

**HILLSBOROUGH COUNTY AVIATION AUTHORITY**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hillsborough County Aviation Authority  
Tampa, Florida

We have audited the accompanying statement of net assets of the Hillsborough County Aviation Authority (the Authority) as of September 30, 2011, and the related statements of revenues, expenses, and change in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Hillsborough County Aviation Authority as of and for the year ended September 30, 2010 were audited by other auditors whose report dated December 16, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors  
Hillsborough County Aviation Authority

The Management's Discussion and Analysis, the Schedule of Funding Progress and the Schedule of Employer Contributions, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*LarsonAllen LLP*  
**LarsonAllen LLP**

Tampa, Florida  
December 5, 2011

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

The following management's discussion and analysis (MD&A) of the financial performance and activity of the Hillsborough County Aviation Authority (the Authority) is to provide an introduction and understanding of the financial statements of the Authority for the years ended September 30, 2011 and 2010, with selected comparisons to prior years.

**The Authority and Airport Activity Highlights**

The Authority was created in 1945 and is an independent special district governed by the Hillsborough County Aviation Authority Act, Chapter 2003-370, Laws of Florida (the Act). The Act provides that the Authority will have exclusive jurisdiction, control, supervision and management over all publicly owned airports in Hillsborough County. There are five Authority Board members: three residents of Hillsborough County appointed to the Authority by the Governor of the State of Florida for four-year terms; the Mayor of the City of Tampa, ex officio; and a Commissioner of and selected by the Board of County Commissioners of Hillsborough County, ex officio.

The Authority owns and operates Tampa International Airport (the Airport) and three general aviation airports. The Airport occupies approximately 3,400 acres and is primarily an origination-destination (O&D) airport serving the greater Tampa Bay Area. Peter O. Knight Airport, a 139-acre facility, is located six miles southeast of the Airport; Plant City Airport, a 199-acre facility, is located 22 miles east of the Airport; and Tampa Executive Airport, a 407-acre facility, is located 12 miles east of the Airport.

The Authority is a self-supporting organization and generates revenues from airport users to fund operating expenses and debt service requirements. Capital projects are funded through the use of bonds, short-term financing, passenger facility charges, federal and state grants and internally generated funds. Although empowered to levy ad valorem property taxes, the Authority has not collected any tax funds since 1973.

The financial results for 2011 were positively impacted by a slight annual increase in total passenger activity during the year. The Airport experienced a period of growth during the months of March 2011 through July 2011 averaging 2.4% per month, and double digit growth in international passengers, due to the additional service frequency to existing international routes in late spring and summer 2011. These positive activity factors contributed to an increase in 2011 operating revenues of over \$9,000,000 compared to the prior year. Although the economic recovery in the Tampa Bay area has been slower than expected, the Authority has taken measures to ensure and strengthen the financial viability of the organization. With a new senior management team in 2011, the Authority has established a mission as a major driver in the economic growth of the Tampa Bay region. Its strategic marketing effort will bring more international and domestic airline service to Tampa Bay in 2012 and beyond. The new initiatives will continue to improve the overall financial performance of the Authority.

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Passenger enplanements at Tampa International for the fiscal year ended September 30, 2011, totaled 8,412,057, an increase of .93% from the prior fiscal year. This is the first increase in annual passengers since 2007. Seat capacity increased during 2011, both domestic and international, a positive sign in 2011. In 2010, passenger enplanements totaled 8,334,885, a decrease of 2.64% from the prior fiscal year. A contributing factor in 2010 was the reduced seat capacity into the Tampa market. In an effort to reduce operating costs, in response to high fuel prices (in 2008) and a slowdown in the economy, many airlines reduced seat capacity into most US airports, either through the elimination or reduction in the number of daily flights. In 2010, Tampa International experienced a drop in seat capacity of 18.7% when compared to September 2007. However, there were some improvements in late 2010, with seats increasing in the month of September 2010 over September 2009 by 1.7%. For 2011, the top three airlines, in terms of passenger enplanement market share, remained the same as the prior year: Southwest with 31.2%, Delta with 17.8%, and US Airways with 10.5%. During 2010, Southwest had the highest market share of 32.2%, Delta was second at 17.9%, and US Airways was third at 10.2%. It should be noted the acquisition of Northwest by Delta Airlines impacted the Delta market share reported in 2010.

Landed weight in 2011 totaled 10,203,461 thousand pounds, compared to 10,063,434 thousand pounds and 10,467,214 thousand pounds in 2010 and 2009, respectively. The number of landings for domestic and international flights was 80,440 for 2011, compared to 80,645 and 83,978, for 2010 and 2009, respectively. These results for landed weight and landings further demonstrate the changes in capacity discussed above.

**Overview of the Financial Statements**

The Authority operates as a single enterprise fund with multiple cost centers. 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 land, over their useful life. Reference should be made to Note 2 in the accompanying financial statements for a summary of the Authority's significant accounting policies. Following this MD&A are the basic financial statements and supplemental schedules of the Authority. These statements and schedules, along with the MD&A, are designed to provide readers with an understanding of the Authority's finances.

The statements of net assets present information on all of the Authority's assets and liabilities as of September 30, 2011 and 2010, with the difference between these reported as net assets. The statements of revenues, expenses, and changes in net assets present financial information showing how the Authority's net assets changed during the fiscal years ended September 30, 2011 and 2010. These statements summarize the recording of financial transactions when the underlying events occur, not the receipt or disbursement of cash. The statements of cash flows relate to the cash and cash equivalent inflows and outflows as a result of financial transactions during the two fiscal years and also include a reconciliation of operating income to the net cash provided by operating activities.

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**Financial Highlights**

**Operating Revenues**

Revenue Classification	Year			Percent Change	
	2011	2010	2009	2010 to 2011	2009 to 2010
Airfield	\$ 13,655,170	\$ 12,513,751	\$ 12,600,756	9.1 %	(0.7)%
Terminal Building	39,671,549	37,141,682	37,743,361	6.8	(1.6)
Airside Buildings	16,687,814	16,564,311	18,631,203	0.7	(11.1)
Commercial Landside	83,767,454	79,771,340	82,374,484	5.0	(3.2)
Cargo	1,982,430	2,174,119	2,101,373	(8.8)	3.5
Auxiliary Airports	923,252	928,361	909,899	(6.0)	2.0
General Aviation	1,631,769	1,484,868	1,280,172	9.9	16.0
Federal Reimbursements	1,230,326	1,230,326	1,230,326	-	-
Other	9,965,997	8,640,559	8,846,558	15.3	(2.3)
Total	<u>\$ 169,515,761</u>	<u>\$ 160,449,317</u>	<u>\$ 165,718,132</u>	<u>5.7 %</u>	<u>(3.2)%</u>

The table above presents the major operating revenue classifications for 2011, 2010 and 2009. Airfield revenues are comprised of landing fees received from the airlines based on landed weight of the aircraft. In accordance with the airline agreement, signatory landing fee rates are calculated by dividing 90% of total expenditures in the airfield cost center by the annual total landed weight of all commercial airlines. Non-signatory landing fees are calculated for the fiscal year based on the approved budget. The change in airfield revenues in 2011 is attributed to increases in expenses in the airfield cost center as well as the increase in non-signatory landing fees. The decrease in airfield revenues in 2010 is due to a decrease in expenses in the airfield cost center and the resulting impact upon revenues from landing fees.

Major terminal building revenues include space rental to the airlines, food and beverage, general merchandise, and other concession revenues. Space rental fees to the airlines in the terminal building are based on the cost of providing the space to the airlines. The total space leased to airlines in 2011 increased 8,360 square feet, a 4.6% change over last fiscal year. Average terminal building rental rates to the airlines were down \$2.90 per square foot, 2.9% lower than 2010. The overall impact of these variances resulted in an increase in airline rental revenues in the terminal building of \$753,000, 4% increase over the prior year. Food and beverage sales experienced 5% growth, generating \$486,700 more in revenues. An increase in duty free revenues, at 16.7% was attributable to the addition of additional international service creating a double digit growth in international passengers in 2011. General merchandise and hotel concessions revenues were relatively flat compared with the prior year. Reimbursable and miscellaneous revenues were up \$1,355,100 over the last fiscal year, primarily due to the inclusion of the reimbursed rental car facility improvement costs of \$472,300, an increase in terminal building electricity and water usage reimbursements of \$667,400, and additional miscellaneous revenues of \$215,600.

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The average terminal rental rate to the signatory airlines declined \$2.58 per square foot in 2010, due to the continued cost containment program in place, and total signatory terminal space leased was 7,560 square feet less than 2009 primarily as a result of merged airlines space consolidation. The overall impact was a reduction in signatory space rental revenues of \$1,403,000 in 2010. For 2010, food and beverage revenues moderately increased by \$157,200 even though passengers declined over 2.6%, reflective of the full year impact of the new concepts opened during 2009. However, general merchandise revenues followed the decline in passengers in 2010 and were down \$244,200, or 4.9% compared to 2009.

As with terminal rentals, airside airline rental rates are based on the cost of providing the space to the airlines. In 2011 the airside rental rates were reduced by \$.86 per square foot, along with a combined leased space reduction of 14,050 square feet in airside A, C, and E, resulting in a decrease of signatory airline rental revenues of \$765,100. This decrease was offset by an increase of non-signatory airline space rental of \$690,100 due to United Airlines operating as a non-signatory carrier during the year. In addition, the Authority's gate use revenues increased \$185,500, and federal inspection service fees were up \$39,100. These factors contributed to an overall increase in airside rental revenues of \$123,500 for 2011.

Airside rates declined in 2010 due to the continued cost containment program in place at the time. This decrease of \$1.44 per square foot, along with a reduction in leased airside space of 30,000 square feet by the signatory airlines resulted in a reduction in revenues of \$2,288,100 in 2010. The merger of Northwest Airlines and Delta Airlines and the resulting consolidation of operations resulted in a decrease of over 15,000 square feet in leased airside space. Southwest Airlines also eliminated two leased gates, reducing signatory leased space by 6,000 square feet. Partially offsetting the decline in space rental in 2010 was the increased use of Authority gates, resulting in increased gate use revenue of \$245,200.

The commercial landside classification consists primarily of car rental, parking, and other concession revenues. Improvements were recorded in car rental revenues in 2011, impacted by the increase in passengers. Parking revenues were also up due to passengers, but also to the elimination of the first hour free (if parking for more than one hour) and increases in the use of the short term parking facility. Car rental concessions generated \$1,295,200, 4.5% increase, and parking revenues added \$2,542,700, 5.2% increase over the prior year. In 2010, rental car revenues declined \$2,523,100, reflecting the lower volume of passengers and the impact of the elimination of the annual minimum guarantees during calendar year 2010. Parking revenues for 2010 were \$1,306,500 or 2.6% less than 2009, comparable with the decline in passengers.

Operating revenues for the auxiliary airports totaled \$923,300, a slight reduction comparing with the prior year. Operating revenues for the auxiliary airports totaled \$928,400 in 2010, \$18,500 more than 2009. During 2009, rebates to the auxiliary airport totaling \$50,800 were issued; without this rebate 2010 revenues compared to 2009 would have decreased \$32,300. This change is due to a reduction of space rental, offset by an increase in FBO concessions and utilities reimbursement.

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General aviation operating revenues in 2011 totaled \$1,631,800, increasing \$146,900 over the prior year. The increase is due to increases in rental revenues of \$124,400 and fuel sales of \$21,800. In 2010 total general aviation revenues were \$1,484,900, increasing \$204,700 over the prior year. Most of this increase is due to increases in rental revenues of \$122,900.

Other revenues include rentals received for the fuel farm, land rent for rental car storage areas, the post office and mall, revenues received for the Pemco lease of the two maintenance hangars, and revenues from the flight kitchen operations. The positive variance in 2011 revenues was primarily due to additional revenues of \$387,200 received for the second maintenance hangar lease with Pemco and additional revenues of \$429,000 for rental car storage areas due to increases in appraised values.

