 26,176,083	$ -	$ 26,176,083
Florida Department of Transportation	1,413,729	-	-	1,413,729	-	1,413,729
Total notes payable	4,460,971	23,128,841	-	27,589,812	-	27,589,812
Other long-term liabilities						
Net pension liability	6,729,444	1,384,929	-	8,114,373	-	8,114,373
Other postemployment benefits	260,943	10,034	-	270,977	-	270,977
Total other long-term liabilities	6,990,387	1,394,963	-	8,385,350	-	8,385,350
Total non-current liabilities	$ 11,451,358	$ 24,523,804	$ -	$ 35,975,162	$ -	$ 35,975,162

	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

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. The principal and interest payments listed below are not required but are the amounts the Authority currently expects to pay based on projections that are subject to change:

Year Ending September 30,	Principal	Interest
2020	$ 674,872	$ 105,128
2021	638,373	141,627
2022	614,352	165,648
2023	649,007	130,993
2024	685,616	94,384
Thereafter	1,341,587	71,022
	$ 4,603,807	$ 708,802

Notes payable at September 30, 2019 and 2018 are summarized as follows:

	2019	2018
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 and principal payable through March 2021	$ 26,176,083	$3,047,242
Note payable - Florida Department of Transportation for land acquisition for 9L-27R runway extension; no interest; due 2021; 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
	$ 27,589,812	$ 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, 2019.

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, 2019 is $26,176,083. For the twelve month period ended September 30, 2019, interest paid was $346,109 and total pledged revenues for the year was $25,035,907.

Note 10 – 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, 2019 and 2018:

	2019	2018
Federal grants	$ 5,741,641	$ 10,082,510
State of Florida grants	4,061,701	1,634,078
	$ 9,803,342	$ 11,716,588

Note 11 - 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 12 – 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, 2019, the Authority had 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, 2019 the Authority has no known sites requiring mitigation. The Authority does not have an ongoing obligation to monitor and test each site.

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 13 – 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.

Note 14 – Subsequent Events

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of this report, the airport is open and operational, but flights have been affected. The Authority continues to monitor the situation; however, the impact to the Authority cannot be determined at this time.

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

	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.018666859%	0.017402196%	0.016528885%	0.017732946%	0.016769923%	0.017440249%
Proportionate share of the net pension liability	$ 6,428,606	$ 5,241,631	$ 4,889,133	$ 4,477,583	$ 2,166,060	$ 1,064,112
Covered payroll	$ 4,006,094	$ 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	160.47%	133.86%	134.97%	132.51%	66.09%	33.41%
Plan fiduciary net position as a percentage of the total pension liability (2)	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

Retiree Health Insurance Subsidy (HIS) Program

	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.015066629%	0.014057046%	0.012836939%	0.013302314%	0.013290973%	0.013559918%
Proportionate share of the net pension liability	$ 1,685,767	$ 1,487,813	$ 1,372,585	$ 1,550,330	$ 1,355,470	$ 1,267,885
Covered payroll	$ 4,988,440	$ 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	33.79%	31.74%	33.46%	37.73%	33.54%	31.47%
Plan fiduciary net position as a percentage of the total pension liability (2)	2.63%	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

	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	$ 578,807	$ 495,949	$ 430,288	$ 432,446	$ 408,865	$ 382,015
Contributions in relation to the Actuarially Determined Contributions	578,807	495,949	430,288	432,446	408,865	382,015
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,006,094	$ 3,915,789	$ 3,622,296	$ 3,379,063	$ 3,277,475	$ 3,184,959
Contributions as a percentage of covered payroll	14.45%	12.67%	11.88%	12.80%	12.47%	11.99%

Retiree Health Insurance Subsidy (HIS) Program

	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	$ 83,664	$ 76,232	$ 67,937	$ 68,183	$ 50,806	$ 46,452
Contributions in relation to the Actuarially Determined Contributions	83,664	76,232	67,937	68,183	50,806	46,452
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,988,440	$ 4,688,161	$ 4,102,304	$ 4,108,811	$ 4,041,507	$ 4,029,429
Contributions as a percentage of covered payroll	1.68%	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	9/30/2019	9/30/2018
Measurement Date	9/30/2019	9/30/2018
Total OPEB Liability		
Service Cost	$ 9,010	$ 9,582
Interest	10,741	10,115
Changes of Assumptions	16,538	(14,817)
Benefit Payments	(26,255)	(24,198)
Net Change in Total OPEB Liability	10,034	(19,318)
Total OPEB Liability - Beginning	260,943	280,261
Total OPEB Liability - Ending	$ 270,977	$ 260,943
Covered Employee Payroll	$ 4,641,650	$ 4,417,989
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.84%	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, 2019:	3.58%
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, 2019, and have issued our report thereon dated May 5, 2020.

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.

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 May 5, 2020.

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.

MSL, P.A.
Certified Public Accountants

Orlando, Florida
May 5, 2020

MSL

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 fiscal year ended September 30, 2019. 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, 2019.

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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
May 5, 2020

SANFORD AIRPORT AUTHORITY

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

Year Ended September 30, 2019

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	$ 132,651
	20.106	3-12-0069-7717	600,093
	20.106	3-12-0069-7818	811,986
	20.106	3-12-0069-7918	314,889
	20.106	3-12-0069-8019	3,882,022
Total Federal Awards			$ 5,741,641
Florida Department of Transportation			
Aviation Development Grants			
	55.004	437713	$ 3,856,107
	55.004	437713-2	33,750
Total State Financial Assistance			$ 3,889,857

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

SANFORD AIRPORT AUTHORITY

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

Year Ended September 30, 2019

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, 2019, the Authority had collected $52,044,486 in PFC's, of which $6,810,119 was collected in fiscal year 2019. Total expended as of September 30, 2019 amounted to $52,044,486, of which $6,810,119 was spent in fiscal year 2019. 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, 2019

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, 2019. 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, 2019.

SANFORD AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2019

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	$750,000

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, 2019. 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, 2019.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
May 5, 2020

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, 2019, and have issued our report thereon dated May 5, 2020.

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 Reporting Requirements

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 May 5, 2020, 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 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 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, 2019.

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.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
May 5, 2020