Federal reimbursements include an agreement with the Transportation Security Administration (TSA) under which the Authority receives reimbursement for providing law enforcement services on behalf of the TSA at the passenger security checkpoints. 2011 and 2010 reimbursements under this agreement totaled \$1,029,800 each year. Grants of \$200,500 were also received for the canine program at the Airport in 2011 and 2010.

**Operating Expenses**

Expense Classification	Year			Percent Change	
	2011	2010	2009	2010 to 2011	2009 to 2010
Airfield	\$ 9,223,485	\$ 8,195,258	\$ 8,360,521	12.5 %	(2.0)%
Terminal Building	25,276,659	25,371,635	25,512,603	(0.4)	(0.6)
Airside Buildings	19,492,202	19,642,185	20,454,425	(0.8)	(4.0)
Commercial Landside	21,768,151	20,102,180	20,364,597	8.3	(1.3)
Cargo	608,623	612,322	585,795	(0.6)	4.5
Auxiliary Airports	1,368,615	1,417,325	1,229,597	(3.4)	15.3
General Aviation	835,588	844,160	857,113	(1.0)	(1.5)
Passenger Transfer System	3,715,518	3,626,579	3,586,016	2.5	1.1
Roads and Grounds	7,363,652	7,875,890	8,072,660	(6.5)	(2.4)
Other	2,843,862	2,111,242	2,231,149	34.7	(5.4)
<b>Total</b>	<b>\$ 92,496,355</b>	<b>\$ 89,798,776</b>	<b>\$ 91,254,476</b>	<b>3.0 %</b>	<b>(1.6)%</b>

The table above presents the major expense classifications for 2011, 2010, and 2009. Total operating expenses for 2011 were \$92,496,400, an increase of \$2,697,600, or 3% increase over the prior fiscal year. 2010 expenses were \$89,798,800, a decrease \$1,455,700 or 1.6% less than the prior fiscal year. The sections following provide a more detailed analysis of these variances.

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**2011 Discussion of Operating Expenses**

As discussed earlier, the Authority went through a management restructuring process in 2011. Major organizational changes were made to achieve goals under the new mission and vision statements and the Authority continued to maintain sound financial operations at the Airport, which is evidenced by the fact that total expenses for 2011, while more than the prior year, came in \$4.1 million less than budgeted.

In 2011, salaries and benefits decreased \$1,527,300, or 3.2% compared to 2010. The primary contributing factors were a reduction in staff, due to organizational restructuring and vacancies, and savings in pension expenses as a result of reduced contribution rates. In the contracted services area, there were increases in airport engineering and consulting fees of \$220,900, additional expenses related to the management of the new fuel system of \$291,700, an increase of aircraft rescues and fire fighting expenses of \$559,000 and additional expenses in public parking operations of \$119,000. Supplies and materials increased \$122,114 and utilities expenses, totaling \$12.3 million for the year were up 1.3% or \$156,300 over last year. The Authority saved \$258,500 in liability insurance costs, and \$115,900 in ad valorem property tax due to lower assessed property values. The Authority's new marketing initiatives to attract new or expanded airline service resulted in higher promotional expenses of \$231,800 than the prior year. These efforts have and will continue to bring additional revenues to the Authority. During 2011, the Authority allocated \$3,373,200 operating and maintenance expenses to capital projects, prior to the allocations, total operating expenses in 2011 increased only \$145,000 or 0.2%, compared with the prior year.

**2010 Discussion of Operating Expenses**

During 2010, the Authority continued the cost control program implemented in the second quarter of 2008 due to the economic downturn and resulting decreases in passenger volumes and activity. This ongoing program included a hiring and wage freeze and continued suspension of the matching deferred compensation program. In addition, all expense areas were continually evaluated for potential savings. The results of the cost control program were evident in the results for the fiscal year with expenses for the year coming in \$3.4 million less than the 2011 budget, emphasizing the Authority's on-going goal of maintaining reasonable costs to the airlines serving Tampa International Airport.

Overall, expenses for 2010 declined \$1,455,700, or 1.6% compared to 2009. The majority of this decrease during the year occurred within the personnel expense area, total salaries and benefits decreased \$1,077,700 in 2010 compared to the prior year. Most of this savings is due to the hiring and wage freeze of \$717,400 and the suspension of the 2% deferred compensation match, saving \$505,600. Increases in health insurance expenses of \$322,800 offset the savings however there was a decrease in the 2010 workers compensation insurance of \$131,000.

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In the contractual maintenance area, a net overall savings of \$179,100 was achieved, primarily due to a decrease in janitorial expense of \$255,800. Supplies and material expenses increased \$259,500 over last year mainly due to the replacement of lighting elements within the main terminal complex and materials used for scheduled maintenance on the outbound baggage system. Total contractual maintenance services decreased \$41,700 compared to 2009, but there were several significant offsetting items within this category. Considerable savings were realized in aircraft rescue and firefighting services of \$263,900 and the public parking operations of \$134,300. Offsetting these decreases were increases in expenses in the information technology area, and appraisals costs in the property section. Under the continued energy conservation management program, the Authority was able to save \$387,000 in electricity expenses in 2010 over the prior year.

**Summary of Changes in Net Assets**

The following is a summary of the statements of revenues, expenses, and changes in net assets:

	Year			Change 2010 to 2011	Change 2010 to 2009
	2011	2010	2009		
Operating Revenues	\$ 169,515,761	\$ 160,449,317	\$ 165,718,132	\$ 9,066,444	\$ (5,268,815)
Operating Expenses	92,496,355	89,798,776	91,254,476	2,697,579	(1,455,700)
Signatory Airline Revenue Sharing	6,163,906	4,919,104	8,284,021	1,244,802	(3,364,917)
Operating Income before Depreciation and Amortization	70,855,500	65,731,437	66,179,635	5,124,063	(448,198)
Depreciation and Amortization	81,962,284	81,714,186	75,126,394	248,098	6,587,792
Operating Income (Loss)	(11,106,784)	(15,982,749)	(8,946,759)	4,875,965	(7,035,990)
Net Nonoperating Expense	(26,693,601)	(21,776,996)	(24,380,106)	(4,916,605)	(2,603,110)
Capital Contributions	41,059,700	51,409,659	79,052,035	(10,349,959)	(27,642,376)
Increase in Net Assets	<u>\$ 3,259,315</u>	<u>\$ 13,649,914</u>	<u>\$ 45,725,170</u>	<u>\$ (10,390,599)</u>	<u>\$ (37,281,476)</u>

The 2011 operating revenues, at \$169,515,800, increased \$9,066,400 over the prior year, and operating expenses increased \$2,697,600 comparing with the prior year. Operating income before depreciation and amortization was \$70,855,500, an increase of \$5,124,100. Operating revenues, at \$160,449,300 for 2010 decreased \$5,268,800 compared to the prior year, and operating expenses were \$1,455,700 lower than 2009. Operating income before depreciation and amortization was \$65,731,400, a decrease of \$448,200. Details of the operating revenues and expenses are more fully discussed in the previous section "Financial Highlights" of this MD&A. Depreciation and amortization expense, was at \$81,962,300, and \$81,714,200, for 2011 and 2010, respectively.

Capital contributions consist of Federal and State Grants, Other Contributions and Passenger Facility Charges (PFCs), which are being received to fund various construction projects and the land acquisition program at the Airport. PFCs are collected at a \$4.50 per passenger level by the airlines, of which \$4.39 is remitted to the Authority.

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During 2011, capital contributions from PFCs were \$33,191,500, an increase of \$159,400 over the prior year as a result of improved passenger traffic. During 2010, capital contributions from PFCs were \$33,032,100, \$485,600, or 1.4% less than the prior year, due a decrease in passenger activities. In 2011, total federal and state grants were \$7,868,200, \$9,442,400 less than the prior year, due to grant funds received on several large projects completed in the prior year. In 2010, federal and state grants of \$17,310,700 were \$17,824,600 lower than 2009, primarily due to the receipt of state funds for several major projects in the prior year, offset by the receipt of federal funds under the America Recovery and Reinvestment Act (ARRA) in the current year. 2010. State grant receipts decreased \$24,331,500 in 2010 compared to the prior fiscal year, attributable to state grant funds received in 2009 for terminal roadways projects (\$10,059,200), the cargo road construction (\$7,026,400) the north terminal conceptual design (\$3,035,600), the bag claim expansion (\$2,074,600) and hangar projects at the auxiliary airports (\$2,170,800).

The Authority granted an easement of approximately 33 acres to the Florida Department of Transportation (FDOT) for construction of and improvements to the major interchanges into the airport. The value of the easements was \$3,164,300, determined by an independent appraisal. The Authority agreed to accept payment for conveyance of the easement in the form of specific roadway improvements to the George Bean Parkway and adjacent access roads by the FDOT. As of September 30, 2010, the FDOT project was fully completed with other capital contribution of \$356,600 recognized in 2010. In addition, the FDOT funded wetlands mitigation on behalf of the Authority was included in other contributions in the amount of \$710,300 in 2010.

Net non-operating expenses for 2011, increased \$4,916,600 in 2011, due to very low short term interest rates, lower unrealized gains on long-term investments compared to the prior year, offset by a decrease in bonds interest payments of \$2,082,300 and a decrease in capitalized interest. For 2010 net non-operating expenses were \$2,603,100 less than the prior year, attributable to the unrealized gains on long-term investments held in the Authority's debt service reserve accounts. This variance is due to several offsetting factors, but significant factors are the impact on investment earnings of historic low interest rates, lower commercial paper interest expenses and an increase in capitalized interest for the year.

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**Summary of Statements of Net Assets**

A summarized comparison of the Authority's total assets, total liabilities and net assets at September 30, 2011, 2010, and 2009 is as follows:

	Year			Change	Change
	2011	2010	2009	2010 to 2011	2010 to 2009
<b>ASSETS</b>					
Current Assets	\$ 214,553,525	\$ 218,664,492	\$ 274,087,099	\$ (4,110,967)	\$ (55,422,607)
Capital Assets, Net	1,253,954,644	1,298,911,815	1,273,549,850	(44,957,171)	25,361,965
Other Noncurrent Assets	6,429,934	7,299,795	8,374,354	(869,861)	(1,074,559)
Total Assets	<u>1,474,938,103</u>	<u>1,524,876,102</u>	<u>1,556,011,303</u>	<u>(49,937,999)</u>	<u>(31,135,201)</u>
<b>LIABILITIES</b>					
Current Liabilities	76,386,249	85,420,245	76,397,637	(9,033,996)	9,022,608
Noncurrent Liabilities	<u>694,395,034</u>	<u>738,558,352</u>	<u>792,366,075</u>	<u>(44,163,318)</u>	<u>(53,807,723)</u>
Total Liabilities	<u>770,781,283</u>	<u>823,978,597</u>	<u>868,763,712</u>	<u>(53,197,314)</u>	<u>(44,785,115)</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Debt	616,438,897	626,604,861	596,259,414	(10,165,964)	30,345,447
Restricted	57,441,113	47,295,701	52,485,641	10,145,412	(5,189,940)
Unrestricted	30,276,810	26,996,943	38,502,536	3,279,867	(11,505,593)
Total Net Assets	<u>\$ 704,156,820</u>	<u>\$ 700,897,505</u>	<u>\$ 687,247,591</u>	<u>\$ 3,259,315</u>	<u>\$ 13,649,914</u>

Current assets at September 30, 2011, totaled \$214,553,500, a decrease of \$4,111,000 compared to September 30, 2010. The decrease was due to continued spending on the capital projects. Funds of \$11,769,200 from the 2008 and 2009 bond issues were used during the year to pay for the related construction projects. There was also a decrease in the revenue and grants receivables of \$1,987,600, offset by increases in the balances of operating revenues receipts and PFC collections of \$9,577,400.

Current assets at September 30, 2010 totaled \$218,664,500, a decrease of \$55,422,600 compared to September 30, 2009. The decrease is primarily due to continued spending under the Authority's capital program. Funds of \$12,290,000 from the 2008 and 2009 Bond issues were used during the year and spending on PFC funded projects of totaled \$29,677,500. Capital improvement funds of \$5,283,800 were also used for construction and reimbursement of labor costs. Surplus funds of \$9,344,400 were used to pay the signatory airline revenue sharing as well as provide additional funding for capital projects. There was also a decrease in revenue receipts of \$1,961,400, offset by increases in investments, receivables and prepaid insurance totaling \$3,392,600.

Current liabilities, with a balance of \$76,386,200 at September 30, 2011, are \$9,034,000 less than the end of last fiscal year. The decrease is primarily due to the reduction in overall construction payable of \$9,005,600. The commercial paper notes, including a short term portion of \$7,000,000 were refinanced during the year by the SunTrust Bank Notes issued in 2011, offset by the increase in airline revenue sharing of \$1,244,800, current maturities of principal payments of revenue bonds of \$3,430,000, and deferred revenues of \$1,906,100. A detailed description of the 2011 SunTrust Bank Notes is included "Debt Management" section.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

Current liabilities, with a balance of \$85,420,245 at September 30, 2010, are \$9,022,600 more than the end of the last fiscal year. The increase in current liabilities is primarily due to the increase in construction accounts payables of \$1,523,500, current maturities of principal payments of revenue bonds of \$4,305,000 and current maturities of commercial paper notes of \$7,000,000, offset by a reduction in accrued airline revenue sharing of \$3,364,900.

At September 30, 2011, non-current liabilities totaled \$694,395,000, a reduction of \$44,163,300 compared with the balance at the end of 2010. The decrease is a result of principal maturities of \$47,290,000 on long term bonds, offset by the additional issuance of the SunTrust 2011 Bank Notes of \$2,743,300. At September 30, 2010 non-current liabilities totaled \$738,558,400, \$53,807,700 less than the balance at the end of 2009. The decrease is a result of principal maturities on the long term bonds and commercial paper notes being classified to current.

**Airline Rates and Charges**

Effective October 1, 1999, the Authority entered into an airline-airport use and lease agreement (Agreement) with the signatory airlines, which had a seven-year term and incorporated the lease and use of the terminal complex and the airfield at the Airport. During 2006, this Agreement, with the same basic terms, was extended for an additional three years and in 2009 an additional year extension was agreed to. Negotiations were completed with the airlines in 2010 for a new five-year agreement (New Agreement), in effect until September 30, 2015. The New Agreement is substantially similar to the prior Agreement, with the exception of the revenue sharing component, as discussed in the next paragraph. The Agreement establishes a "compensatory" rate-making methodology where the signatory airlines pay fees and charges based on the Authority's cost of providing facilities and services to the airlines.

Rates and charges are calculated on an annual basis and reviewed and adjusted, if necessary, throughout each fiscal year to ensure that sufficient revenues are generated to satisfy all requirements of the Authority's Trust Agreement. At the end of each fiscal year, the Authority will recalculate rates and charges based on audited financial data and a settlement will take place with the signatory airlines. Included in the Agreement are rates and charges calculations with specific rebates of debt service coverage and sharing of 20% of net remaining revenues. Non-signatory rates and charges do not provide for a 25% debt service coverage reduction or the net revenue sharing component; thus, the Authority charges two distinct rates to airlines operating at the airport based on the cost of providing services for facilities utilized. Under the terms of the New Agreement, if the initial net remaining revenue calculation results in less than \$20,000,000 net remaining revenues to the Authority, the revenue sharing component to the signatory airlines will be reduced until the \$20,000,000 threshold is met. If the revenue sharing is reduced to the signatory airlines, the Authority will refund the amounts as soon as uncommitted funds become available in the Surplus Fund. In years when the initial net remaining revenue calculation results in net remaining revenues to the Authority in excess of \$30,000,000, the revenue sharing percentage to the signatory airlines will increase to 25% on net remaining revenues prior to the deduction for revenue sharing above \$37,500,000.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

The following table summarizes passenger airline rents, landing fees, net revenue sharing and cost per enplaned (departing) passenger for 2011 and 2010. Cost per enplaned passenger is a standard industry measurement, and the goal of the Authority is to maintain a competitive cost per enplanement at the Airport.

Passenger Airline Costs	2011	2010
Airline Landing Fees	\$ 13,054,974	\$ 11,833,396
Landside Terminal Rentals	19,660,246	18,907,208
Airside Building Rentals	16,338,285	16,188,652
Total Airline Fees and Charges	49,053,505	46,929,256
Less: Airline Revenue Sharing	(6,163,906)	(4,919,104)
Net Airline Fees and Charges	\$ 42,889,599	\$ 42,010,152
Enplaned Passengers	8,412,057	8,334,885
Airline Cost per Passenger	\$ 5.10	\$ 5.04

**Capital Improvement Program**

Typically, airports in the United States develop master plans that define the airports' ultimate configuration at full development during 20-year time spans, thereby establishing airport complex requirements. The last update to the Authority's Master Plan was completed in February 2006, and there is a current effort underway to complete the next update by 2013. Master plans do not normally provide the level of information necessary to determine detailed funding strategies. The Authority periodically prepares (or updates) a Strategic Business Plan (Plan) to provide a 10-year detailed funding analysis of operating expenses, revenues, and projected airline charges and establishes 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 maintaining competitive airline rates and charges. Funding strategies and recommendations will ensure airport facilities and improvements are brought on line when needed, based on established trigger points; are funded in a manner that preserves the Authority's competitive cost structure; and maintain maximum flexibility under changing circumstances.

The Plan was updated during 2010 and as expected with the ongoing economic conditions and decline in passengers, the significant change from the last update in 2006 is timing of the construction of the north terminal complex. The 2006 Plan estimated the north terminal would be required in 2015, the 2010 Plan has pushed this timeframe to 2023. The current economic climate has yielded a few positive aspects for the Authority. The cost of construction has dropped dramatically during the past two years, greatly benefitting the construction costs incurred under the Authority's capital program, and the current asset base will serve the needs of the airport for a much longer timeframe than previously estimated.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

Therefore, renovations to refurbish the facility are underway. Major projects started in 2011 include the Refurbishment of the Main Terminal Restrooms, budgeted at \$4,657,400, Renovation of Cargo Building #432, budgeted at \$3,195,600, Rehabilitation of Ramps and Lighting within the short and long term parking garages, budgeted at \$3,829,900 and Rehabilitation of the Ramps within the short term parking facility, budgeted at \$3,244,000. These projects will be funded with a combination of Authority funds and federal and state grants.

During 2011, portions of the Taxiway B Reconstruction and Bridge Project were completed. In 2009, the Authority received an \$8,000,000 grant under the America Recovery & Reinvestment Act (ARRA) toward this project. The project with a total budgeted cost of \$52,100,000, was initially funded from the ARRA grant and the issuance of the 2009 Bonds, which will be repaid from future state grants and PFCs.

Major projects started in 2010 include the Ticketing and Bag Claim Curbside Modernization, budgeted at \$11,643,000 and the Airfield and Roadway Rehabilitation, budgeted at \$8,345,400. These projects will be funded with a mix of Authority funds and federal and state grants.

The Cargo Building and Ground Support Equipment Facilities project, funded by the 2008 Bonds was completed in 2010. The project was initially budgeted at \$26,000,000, but was completed well under budget at \$20,649,000. The Bag Claim Capacity Enhancements project, started in 2009 was also completed during 2010. This project was primarily funded by PFCs at a cost of \$20,006,100. The Long Term Garage RAC Expansion was completed at a cost of \$13,068,800 and the Shared Tenant and Common Use Network project was finished and came in at \$9,490,600. Both of these projects were funded with Authority funds.

Current and prior year capital spending includes projects approved in prior years that are still underway. In 2011 and 2010, the Authority expended \$40,845,100 and \$96,235,500, respectively, towards the acquisition and construction of capital assets.

PFC Application #8, authorizing PFC collections in the amount of \$50,346,700, was approved by the Federal Aviation Administration during 2010, bringing the total collection authority for all PFC applications to \$795,842,200. Through September 30, 2011 \$487,077,100 has been collected under these approved applications. Expenditures under the PFC applications through September 30, 2011 total \$687,559,000. Expenditures in excess of collections are funded from the issuance of PFC-backed revenue bonds, commercial paper, or from Authority funds that will be reimbursed from PFCs.

**Debt Management**

At the end of the current fiscal year, the Authority had general airport revenue bonds outstanding in the total amount of \$645,090,000. Of this total, \$50,720,000 is current and will mature on October 1, 2012. Prior to 2009, all of the Authority's long-term bonds were issued as insured debt. There were no new bond issuances in 2011.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

On September 21, 2001, the Authority entered into a Reimbursement Agreement with Landesbank Baden-Württemberg, acting through its New York Branch (the Bank). Under the agreement, the Authority is allowed to issue an aggregate principal amount of commercial paper notes not-to-exceed \$105,000,000 outstanding at any one time through 2006. During 2005, the Authority negotiated an extension to the Reimbursement Agreement until 2015. Proceeds from the initial issuance of the notes were used for authorized projects in the capital improvement program. On October 1, 2009, the Authority issued \$3,625,000 Series D commercial paper notes. On October 2, 2009, the funds from this issuance, along with a withdrawal from the Debt Service Reserve Fund were used to retire the 1999A Bonds outstanding in the amount of \$5,655,000. On July 27, 2010, the Authority issued \$2,555,000 Series D Commercial Paper Notes to refund portions of several bond series. The proceeds from the commercial paper issue were deposited into the sinking fund principal account and used to pay at maturity on October 1, 2010, \$855,833 of the 2001A Bonds, \$880,000 of the 2003C Bonds, \$380,000 of the 2003 D Bonds and \$436,667 of the 2005 A Bonds. This refunding continues a plan to better level the Authority's debt service in future years. The total balance of the commercial paper notes at September 30, 2010 was \$85,180,000.

During 2011, as notified and expected, the letter of credit provider for the CP program, Landesbank Baden-Württemberg (LBBW), exercised their termination rights under the agreement, effective July 12, 2011. This action necessitated the refinancing of the outstanding CP notes prior to the date of termination. Direct bank loans have become a viable and competitive alternative for municipal borrowers during the past two years. Therefore, in addition to evaluating a potential replacement letter of credit to support the Authority's existing \$105 million CP program, the Authority also evaluated utilizing a fixed or variable rate direct bank loan with revolving features. On April 7, 2011, the Board approved the selection of SunTrust to provide a variable rate direct bank loan to the Authority. The direct bank loan negotiated with the bank provides for a note with a seven-year maturity term (SunTrust Notes). The SunTrust Notes are subject to the revolving credit agreement with the bank, and may not exceed a principal amount of \$105,000,000 at any one time. The agreement includes a provision to allow the Authority to convert from a variable rate to a fixed rate of interest at a future date. The initial draw against the revolving loan was used to refinance the \$85.2 million outstanding commercial paper notes. The revolving loan under the credit agreement may also be used to pay the cost of the revolving loan, to finance or refinance certain extensions, improvements and betterments to the airport system, and to refinance certain maturities of bonds issued under the trust agreement.

On June 21, 2011 the Authority issued \$85,310,000 of the SunTrust Notes to redeem the outstanding Series B and Series D commercial paper notes outstanding in the total amount of \$85,180,000. Of the SunTrust Notes, \$79,120,568 is expected to be repaid from PFCs, and \$6,189,432 is expected to be repaid from general revenues. The issue cost with the initial draw was \$130,000. The second SunTrust Bank Note issuance of \$2,743,335 was made on July 27, 2011. The proceeds from the issue of the Note were deposited into the sinking fund principal account and used to pay at maturity on October 1, 2011, \$903,333 of the 2001 A Bonds, \$401,667 of the 2003 D Bonds, \$459,167 of the 2005 A Bonds and \$979,167 of the 2008 C Bonds. This refinancing issuance continues a multi-year plan to better level the Authority's debt service in future years.

The Authority's bond covenants require that revenues available to pay debt service, as defined in the Trust Agreement, exceed 1.25 times the annual debt service amount. The debt service coverage ratio for 2011 and 2010 was 1.48 and 1.38, respectively.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. Questions concerning this report or requests for additional information should be addressed to Ann Davis, the Director of Finance, Tampa International Airport, P.O. Box 22287, Tampa, FL 33622. Information of interest may also be obtained on the Authority's website at [TampaAirport.com](http://TampaAirport.com).

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2011 AND 2010**

<b>ASSETS</b>	2011	2010
<b>CURRENT ASSETS</b>		
Unrestricted:		
Cash and Cash Equivalents	\$ 37,335,514	\$ 35,575,345
Restricted:		
Cash and Cash Equivalents	75,395,482	79,434,134
Investments	88,957,117	88,556,620
Accounts Receivable, Net	2,507,445	4,155,888
Passenger Facility Charges Receivable	5,132,140	5,310,138
Government Grants Receivable	888,018	1,227,162
Accrued Interest Receivable	1,240,127	1,218,320
Prepaid Insurance and Other Assets	3,097,682	3,186,885
Total Restricted Assets	177,218,011	183,089,147
Total Current Assets	214,553,525	218,664,492
<b>NONCURRENT ASSETS</b>		
Capital Assets:		
Land	188,357,353	183,696,379
Construction in Progress	34,024,271	95,570,824
Building, Equipment and Improvements	1,896,774,284	1,816,858,809
Total	2,119,155,908	2,096,126,012
Less: Accumulated Depreciation	(865,201,264)	(797,214,197)
Total Capital Assets, Net	1,253,954,644	1,298,911,815
Debt Issue Costs (Net of Accumulated Amortization of \$7,627,897 and \$6,656,015, Respectively)	6,300,398	7,161,872
Other Receivables	129,536	137,923
Total Noncurrent Assets	1,260,384,578	1,306,211,610
 Total Assets	 \$ 1,474,938,103	 \$ 1,524,876,102

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
STATEMENTS OF NET ASSETS (CONTINUED)  
SEPTEMBER 30, 2011 AND 2010**

<b>LIABILITIES AND NET ASSETS</b>	2011	2010
<b>CURRENT LIABILITIES</b>		
Payable from Unrestricted Assets:		
Accounts Payable – Construction	\$ 894,798	\$ 3,659,298
Accrued Airline Revenue Sharing	6,163,906	4,919,104
Total Current Liabilities Payable from Unrestricted Assets	7,058,704	8,578,402
Payable from Restricted Assets:		
Accounts Payable – Construction	2,877,791	9,118,931
Accounts Payable – Trade	3,778,158	2,597,060
Accrued Expenses	8,342,055	9,122,362
Accrued Interest Payable	86,460	96,488
Current Maturities of Revenue Bonds Payable	50,720,000	47,290,000
Current Maturities of Suntrust Notes and Commercial Paper Notes	-	7,000,000
Deferred Revenue and Other Liabilities	3,523,081	1,617,002
Total Current Liabilities Payable from Restricted Assets	69,327,545	76,841,843
Total Current Liabilities	76,386,249	85,420,245
<b>NONCURRENT LIABILITIES</b>		
Long-Term Portion of Revenue Bonds Payable, Net	602,318,747	655,206,849
Suntrust Notes and Commercial Paper Notes	88,053,335	78,180,000
Other Liabilities	4,022,952	5,171,503
Total Noncurrent Liabilities	694,395,034	738,558,352
Total Liabilities	770,781,283	823,978,597
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	616,438,897	626,604,861
Restricted	57,441,113	47,295,701
Unrestricted	30,276,810	26,996,943
Total Net Assets	\$ 704,156,820	\$ 700,897,505

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>OPERATING REVENUES</b>		
Airfield	\$ 13,655,170	\$ 12,513,751
Terminal Building	39,671,549	37,141,682
Airside Buildings	16,687,814	16,564,311
Commercial Landside	83,767,454	79,771,340
Cargo	1,982,430	2,174,119
Auxiliary Airports	923,252	928,361
General Aviation	1,631,769	1,484,868
Federal Reimbursements	1,230,326	1,230,326
Other	9,965,997	8,640,559
Total Operating Revenues	169,515,761	160,449,317
<b>OPERATING EXPENSES</b>		
Airfield	9,223,485	8,195,258
Terminal Building	25,276,659	25,371,635
Airside Buildings	19,492,202	19,642,185
Commercial Landside	21,768,151	20,102,180
Cargo	608,623	612,322
Auxiliary Airports	1,368,615	1,417,325
General Aviation	835,588	844,160
Passenger Transfer System	3,715,518	3,626,579
Roads and Grounds	7,363,652	7,875,890
Other	2,843,862	2,111,242
Total Operating Expenses	92,496,355	89,798,776
Signatory Airline Net Revenue Sharing	6,163,906	4,919,104
Operating Income before Depreciation and Amortization	70,855,500	65,731,437
Depreciation and Amortization	81,962,284	81,714,186
<b>OPERATING LOSS</b>	(11,106,784)	(15,982,749)
<b>NONOPERATING REVENUES AND EXPENSES</b>		
Investment Income	3,611,822	7,345,605
Bonds and Commercial Paper Interest Expense	(30,305,423)	(29,122,601)
Total Nonoperating Expenses - Net	(26,693,601)	(21,776,996)
<b>CHANGE IN NET ASSETS BEFORE CONTRIBUTIONS</b>	(37,800,385)	(37,759,745)

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)  
 YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>CAPITAL CONTRIBUTIONS</b>		
Passenger Facility Charges	\$ 33,191,463	\$ 33,032,091
Federal and State Grants	7,868,237	17,310,665
Other Contributions	-	1,066,903
Total Capital Contributions	41,059,700	51,409,659
<b>CHANGE IN NET ASSETS</b>	3,259,315	13,649,914
Total Net Assets - Beginning of Year	700,897,505	687,247,591
<b>TOTAL NET ASSETS - END OF YEAR</b>	\$ 704,156,820	\$ 700,897,505

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Cash Receipts from Customers	\$ 170,691,406	\$ 155,738,871
Cash Payments to Suppliers for Goods and Services	(64,906,326)	(64,919,225)
Cash Payments to Employees for Services	(32,019,139)	(32,806,551)
Cash Receipts from Federal Reimbursements	1,230,326	1,230,326
Net Cash Provided by Operating Activities	74,996,267	59,243,421
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Issuance of 2011 Suntrust Notes	88,053,335	-
Proceeds from Issuance of Commercial Paper Notes	-	6,180,000
Redemption of Commercial Paper Notes	(85,180,000)	-
Payments of Suntrust Notes and Commercial Paper Issuance Costs	(133,086)	(7,424)
Principal and Interest Paid on Revenue Bond Refunding	-	(5,655,776)
Principal Paid on Revenue Bond Maturities and Commercial Paper Notes	(47,290,000)	(40,225,000)
Interest Paid on Revenue Bonds and Commercial Paper Notes	(36,702,872)	(38,669,533)
Acquisition and Construction of Capital Assets	(40,845,067)	(96,235,516)
Net Proceeds from Direct Financing Lease and Other Assets	8,387	17,328
Federal and State Grants	8,207,381	18,466,297
Passenger Facility Charges	33,369,461	32,479,400
Net Cash Used by Capital and Related Financing Activities	(80,512,461)	(123,650,224)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investment Securities	(85,020,369)	(98,667,663)
Proceeds from Maturities of Investment Securities	85,418,857	101,397,696
Income Received on Investments	2,839,223	2,861,522
Net Cash Provided by Investing Activities	3,237,711	5,591,555
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,278,483)	(58,815,248)
Cash and Cash Equivalents - Beginning of Year	115,009,479	173,824,727
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 112,730,996	\$ 115,009,479

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (11,106,784)	\$ (15,982,749)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	81,962,284	81,714,186
(Increase) Decrease in Accounts Receivable	1,648,443	(1,939,855)
(Increase) Decrease in Prepaid Insurance and Other Assets	89,203	(223,910)
Increase (Decrease) in Accounts Payable - Trade	1,181,098	(1,315,094)
Increase (Decrease) in Accrued Expenses, Deferred Revenue, and Other Liabilities	1,222,023	(3,009,157)
Net Cash Provided by Operating Activities	\$ 74,996,267	\$ 59,243,421
<b>NONCASH ACTIVITIES</b>		
Unrealized Gain on Investments	\$ 798,985	\$ 4,426,138
Amortization of Bond Premium - Net	\$ (3,348,672)	\$ (3,687,400)
Amortization of Deferred Loss on Bond Refundings	\$ 1,207,094	\$ 1,385,606
Other Capital Contributions	\$ -	\$ 1,066,903

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 1 GENERAL**

**Description**

The Hillsborough County Aviation Authority (the Authority) was created in 1945 as an independent special district governed by the Hillsborough County Aviation Authority Act, Chapter 2003-370, Laws of Florida (the Act). The Act provides that the Authority has exclusive jurisdiction, control, supervision and management over all public airports within Hillsborough County. As such, the Authority is authorized to issue revenue bonds to finance the construction of aviation-related projects. Revenue bonds issued by the Authority are payable solely from revenues of the Authority and are not obligations of the City of Tampa, Hillsborough County, or the State of Florida. Pursuant to the general laws of Florida, the Authority owns and operates Tampa International Airport (the Airport) and three general aviation airports (collectively, the Airport System).

In connection with the Authority's issuance and sale of \$67,000,000 principal amount of Revenue Bonds dated October 1, 1968, the Authority entered into the 1968 Trust Agreement. Since the date of its execution, the Authority has, concurrently with each revenue bond issue beginning in 1981, made various amendments and modifications to the terms of the original 1968 Trust Agreement. Many of these amendments were contingent upon the receipt of the requisite consent of the bondholders. Some amendments were prepared in "conceptual" form, awaiting definitive language to be prepared at the discretion of the Authority. During fiscal year 1999, the Authority received the requisite bondholder consent for all the definitive amendments, and the 1968 Trust Agreement, as amended, was codified and restated (the Trust Agreement). In fiscal year 2006, in association with the issuance of the 2006 Revenue Refunding Bonds (see Note 8 – Debt and Other Non-Current Liabilities), the Trust Agreement was again codified and restated to implement the conceptual amendment relating to the issuance of variable rate debt.

Pursuant to the provisions of the Trust Agreement, the Authority entered into lease agreements with certain airlines (the Signatory Airlines) serving the Airport. These lease agreements provide the basis of determining airline facility rentals and landing fees on an annual basis. The agreements, in effect since 1970, with the Signatory Airlines serving Tampa International Airport expired on September 30, 1999. Effective October 1, 1999, the Authority executed Airline-Airport Use and Lease Agreements with the Signatory Airlines (the Agreements), which had terms of seven years and would have expired on September 30, 2006. In fiscal year 2006, the Authority and Signatory Airlines extended the Agreements with basically the same terms for an additional three years. During fiscal year 2009, the Agreements were again extended one more year to September 30, 2010. During the fiscal year 2010 a new agreement was negotiated with the Signatory Airlines. The new agreement maintains the compensatory rate-making methodology and is substantially similar to the Agreements, except for a modification to the revenue sharing component and the recognition of the Authority's desire to implement common use passenger processing. The new agreement has a five-year term, expiring on September 30, 2015. (See Note 3 – Rate-Making Policy).

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 1 GENERAL (CONTINUED)**

**Basis of Presentation**

The Authority operates the Airport System as a single enterprise fund with multiple cost centers to account for the costs of services. Costs are recovered in the form of charges to users for such services.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Authority's financial statements are presented in accordance with accounting principles generally accepted in the United States. The Authority applies all applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989, and all applicable pronouncements required by the Governmental Accounting Standards Board (GASB). The Authority's significant financial and accounting policies utilized in formulating these financial statements are as follows:

**Cash and Cash Equivalents**

The Authority classifies investments in short-term repurchase agreements and investments with original maturities less than three months from the date of purchase as cash equivalents.

**Investments**

The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying values of investments to fair values to be presented as a component of investment income. The Authority invests in overnight repurchase agreements and short-term direct treasuries that are recorded at cost. Since the term of the instruments is of such short duration, the Authority believes cost approximates their fair values. Investments in the Local Government Investment Pool operated by the Florida State Board of Administration (SBA) is a "2a-7-like" pool in accordance with GASB Statement No. 31; therefore, the investments are not presented at fair value but at the actual pooled share price, which approximates fair value. The SBA also operates the Fund B Surplus Funds Trust Fund (Fund B), which is accounted for as a fluctuating net asset value pool in accordance with GASB Statement No. 31. U.S. Treasury notes and bonds are stated at fair value, based on available market data. Investment income is credited or charged with any unrealized gain or loss, based on the change in fair value.

**Restricted Assets and Liabilities**

The Trust Agreement requires the segregation of certain assets into restricted accounts and limits their use to specific items as defined by the document. Current liabilities payable from restricted assets are the liabilities that are to be retired by the use of restricted assets.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

The Authority considers the need for an allowance for doubtful accounts based on the expected collectability of outstanding balances.

**Grants**

Grants received from federal and state governmental agencies that are restricted for the acquisition or construction of capital assets are recorded as capital contributions when earned. Grants are earned when costs relating to such capital assets, which are reimbursable under the terms of the grants, have been incurred. Depreciation on assets acquired or constructed with government grant monies is included in Depreciation and Amortization in the accompanying statements of revenues, expenses, and changes in net assets. Operating grants received from the Federal Aviation Administration (FAA) and the Transportation Security Administration that are used to partially offset security costs for the implementation of federally mandated security requirements and other related operating and maintenance costs are recorded separately from capital grants and are included as Operating Grants and Reimbursements in the statements of revenues, expenses and changes in net assets.

**Passenger Facility Charges (PFCs)**

PFCs are imposed at \$4.50 per enplaned passenger, of which the Authority receives \$4.39. The remitting airline retains \$0.11 for administrative processing costs. PFCs are restricted for use on pre-approved projects. PFCs are recorded as Capital Contributions in the accompanying statements of revenues, expenses and changes in net assets.

**Debt Issue Costs, Bond Discounts and Premiums, and Deferred Loss on Bond Refundings**

Debt issue costs and bond discounts and premiums are deferred in the year of issuance and amortized using the declining balance method over the life of the issue since the results are not significantly different from the effective interest method of amortization. Losses on bond refundings are deferred and amortized as a component of interest expense using the declining balance method over the shorter of the remaining life of the original issue or the life of the new issue.

**Interest Costs**

Interest costs incurred during periods of construction are capitalized as a component of the assets to which these costs relate for all projects except those funded through the rate-making process (see Note 3), grants and PFCs. In situations involving qualifying assets financed with the proceeds of tax-exempt debt, the amount of interest capitalized is reduced by any interest income earned on the temporary investment of such monies. Interest is capitalized throughout the construction period and is amortized on a straight-line basis over the estimated useful life of the respective asset after the project is substantially completed.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets are recorded at cost and are depreciated using the straight-line method typically over their estimated useful lives as follows:

Structures and Improvements	10-40 Years
Runways, Taxiways and Aprons	10-30 Years
Equipment, Furniture and Fixtures	3-15 Years

On an annual basis, the Authority evaluates the useful lives of capital assets and writes off net capitalized costs of assets with no future value. Net capitalized costs written off are included in Depreciation and Amortization in the accompanying statements of revenues, expenses and changes in net assets.

**Pension Plans**

Pension expenses include amortization of prior service costs over a period of 30 years. The Authority's policy is to fund accrued pension costs, which include normal costs and amortization of prior service costs for regular employees and amounts determined by the Florida Retirement System (see Note 10).

**Revenue Classifications**

The components of the major operating revenue classifications are as follows:

*Airfield* – Fees for landing of cargo and passenger aircraft.

*Terminal Building* – Airline space rentals in passenger terminal building, privilege fees for the operation of terminal complex concessions of food and beverage, general merchandise and duty-free store, and other miscellaneous fees in terminal building.

*Airside Buildings* – Rentals of facilities space at airside and other miscellaneous fees at the airside buildings.

*Commercial Landside* – Automobile parking fees, rent-a-car privilege fees and space rental, privilege fees for the operation of the hotel and permit fees of off-airport rental cars and limousine/cab.

*Cargo* – Cargo space rentals, apron rentals, fuel flowage fees, and other grounds rental.

*Auxiliary Airports* – Fees from services at all airports operated by the Authority, other than Tampa International Airport.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Classifications (Continued)**

*General Aviation* – Fees from services for general aviation activities at Tampa International Airport.

*Other* – Fees from aviation supporting facilities provided to tenants, rentals from nonaviation properties, reimbursement for utilities, and other miscellaneous income.

**Reclassifications**

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

**Risk Management**

The Authority has developed risk mitigation strategies for loss prevention to address exposure to various risks. One of those risk mitigation strategies is the purchase of commercial insurance for losses related to torts and other liabilities, theft of, damage to and destruction of assets and natural disasters.

**Recent Accounting Pronouncements**

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued in December, 2010, and is effective for the Authority in the fiscal year 2013. The statement provides guidance on whether the transferor or operator should report the capital asset in its financial statements, when to recognize up-front payments from an operator as revenue, and how to record any obligations of the transferor to the operator, and establishes recognition, measurement, and disclosure requirements for SCAs. The Authority does not expect the adoption of GASB Statement No. 60 to have an impact on its financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, was issued in December, 2010, and is effective for the Authority in fiscal year 2013. This statement improves the information presented about the financial reporting entity. The Authority does not expect the adoption of GASB Statement No. 61 to have an impact on its financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in July, 2011, and is effective for the Authority in fiscal year 2013. The statement provides a new net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Authority does not expect the adoption of GASB Statement No. 63 to have an impact on its financial statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, was issued in July, 2011, and is effective for the Authority in fiscal year 2012. This statement improves financial reporting by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider is replaced. The Authority doesn't have hedge accounting. Thus the statement will not be applicable.

**NOTE 3 RATE-MAKING POLICY**

The Trust Agreement states the Authority, not taking into consideration any money received from federal and state grants, PFCs, ad valorem taxes, and certain other monies, will fix and establish or revise, as needed, rental rates and other charges for use of the services and facilities of the Airport System, which will be sufficient in each fiscal year to make payments and deposits, as required under the Trust Agreement. Currently, all bonds and outstanding debt of the Authority are issued under the Trust Agreement, and these covenants are reiterated in each Official Statement of bonds issued.

The Agreements incorporate the lease and use of the Terminal Building, Airsides A, C, E, F, any future Airside Buildings, and the Airfield at the Tampa International Airport. The Agreements establish a "compensatory" rate-making methodology where the airlines pay the Authority fees and charges based on the Authority's cost of providing facilities and services. The costs to be allocated to the Signatory Airlines include operating and maintenance expenditures, debt service, debt service coverage of 25%, Trust Fund minimum deposit requirements, and a return on investment for Authority funds used for capital projects. The new Agreements incorporate all of the covenants contained in the Trust Agreement governing the issuance of Airport Revenue Bonds. They also provide the Signatory Airlines with a net revenue sharing provision. The amounts due to the Signatory Airlines under this provision for the years ended September 30, 2011 and 2010 were \$6,163,906 and \$4,919,104, respectively. The net revenue sharing is presented as a separate item after Operating Expenses on the statements of revenues, expenses, and changes in net assets. Depreciation and amortization is excluded from the rate making process.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 4 CASH AND INVESTMENTS**

Included in the Authority's cash balances are amounts deposited with the Florida State Board of Administration's Local Government Investment Pool (SBA) as well as amounts deposited with commercial banks in interest bearing demand accounts. The State of Florida collateral pool is a multiple financial institution pool with the ability to assess its members for collateral shortfalls if a member institution fails. Required collateral is defined under Chapter 280 of the Florida Statutes, Security for Public Deposits Act (the Public Deposit Act). Under the Public Deposit 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 Public Deposit Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company, provided a power of attorney is delivered to the State Treasurer.

**SBA Local Government Investment Pool**

The SBA is governed by a Board of Trustees (Trustees) comprised of the Governor, the Chief Financial Officer, and the Attorney General of the State of Florida. The Florida Local Government Investment Pool (Investment Pool) is one of various trust funds managed by the SBA. On November 29, 2007, the Trustees voted to suspend deposits and withdrawals into and from the Investment Pool. This action was taken to cease transactions that resulted in the Investment Pool's assets decreasing from approximately \$27 billion to \$14 billion in a month's time. During this time period, some local governments initiated withdrawals due to fears associated with securities held by the SBA that were downgraded below the credit quality guidelines set for initial purchase as well as some limited defaults.

On November 30, 2007, the SBA, through direction of the Trustees, secured the services of BlackRock on an interim basis to provide an independent financial review of the Investment Pool and to recommend a strategic course of action. As a result, the Investment Pool was split into two funds: approximately 86% was placed in Fund A and the holdings in this fund were subsequently assigned a rating of AAAM by Standard & Poor's on December 21, 2007. Fund A was reopened on December 6, 2007 for deposits and limited withdrawals. The remaining 14% of the original pool was placed in Fund B. The objective regarding Fund B was to maximize the collection of Fund B's principal and interest and to allow all or as much principal as possible to be returned to participants. Federated was selected by the Trustees to manage the Investment Pool in March 2008.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 4 CASH AND INVESTMENTS (CONTINUED)**

**SBA Local Government Investment Pool (Continued)**

Since the time the fund was closed in November 2007, the SBA implemented authorized withdrawals on a periodic basis from both funds as investments matured or interest was received. As of November 30, 2007, the Authority had a total of approximately \$63 million deposited in the Investment Pool. Throughout fiscal year 2008, under the SBA established withdrawal guidelines, the Authority withdrew funds to use for normal operating and capital project activities. On December 23, 2008 all balances in original Fund A, now known as Florida PRIME, became 100% liquid. Deposits and withdrawals directly into and from Fund B remain suspended; however transfers of principal and interest payments collected on existing securities held in Fund B are periodically being made from that Fund to the Florida PRIME accounts of Fund B participants in proportion to their original adjusted Fund B balances. These amounts are available as 100% liquid balance.

As of September 30, 2011, the Authority had \$12,174,428 deposited in Florida PRIME and \$1,099,909 remaining in Fund B. At September 30, 2011, the weighted average days to maturity of Florida PRIME was 38 days, and the weighted average life of Fund B was 4.82 years.

At September 30, 2011 and 2010, all cash and cash equivalent and investments, were as follows:

	<u>2011</u>	<u>2010</u>
U.S. Treasury Securities	\$ 87,857,208	\$ 87,262,791
Local Government Investment Pool	13,274,337	13,090,584
Investment in Money Market Funds	<u>5,397,473</u>	<u>4,875,489</u>
Investments Subtotal	106,529,018	105,228,864
Cash in Deposit Accounts	<u>95,159,095</u>	<u>98,337,235</u>
Total Cash and Investments	<u>\$ 201,688,113</u>	<u>\$ 203,566,099</u>
Reconciliation to Statement of Net Assets:		
Cash and Cash Equivalents – Unrestricted	\$ 37,335,514	\$ 35,575,345
Cash and Cash Equivalents – Restricted	75,395,482	79,434,134
Investments	<u>88,957,117</u>	<u>88,556,620</u>
Total Cash and Investments	<u>\$ 201,688,113</u>	<u>\$ 203,566,099</u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 CASH AND INVESTMENTS (CONTINUED)**

**SBA Local Government Investment Pool (Continued)**

The Authority is authorized to invest in securities as described in its investment policy and the Trust Agreement. As of September 30, 2011, the Authority held the following investments as categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

	Investment Maturities			Total
	Less Than 1 Year	1 to 5 Years	6 to 10 Years	
<b>Investment Type</b>				
U.S. Treasury Securities	\$ 19,626,666	\$ 26,048,193	\$ 42,182,349	\$ 87,857,208
Local Government Investment Pool	12,174,428	1,099,909	-	13,274,337
Investment in Money Market Funds	5,397,473	-	-	5,397,473
Total	<u>\$ 37,198,567</u>	<u>\$ 27,148,102</u>	<u>\$ 42,182,349</u>	<u>\$ 106,529,018</u>

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the investments of current operating funds to maturities of less than one year. The Authority's investment policy also requires the investment portfolio to be structured to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities are matched with known cash needs and anticipated cash flow requirements. Investments of other non-operating funds will have terms appropriate to the needs for funds. Additionally, maturity limitations for investments related to the issuance of debt are outlined in the Trust Agreement.

**Credit Risk**

The Authority's banking and investment policy is to apply the prudent-person rule: investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would make, not for speculation, but for investment, considering the probable safety of the principal as well as the probable income to be derived. The Authority will also strive to maximize the return on the portfolio while minimizing risk. The Authority's policy allows investments in the SBA, money market funds with the highest credit quality from a nationally recognized rating agency, direct obligations of the U.S. Treasury, deposits secured by the Public Deposit Act and Federal agencies and instruments. Repurchase agreements are only allowed for deposits secured by the Public Deposit Act or direct obligations of the U.S. Treasury.

**Custodial Credit Risk**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are either held in the name of the Authority or held in trust under the Authority's name.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 4 CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

Concentration of credit risk means the magnitude of a government's investment in a single issuer. Excluded from this definition are investments issued or explicitly guaranteed by the U.S. government and external investments pools. The Authority's funds are held in U.S. Treasuries, investments collateralized by U.S. Treasuries, the SBA's Florida PRIME or institutions that are members of the State of Florida collateral pool.

**NOTE 5 RESTRICTED ASSETS**

The Trust Agreement, among other things, requires all airport revenues, excluding PFCs, grants, bond proceeds and their earnings, and revenues from certain nontrust funded projects, be deposited in the Revenue Fund, the establishment of certain trust accounts, and defines the priority and flow of cash receipts. Certain of these trust accounts require specified balances and are restricted as to use. Bond proceeds issued for construction are held by a trustee appointed by the Authority per the bond agreement. Debt Service and Debt Reserve accounts are held by a trustee designated by the Trust Agreement and are pledged as collateral for debt service. A summary of the balances in these accounts as of September 30, 2011 and 2010 is as follows:

	2011	2010
Restricted for Debt Service:		
Bond Principal, Interest, and Redemption		
Sinking Fund	\$ 46,203	\$ 57,641
Bond Reserve Fund	89,107,264	88,489,083
Restricted to Acquisition of Property and Equipment:		
Equipment Fund	980,913	297,019
Construction Funds	37,879,389	45,931,141
Restricted to Operating Expenses:		
Operating Reserve Account	15,407,112	14,728,211
Operation and Maintenance	6,146,917	6,405,091
	149,567,798	155,908,186
Other Restricted Funds:		
Revenue Funds	18,146,098	17,086,708
Escrow and Forfeiture Deposits	386,275	370,068
Capital Acquisition	6,020,158	6,537,300
Prepaid Insurance and Other Assets	3,097,682	3,186,885
	27,650,213	27,180,961
Total Restricted Assets	\$ 177,218,011	\$ 183,089,147

**HILLSBOROUGH COUNTY AVIATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 6 LEASES**

The Authority has entered into various leases with the tenants for the use of property, space and facilities at Tampa International Airport. Among these properties are the concession areas, restaurants and lounges, terminal areas, airside and rental car areas. All leases are cancelable.

**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the years ended September 30, 2011 and 2010 is summarized as follows:

	Balance October 1, 2010	Additions and Reclasses	Deletions and Reclasses	Balance September 30, 2011
Land	\$ 183,696,379	\$ 4,698,820	\$ (37,846)	\$ 188,357,353
Construction in Progress	95,570,824	35,501,670	(97,048,223)	34,024,271
Equipment	24,819,845	3,015,200	(717,264)	27,117,781
Buildings and Improvements	<u>1,792,038,964</u>	<u>90,021,668</u>	<u>(12,404,129)</u>	<u>1,869,656,503</u>
	<u>2,096,126,012</u>	<u>133,237,358</u>	<u>(110,207,462)</u>	<u>2,119,155,908</u>
Less: Accumulated Depreciation:				
Equipment	(18,480,095)	(3,365,883)	969,088	(20,876,890)
Buildings and Improvements	<u>(778,734,102)</u>	<u>(77,424,331)</u>	<u>11,834,059</u>	<u>(844,324,374)</u>
	<u>(797,214,197)</u>	<u>(80,790,214)</u>	<u>12,803,147</u>	<u>(865,201,264)</u>
Total Capital Assets – Net	<u>\$ 1,298,911,815</u>	<u>\$ 52,447,144</u>	<u>\$ (97,404,315)</u>	<u>\$ 1,253,954,644</u>

  

	Balance October 1, 2009	Additions and Reclasses	Deletions and Reclasses	Balance September 30, 2010
Land	\$ 182,789,369	\$ 907,010	\$ -	\$ 183,696,379
Construction in Progress	76,391,633	109,975,656	(90,796,465)	95,570,824
Equipment	22,051,142	4,007,636	(1,238,933)	24,819,845
Buildings and Improvements	<u>1,717,037,490</u>	<u>81,987,191</u>	<u>(6,985,717)</u>	<u>1,792,038,964</u>
	<u>1,998,269,634</u>	<u>196,877,493</u>	<u>(99,021,115)</u>	<u>2,096,126,012</u>
Less: Accumulated Depreciation:				
Equipment	(16,071,423)	(4,295,878)	1,887,206	(18,480,095)
Buildings and Improvements	<u>(708,648,361)</u>	<u>(75,680,275)</u>	<u>5,594,534</u>	<u>(778,734,102)</u>
	<u>(724,719,784)</u>	<u>(79,976,153)</u>	<u>7,481,740</u>	<u>(797,214,197)</u>
Total Capital Assets – Net	<u>\$ 1,273,549,850</u>	<u>\$ 116,901,340</u>	<u>\$ (91,539,375)</u>	<u>\$ 1,298,911,815</u>

Depreciation expense and amortization of capitalized interest during the years ended September 30, 2011 and 2010 were \$80,790,214 and \$79,941,832, respectively. These amounts are included in Depreciation and Amortization in the accompanying statements of revenues, expenses, and changes in net assets.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 7 CAPITAL ASSETS (CONTINUED)**

Net capitalized costs written off for assets that were disposed of during the years ended September 30, 2011 and 2010 were \$204,034 and \$714,490, respectively. These amounts are included in Depreciation and Amortization in the accompanying statements of revenues, expenses and changes in net assets.

**NOTE 8 DEBT AND OTHER NON-CURRENT LIABILITIES**

**Revenue Bonds**

All revenue bonds issued by the Authority are parity bonds and have been issued under the terms of the Trust Agreement and supplements thereto. The bonds are payable solely from revenues, as defined in the Trust Agreement, after the payment of the cost of operation and maintenance expenses.

During the years ended September 30, 2011 and 2010, serial revenue bonds in the amounts of \$47,290,000 and \$40,225,000, respectively, were redeemed. In addition, the balance of the 1999A Bonds, outstanding in the amount of \$5,655,000, was refunded during fiscal year 2010. This refunding is discussed in more detail in the next paragraph. Total interest cost incurred on outstanding bonds during the years ended September 30, 2011 and 2010, was \$36,031,331 and \$38,113,595, respectively. Of these interest amounts, \$4,197,650 and \$7,192,324 was capitalized, respectively. Amortization of bond issue costs was \$958,564 and \$1,047,436 in fiscal years 2011 and 2010, respectively.

On July 29, 2011, the Authority issued \$2,743,333 in SunTrust 2011 Bank Notes to refund portions of several bond series. The amounts refunded were \$903,333 for the 2001A Bonds, \$401,667 for the 2003D Bonds, \$459,167 for the 2005A Bonds and \$979,167 for the 2008C Bonds. On October 1, 2009, the Authority issued \$3,625,000 Series D Commercial Paper Notes. On October 2, 2009, the funds from this commercial paper issuance, along with a withdrawal from the Debt Service Reserve Fund of \$2,030,000 were used to retire the 1999A Bonds outstanding in the amount of \$5,655,000. On July 27, 2010, the Authority issued \$2,555,000 Series D Commercial Paper Notes to refund portions of several bond series. The amounts refunded were \$855,833 for the 2001A Bonds, \$880,000 for the 2003C Bonds, \$380,000 for the 2003 D Bonds and \$436,667 for the 2005 A Bonds.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 8 DEBT AND OTHER NON-CURRENT LIABILITIES (CONTINUED)**

**Revenue Bonds (Continued)**

The total principal maturities and debt service requirements for all revenue bonds through the year 2038, as of September 30, 2011 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 50,720,000	\$ 33,674,481	\$ 84,394,481
2013	53,205,000	31,109,119	84,314,119
2014	56,055,000	28,402,094	84,457,094
2015	58,985,000	25,464,006	84,449,006
2016	54,560,000	22,418,631	76,978,631
2017-2021	186,465,000	71,765,950	258,230,950
2022-2026	56,685,000	43,406,763	100,091,763
2027-2031	43,950,000	30,181,650	74,131,650
2032-2036	57,070,000	17,071,050	74,141,050
2037-2038	27,395,000	2,257,375	29,652,375
Total	<u>\$ 645,090,000</u>	<u>\$ 305,751,119</u>	<u>\$ 950,841,119</u>

Revenue bond information and activity as of and for the years ended September 30, 2011 and 2010 is presented below. All principal payments are due October 1, while interest on the fixed rate bonds is due semiannually on April 1 and October 1. Since all debt service payments required under the Trust Agreement are deposited with the Trustee as of September 1, it is the Authority's policy to record the October 1 principal and interest payments as of the close of business on the preceding September 30.

	<u>2011</u>		<u>2010</u>	
	<u>Balance Outstanding</u>	<u>Amounts Due Within One Year</u>	<u>Balance Outstanding</u>	<u>Amounts Due Within One Year</u>
Revenue and Revenue Refunding Bonds:				
1996B Series, 6.0%	\$ 9,085,000	\$ -	\$ 9,085,000	\$ -
2001A Series, 5.5%	24,835,000	5,720,000	30,255,000	5,420,000
2003A Series, 5.25% to 5.5%	128,135,000	15,600,000	142,955,000	14,820,000
2003B Series, 4.25% to 5.25%	43,735,000	1,195,000	43,735,000	-
2003C Series, 5.0% to 5.25%	56,095,000	5,850,000	61,655,000	5,560,000
2003D Series, 3.75% to 5.5%	40,745,000	2,535,000	43,155,000	2,410,000
2005A Series, 5.25%	71,555,000	6,035,000	74,310,000	2,755,000
2005B Series, 5.0% to 5.125%	28,675,000	2,325,000	30,900,000	2,225,000
2006A Series, 4.0% to 5.0%	17,245,000	715,000	17,930,000	685,000
2006B Series, 4.0% to 5.0%	13,255,000	550,000	13,790,000	535,000
2008A Series, 5.375% to 5.5%	133,000,000	-	133,000,000	-
2008B Series, 5.0%	16,725,000	-	16,725,000	-
2008C Series, 4.0% to 5.75%	14,390,000	3,710,000	20,265,000	5,875,000
2008D Series, 4.0% to 5.5%	4,635,000	1,185,000	6,525,000	1,890,000
2009A Series, 4.8% to 5.0%	42,980,000	5,300,000	48,095,000	5,115,000
	<u>645,090,000</u>	<u>\$ 50,720,000</u>	<u>692,380,000</u>	<u>\$ 47,290,000</u>
Unamortized Deferred Loss				
Refunding	(5,399,325)		(6,579,895)	
Unamortized Bond Premium – Net	13,348,072		16,696,744	
Total Revenue Bonds Payable	<u>\$ 653,038,747</u>		<u>\$ 702,496,849</u>	

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 8 DEBT AND OTHER NON-CURRENT LIABILITIES (CONTINUED)**

**Revenue Bonds (Continued)**

	Balance September 30, 2010	Additions	Refunding	Paydowns	Balance September 30, 2011
1996B Revenue Bonds	\$ 9,085,000	\$ -	\$ -	\$ -	\$ 9,085,000
2001A Revenue Refunding Bonds	30,255,000	-	(903,333)	(4,516,667)	24,835,000
2003A Revenue Bonds	142,955,000	-	-	(14,820,000)	128,135,000
2003B Revenue Bonds	43,735,000	-	-	-	43,735,000
2003C Revenue Refunding Bonds	61,655,000	-	-	(5,560,000)	56,095,000
2003D Revenue Refunding Bonds	43,155,000	-	(401,667)	(2,008,333)	40,745,000
2005A Revenue Bonds	74,310,000	-	(459,167)	(2,295,833)	71,555,000
2005B Revenue Refunding Bonds	30,900,000	-	-	(2,225,000)	28,675,000
2006A Revenue Refunding Bonds	17,930,000	-	-	(680,000)	17,245,000
2006B Revenue Refunding Bonds	13,790,000	-	-	(535,000)	13,255,000
2008A Revenue Bonds	133,000,000	-	-	-	133,000,000
2008B Revenue Bonds	16,725,000	-	-	-	16,725,000
2008C Revenue Refunding Bonds	20,265,000	-	(979,167)	(4,895,833)	14,390,000
2008D Revenue Refunding Bonds	6,525,000	-	-	(1,890,000)	4,635,000
2009A Revenue Bonds	48,095,000	-	-	(5,115,000)	42,980,000
	<u>\$ 692,380,000</u>	<u>\$ -</u>	<u>\$ (2,743,334)</u>	<u>\$ (44,541,666)</u>	<u>\$ 645,090,000</u>

	Balance September 30, 2009	Additions	Refunding	Paydowns	Balance September 30, 2010
1996B Revenue Bonds	\$ 9,085,000	\$ -	\$ -	\$ -	\$ 9,085,000
1999A Revenue Bonds	5,655,000	-	(5,655,000)	-	-
2001A Revenue Refunding Bonds	35,390,000	-	(855,833)	(4,279,167)	30,255,000
2003A Revenue Bonds	157,035,000	-	-	(14,080,000)	142,955,000
2003B Revenue Bonds	43,735,000	-	-	-	43,735,000
2003C Revenue Refunding Bonds	66,935,000	-	(880,000)	(4,400,000)	61,655,000
2003D Revenue Refunding Bonds	45,435,000	-	(380,000)	(1,900,000)	43,155,000
2005A Revenue Bonds	76,930,000	-	(436,667)	(2,183,333)	74,310,000
2005B Revenue Refunding Bonds	33,030,000	-	-	(2,130,000)	30,900,000
2006A Revenue Refunding Bonds	18,050,000	-	-	(120,000)	17,930,000
2006B Revenue Refunding Bonds	13,890,000	-	-	(100,000)	13,790,000
2008A Revenue Bonds	133,000,000	-	-	-	133,000,000
2008B Revenue Bonds	16,725,000	-	-	-	16,725,000
2008C Revenue Refunding Bonds	26,670,000	-	-	(6,405,000)	20,265,000
2008D Revenue Refunding Bonds	8,600,000	-	-	(2,075,000)	6,525,000
2009A Revenue Bonds	48,095,000	-	-	-	48,095,000
	<u>\$ 738,260,000</u>	<u>\$ -</u>	<u>\$ (8,207,500)</u>	<u>\$ (37,672,500)</u>	<u>\$ 692,380,000</u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
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**NOTE 8 DEBT AND OTHER NON-CURRENT LIABILITIES (CONTINUED)**

**Tax Exempt Subordinated Commercial Paper Notes (Commercial Paper Notes) and SunTrust 2011 Bank Notes**

On September 21, 2001, the Authority entered into a Reimbursement Agreement (Letter of Credit) with Landesbank Baden-Württemberg, acting through its New York Branch (the Bank). Under this agreement, the Authority is allowed to issue an aggregate principal amount, not to exceed \$105,000,000 outstanding at any one time, of Commercial Paper Notes collateralized by the Bank's credit. Under the original agreement, the Commercial Paper Notes could be renewed until 2006 in up to 180-day increments and were subordinated to the Authority's general revenue bonds. During fiscal year 2005, the Authority negotiated an extension to the Reimbursement Agreement until 2015. In November 2010, LBBW notified the Authority of their intention to exercise their early termination option under the agreement. At September 30, 2010, there was \$85,180,000 of Commercial Paper Notes outstanding with interest rates from 0.32% to 0.44%. Total interest costs incurred on Commercial Paper Notes during the years ended September 30, 2011 and 2010 were \$375,529 and \$580,891, respectively. Amortization of Commercial Paper Notes issue costs in fiscal years 2011 and 2010 was \$4,277 and \$10,428, respectively.

On June 21, 2011, the Authority entered into an agreement with SunTrust to provide a variable rate direct bank loan (SunTrust 2011 Bank Notes). The SunTrust 2011 Bank Notes have a seven year term, are subject to the revolving credit agreement with SunTrust Bank and may not exceed a principal amount of \$105,000,000 at any one time. The initial draw against the revolving loan of \$85,310,000 was used to redeem the outstanding Series B and Series D commercial paper notes outstanding in the amount of \$85,180,000. The issue cost for the initial draw was \$130,000. The second draw of \$2,743,335 was made on July 29, 2011, as discussed in the third paragraph of this note. As of September 30, 2011, outstanding SunTrust 2011 Bank Notes totaled \$88,053,335 with an interest rate of 1.195%. Amortization of SunTrust 2011 Bank Notes issue costs was \$5,195 in fiscal year 2011.

Commercial paper and SunTrust 2011 Bank Notes information and activity for the years ended September 30, 2011 and 2010 is presented below:

	Balance October 1, 2010	Additions	Paydowns	Balance September 30, 2011	Amounts Due Within One Year
Commercial Paper Notes Payable	\$ 85,180,000	\$ -	\$ (85,180,000)	\$ -	\$ -
Bank Notes	-	88,053,335	-	88,053,335	-
	Balance October 1, 2009	Additions	Paydowns	Balance September 30, 2010	Amounts Due Within One Year
Commercial Paper Notes Payable	\$ 79,000,000	\$ 6,180,000	\$ -	\$ 85,180,000	\$ 7,000,000

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 DEBT AND OTHER NON-CURRENT LIABILITIES (CONTINUED)**

**Other Non-Current Liabilities**

This line item consists of compensated absences (see Note 11), arbitrage liability, deferred revenues and pollution remediation obligations.

As required by GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the Authority recognizes certain remediation obligations in its financial statements. There are several sites on airport property requiring the establishment of liabilities under GASB Statement No. 49. The Authority's Planning and Development staff, working in conjunction with outside environmental specialists and the Florida Department of Environmental Protection (FDEP) and other government agencies, developed detailed plans and cost estimates of the pollution remediation liabilities associated with these sites. The total estimated and recorded liabilities for the four sites at September 30, 2011 and five sites at September 30, 2010 are \$1,549,554 and \$2,179,620, respectively; and the long term portion is \$953,554 and \$1,618,893 for 2011 and 2010, respectively. There was an expected recovery of \$460,600 from a former tenant of one of the sites which was recorded as a receivable in the financial statements in the fiscal year 2009. Half of the recovery funds were received in February 2010 and, as of September 30, 2011, the remaining balance of the receivable is \$230,300.

Other non-current liability information and activity for the years ended September 30, 2011 and 2010 is presented below:

	Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011
Compensated Absences	\$ 3,552,610	\$ -	\$ (483,212)	\$ 3,069,398
Environmental Liabilities	1,618,893	-	(665,339)	953,554
Total Other Liabilities	<u>\$ 5,171,503</u>	<u>\$ -</u>	<u>\$ (1,148,551)</u>	<u>\$ 4,022,952</u>

  

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010
Compensated Absences	\$ 3,526,058	\$ 30,874	\$ (4,322)	\$ 3,552,610
Environmental Liabilities	2,139,583	-	(520,690)	1,618,893
Total Other Liabilities	<u>\$ 5,665,641</u>	<u>\$ 30,874</u>	<u>\$ (525,012)</u>	<u>\$ 5,171,503</u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 DEBT AND OTHER NON-CURRENT LIABILITIES (CONTINUED)**

**Special Purpose Revenue Bonds**

Under provisions of the Trust Agreement, Special Purpose Revenue Bonds may be issued by the Authority for the purpose of construction and acquisition of special purpose facilities. Special Purpose Revenue Bonds are not an obligation of the Authority, and are issued on the credit of the facility user. Special Purpose Revenue Bonds were issued in prior years by USAirways and Delta Airlines for the construction of aircraft maintenance facilities and by the fixed base operator of the general aviation facility at the Airport for the construction of an aircraft hangar, maintenance and storage facility.

On January 16, 2003, in connection with its bankruptcy proceedings, US Airways rejected the ground lease portion of the maintenance facility they occupied and subsequently vacated the facility. Under the terms of the bond documents associated with the agreement, the Authority must use its best efforts for a two-year period to re-let the facility. The initial two-year period was extended to February 28, 2006, and the Authority subsequently approved another extension that allowed the bondholders an additional year to re-let the facility. After this time period, the ground lease was terminated and the maintenance facility became the property of the Authority. During the fiscal year ended September 30, 2008, this facility was leased to an aircraft maintenance company. Semiannual interest payments due on the bonds (principal outstanding in the amount of \$27,620,000) since January 15, 2003, have not been made by US Airways and the bonds are in default.

The Delta facility was closed for aircraft maintenance in 2005, and on June 29, 2006, Delta rejected the lease associated with the facility. On July 5, 2006, under a draw on a letter of credit, the bondholders received full payment of the outstanding principal and accrued interest for the \$16,544,349 portion of the issue. The remaining outstanding principal balance of \$8,011,311 remained in default. In June 2009, the bondholders accepted \$3,000,000 from the Authority to settle the outstanding debt on the facility.

At September 30, 2011 and 2010, a total of \$27,620,000 of Special Purpose Revenue Bonds are outstanding. The Special Purpose Revenue Bonds have been excluded from the accompanying financial statements.

**NOTE 9 CONTRIBUTIONS**

The Authority has received capital contributions by means of federal and state grants, passenger facility charges, and other sources as follows:

	2011	2010
Passenger Facility Charges	\$ 33,191,463	\$ 33,032,091
Federal Grants	2,227,480	12,394,617
State Grants	5,640,757	4,916,048
Other Contributions	-	1,066,903
Total Capital Contributions	<u>\$ 41,059,700</u>	<u>\$ 51,409,659</u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010**

**NOTE 9 CONTRIBUTIONS (CONTINUED)**

In fiscal year 2008, the Authority granted an easement of approximately 33 acres to the Florida Department of Transportation (FDOT) for construction of and improvements to the major interchanges into the airport. The value of the easements was \$3,164,300, determined by an independent appraisal. The Authority has agreed to accept payment for conveyance of the easement in the form of specific roadway improvements to the George Bean Parkway and adjacent access roads by the FDOT. As of September 30, 2008, approximately 74.9% of the project was completed, and the Authority recognized additional gains in fiscal year 2008 as other contributions of \$2,500,900. As of September 30, 2009, approximately 96.4% of the project was completed, accordingly the Authority recognized additional gains in fiscal year 2009 as other contributions of \$2,129,500. As of September 30, 2010, the project was fully completed. The Authority recognized additional gains in fiscal year 2010 as other contributions of \$356,600.

As part of the airport's development program it is sometimes necessary to mitigate wetlands to comply with regulatory requirements. This necessitates the purchase, design, construction and maintenance of an off-airport wetland mitigations site. Under a program with the FDOT, through the Southwest Florida Water Management District (SWFWMD), the Authority will effectively receive 34.59 acres of mitigated wetlands. The FDOT utilized Authority earmarked future funding to directly pay SWFWMD for the wetlands. During fiscal year 2010, the Authority recognized \$710,303 as other contributions to record this transaction. This project was fully completed as of September 30, 2010.

**NOTE 10 PENSION AND OTHER POST EMPLOYMENT BENEFITS**

**Florida Retirement System**

All Authority full-time employees are eligible to participate in the Florida Retirement System (FRS). The FRS is a cost-sharing multiple employer retirement system, administered by the Division of Retirement, Department of Management Services of the State of Florida. The Florida Retirement System has two plan options, a defined benefit pension plan and a defined contribution plan. The benefit provisions and all other requirements are established by Chapters 112 and 121, *Florida Statutes*. The FRS Annual Report provides financial statements and required supplementary information for the FRS. The report is compiled by and is available from the State of Florida, Division of Retirement, 1317 Winewood Blvd., Bldg. 8, Tallahassee, FL 32399-1560. The Florida Legislature made substantive changes to the FRS in the fiscal year 2011. The changes are disclosed in the following section.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 PENSION AND OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Defined Benefit Pension Plan (the Pension Plan)**

The Pension Plan provides retirement, disability, and death benefits and an annual cost-of-living adjustment to plan members. Regular participants who retire at or after age 62, with 10 years of service (or 6 years of service on or after July 1, 2002, (or age 65 with 8 years of service on or after July 1, 2011); or after 30 years of service, or 33 years of service for new FRS pension plan participating members on or after July 1, 2011, regardless of age, are entitled to a retirement benefit, payable monthly for life, equal to their years of service times a percentage value (ranging from 1.60% to 1.68%) multiplied by their average final compensation. Special risk participants who retire after age 55, with 10 years of service (or 7 years of services on or after July 1, 2002, or age 60 with 8 years of service, or age 57 with 30 years of service on or after July 1, 2011), or after 25 years of service (or 30 years of services on or after July 1, 2011), regardless of age, receive a similar benefit (ranging from 2.00% to 3.00%). Senior Management Service Class (SMSC) participants, who retire at or after age 62, with 7 years of SMSC service; or with 10 years of service (or 6 years of services on or after July 1, 2002; or age 65 with 8 years of service on or after July 1, 2011, or with 30 years (or 33 years on or after July 1, 2011) of service regardless of age, receive a similar benefit (2.0%) multiplied by their average final compensation. Alternatively, SMSC participants may elect to participate in a local annuity plan. Average final compensation is the employee's average salary over their highest five fiscal years' earnings (or highest eight fiscal years' earnings on or after July 1, 2011). Vested employees may retire after vesting, but before normal retirement, and receive reduced retirement benefits.

Effective July 1, 1998, the Florida Legislature established a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement Pension Plan benefit payments while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred Pension Plan monthly benefits are held in the FRS Trust Fund and accrue interest.

**Defined Contribution Retirement Plan**

Beginning December 1, 2002, the FRS offered a second retirement plan option, the FRS Investment Plan. Under the FRS Investment Plan the employer pays all contributions, which are a percentage of salary based on the FRS Membership Class. The employer contributes to an account in the employee's name. The employee makes investment elections within the investment funds chosen by the SBA. The retirement benefit is based on the account balance, and the benefit is vested after one year of service. If an employee leaves the job, he or she can keep the benefit in the FRS, or transfer his or her account to another retirement plan. The employee can also elect to cash out the benefit when leaving, but the distribution is subject to tax penalties for taking early withdrawal. The employee in this plan is not eligible for DROP. All employees in the FRS Pension Plan were given a choice of switching from the FRS Pension Plan to the FRS Investment Plan within a designated time period.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 PENSION AND OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Defined Contribution Retirement Plan (Continued)**

FRS members are required to contribute monthly amounts on behalf of their employees, regardless of which plan the employee may participate in, at actuarially determined rates expressed as percentages of covered payroll. The contribution percentage of payroll rate in effect through June 30, 2011 was 10.77% for regular participants, 23.25% for special risk participants, and 12.25% for DROP participants. Effective July 1, 2011, the FRS plan participating employees are required to contribute 3% of the gross salary to fund their retirement benefits. The contribution percentage of payroll rate as of September 30, 2011 was 4.91% for regular participants, 14.10% for special risk participants, and 4.42% for DROP participants. Total contributions for fiscal years 2011, 2010 and 2009 were \$3,222,585, \$3,640,134, and \$3,692,637, respectively. The Authority's contributions represented less than one percent of total contributions required of all participating members. The total contributions for fiscal years 2011, 2010 and 2009 were 100% of the required amount.

**Other Post Employment Benefits (OPEB)**

In addition to pension benefits, the Authority offers other post employment benefits of health, dental and life insurance. Employees that retire under the FRS have the option to continue to participate in the group insurance plans of the Authority. The retirees and their dependents are offered the same coverage as is provided to current employees. The plan is a single-employer defined benefit healthcare plan administered by the Authority through the health care insurance provider. The dental insurance plan is fully contributory and there is no OPEB liability associated with this benefit.

Effective October 1, 2007, the Authority implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. At September 30, 2011, the Authority had a net OPEB obligation of \$669,000, which is included in accrued expenses in the statement of net assets.

**Funding Policy**

Benefit provisions and contribution obligations have been established and may be amended by the Authority Board. The required contributions are based on the projected pay-as-you-go financing requirements. Under the group health plan, retirees are required to pay the same monthly premium cost that is applicable to the active employee, less a subsidy of \$5 times the number of years continuously employed with the Authority at the time of retirement. The maximum amount of the subsidy is \$150. This subsidy is recognized as an expense in the period in which it occurs, and expenses were \$50,320, and \$49,915 in fiscal year 2011 and 2010, respectively. The retiree and dependents may also participate in the dental and life insurance plans, but must pay the full cost of the premiums associated with these plans. Employees are eligible for a flat \$10,000 life insurance benefit upon retirement, which reduces to \$5,000 at age 70. If a retiree does not participate in these plans upon retirement, he or she is not eligible to participate in the future. As of September 30, 2011, the Authority provided post employment health benefits to 98 recipients. A summary of monthly required contributions for retirees for the fiscal year ended September 30, 2011, is provided as follows:

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 PENSION AND OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Funding Policy (Continued)**

**Monthly Required Contributions for Retirees in FY 2011**

**HMO Plans**

Retiree Only	\$	495
Retiree, 1 Dependent	\$	1,012
Retiree, Family	\$	1,507

**PPO Plans**

Retiree Only (Under 65)	\$	689
Retiree, 1 Dependent (Under 65)	\$	1,537
Retiree, Family (Under 65)	\$	2,218
Retiree only (65+)	\$	593
Retiree (65+), 1 Dependent (65+)	\$	1,186
Retiree (65+), 1 Dependent (Under 65)	\$	1,441
Retiree (Under 65), Dependent (65+)	\$	1,282
Retiree (65+), Dependant (65+), Dependent (Under 65)	\$	1,779

**Dental Plans**

Retiree Only	\$	29
Dependents	\$	43

**Life Insurance Contributions**

\$0.115 per \$1,000 of Coverage per Month

In addition, pursuant to Section 112.0801, Florida Statutes, the Authority is required to offer the option of continuing health care, hospitalization, dental care and vision care insurance benefits to retired former employees and their eligible dependents at a cost not to exceed that of active employees. Although the retiree pays the cost for any such continuation, the premiums charged are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees have higher costs, this results in the Authority subsidizing a portion of the cost of the retiree coverage. The current funding rate is 1.14% of annual covered payroll and for the year ended September 30, 2011, totaled approximately \$155,000.

**Annual Cost**

The annual OPEB cost and Net OPEB obligation of the employer is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. Beginning in the year ended September 30, 2009, the Authority's annual OPEB cost (expense) is calculated based on actuarially determined annual contribution. Recorded expense for the year ended September 30, 2011 was \$349,000.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 10 PENSION AND OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Annual Cost (Continued)**

The following table shows the components of the Authority's annual OPEB cost of the year ended September 30, 2011, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 347,000
Interest on Net OPEB Obligation	22,000
Adjustment to Annual Contribution	(20,000)
Annual OPEB Cost (Expense)	<u>349,000</u>
Contributions Made	<u>(172,000)</u>
Increase in Net OPEB Obligation	177,000
Net OPEB Obligation – Beginning of Year	492,000
Net OPEB Obligation – End of Year	<u><u>\$ 699,000</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2008	\$ 268,000	53.36%	\$ 125,000
9/30/2009	\$ 329,000	47.11%	\$ 299,000
9/30/2010	\$ 368,000	47.55%	\$ 492,000
9/30/2011	\$ 349,000	49.28%	\$ 699,000

**Funded Status and Funding Progress**

The Authority's funded status of the plan as of October 1, 2010, the most recent actuarial valuation date was as follows:

Actuarial Accrued Liability (AAL)	\$ 3,614,000
Actual Value of Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 3,614,000</u></u>
Funded Ratio	0.00%
Covered Payroll	\$ 30,575,500
Unfunded Actuarial Accrued Liability (UAAL) as a Percentage of Covered Payroll	11.82%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Covered payroll is the 2010-2011 budgeted regular salaries for active employees.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010**

**NOTE 10 PENSION AND OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations. A summary of actuarial methods and assumptions is listed as follows:

Actuarial Valuation Date	October 1, 2010
Actuarial Cost Method	Unit Credit
Amortization Method	Level Percentage of Projected Payroll Maximum 30 Years on an Open Basis
Asset Valuation Method	N/A
Actuarial Assumptions:	
Annual Discount Rate	4.5%
Projected Salary Increase	3%
Healthcare Inflation Rate	10% Initial 5% Ultimate

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**Construction and Maintenance Contracts**

In connection with the Authority's ongoing capital and maintenance programs, certain construction and long-term maintenance contracts have been executed for services that are incomplete. These contracts are typically cancelable by either party with advance notice ranging from 30 to 180 days.

**Compensated Absences**

The Authority provides for compensated absences to its employees through employee benefit programs. Under the programs, employees are provided compensated absences for sick and vacation time, as well as related retirement amounts. The amount owed under the program was \$3,611,056 at September 30, 2011. Expected amounts that will be paid out in the subsequent fiscal year are recorded as accrued expenses in the statement of net assets. Amounts expected to be paid out past the subsequent fiscal year are included with other non-current liabilities in the statement of net assets.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
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SEPTEMBER 30, 2011 AND 2010**

**NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Contingencies**

The Authority is involved in litigation and claims as defendant or plaintiff arising in the ordinary course of operations. In the opinion of management, based on the advice of counsel, the range of potential recoveries or liabilities will not materially affect the financial position of the Authority.

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agency as a result of such an audit, any claim for reimbursement would become a liability of the Authority. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

**NOTE 12 RELATED PARTY TRANSACTIONS**

The Authority considers the City of Tampa to be a related party because the Mayor of the City of Tampa is a member of governance of both entities. The City of Tampa provides certain services to the Authority including fire fighting personnel and utilities. Total expense incurred by the Authority during the year ended September 30, 2011, for these services was \$6,077,500.

**NOTE 13 SUBSEQUENT EVENTS**

The Authority was notified on November 28, 2011 that AMR Corporation, the parent company of American Airlines filed for Chapter 11 bankruptcy protection. American Airlines is a signatory airline and had approximately 8.8% of enplanements at Tampa International Airport in fiscal year 2011. An announcement by American Airlines indicated modest flight schedule reductions while it reorganizes and management believes the impact to the Airport will not be significant. American Airlines' receivables with the Authority are current as of the date of the filing.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2011**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
8/1/2007	\$ -	\$ 2,955,000	\$ (2,955,000)	-	\$ 32,578,300	9%
8/1/2009	\$ -	\$ 3,341,000	\$ (3,341,000)	-	\$ 32,110,800	10%
10/1/2010	\$ -	\$ 3,614,000	\$ (3,614,000)	-	\$ 30,575,500	12%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed
9/30/2009	\$ 329,000	155,000	47.11%
9/30/2010	\$ 368,000	175,000	47.55%
9/30/2011	\$ 349,000	172,000	49.28%