

HILLSBOROUGH COUNTY AVIATION AUTHORITY

**FINANCIAL STATEMENTS, OTHER FINANCIAL
INFORMATION AND COMPLIANCE REPORTS**

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hillsborough County Aviation Authority
Tampa, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Hillsborough County Aviation Authority (Authority), as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2015 and 2014 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15, the Authority adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and the related GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. As a result of the implementation of GASBS No. 68 and No. 71, the Authority reported a restatement for the change in accounting principle. The auditors' opinion was not modified with respect to the restatement.


Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2016, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tampa, Florida
May 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

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, 2015 and 2014, 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, rental car facility fees, 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 2015 demonstrated the success of the Airport's focus on continued airline marketing efforts to grow the core business, increasing non-aviation revenues, and keeping airline costs competitive. The strong financial performance during 2015 continued a trend which has seen overall financial results improve substantially since 2010. The total number of passengers, at 18,489,647 for 2015, increased 6.7% over the prior year, as domestic traffic increased 6.4% and international traffic increased 14.8%. During 2015, revenues increased \$10,800,500 over the prior year as passenger traffic increased at the highest rate year-over-year in the past 7 years. In addition to the passenger growth, concessions, rental car, and parking spend per transaction increased versus the prior year. These positive results support the measures the Authority has taken to strengthen the financial viability of the organization. The Authority, a major driver in the economic growth of the Tampa Bay region, continued on its mission to bring more international and domestic air service to Tampa Bay for 2015 and beyond as well as additional revenue initiatives and programs which will continue to grow the core business, increase non-aviation revenues, and maintain competitive airline costs as well as ensure the overall strong financial performance of the Authority.

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Passenger enplanements at Tampa International for the fiscal year ended September 30, 2015, totaled 9,263,336 which is an increase of 589,589 or 6.8% from the prior fiscal year. This increase is driven by the increase in domestic seat capacity of 5.4% with international seat capacity increasing by 12.2%. In addition to the capacity increase, load factor increased for the year by 0.8 points to 84.7% for the full year. For 2015, the top three airlines, in terms of passenger enplanement market share, remained the same as the prior year. Southwest (combined with AirTran) remained the highest market share of 35.1%, Delta was second at 17.2%, and US Airways was third at 10.6%. During 2014, Southwest maintained the highest market share of 35.3%, Delta was second at 17.2%, and US Airways was third at 11.1%.

Landed weight in 2015 totaled 10,483,785 thousand pounds, compared to 10,019,573 thousand pounds and 10,042,234 thousand pounds in 2014 and 2013, respectively. The number of landings for domestic and international flights was 83,830 for 2015, compared to 76,917 and 78,250 for 2014 and 2013, respectively. These results for landed weight and landings are due to the increase in both flights (new services) and seats back into the Tampa Market.

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 – Summary of Significant Accounting Policies 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 position present information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources as of September 30, 2015 and 2014 Restated, with the difference between these reported as net position. The statements of revenues, expenses and changes in net position present financial information showing how the Authority's net position changed during the fiscal years ended September 30, 2015 and 2014 Restated. 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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YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

Financial Highlights

Operating Revenues

Revenue Classification	Year			Percent Change	
	2015	2014 RESTATED	2013	2014 to 2015	2013 to 2014
Airfield	\$ 16,432,476	\$ 14,857,840	\$ 14,285,206	10.6%	4.0%
Terminal Building	49,273,922	46,270,829	43,005,918	6.5	7.6
Airside Buildings	19,921,053	18,639,279	17,849,625	6.9	4.4
Commercial Landside	103,382,759	97,911,419	90,290,968	5.6	8.4
Cargo	2,019,161	2,234,934	2,270,828	(9.7)	(1.6)
Auxiliary Airports	1,089,074	930,739	875,780	17.0	6.3
General Aviation	2,298,444	2,211,539	2,192,413	3.9	0.9
Federal					
Reimbursements	786,844	1,338,114	490,482	(41.2)	172.8
Other	10,201,533	10,210,037	9,936,723	(0.1)	2.8
Total	<u>\$ 205,405,266</u>	<u>\$ 194,604,730</u>	<u>\$ 181,197,943</u>	<u>5.5%</u>	<u>7.4%</u>

The table above presents the major operating revenue classifications for fiscal years 2015, 2014 and 2013. 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. An increase in airfield revenues of 10.6% or \$1,574,600 in fiscal year 2015 is attributable to increased landed weight as operations and capacity was added during the year, in addition to the increased non-signatory landings as Alaska Airlines completed its first full fiscal year and Frontier Airlines increased operations by over 133%. During fiscal year 2015, the Authority continued its Air Service Incentive Program (ASIP) as a component of the air service marketing initiatives to attract airlines entering the Tampa Bay market, providing fee waivers to the airlines in the program. Under this program, the total landing fees waived for both signatory and non-signatory airlines were \$127,800 in 2015, compared to \$164,000 and \$227,700 in 2014 and 2013, respectively.

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. In fiscal year 2015, overall terminal building revenues increased 6.5% or \$3,000,000 over the prior year. For fiscal year 2014, the overall terminal building revenues increased 7.6% or \$3,300,000 over the prior year. Signatory airline rental rates increased by 3.4%, with an average increase of \$6.48 per square foot. The increased rates, additional passenger volumes, and space increases by non-signatory carriers drove the year-over-year increase. The ASIP incentives for airlines offset the terminal space rental revenues in the amount of \$161,100. Another year of the updated concessions concepts coupled with an increase in spend per enplaned passenger at the Airport resulted in an increase of 10.3% in food and beverage sales, generating \$1,058,400 additional revenues. General merchandise sales grew 6.4%, adding \$247,000 in concession revenues. 2015 also was the first full-year the Authority began collecting privilege fees from the off-airport parking operators, which resulted in \$347,900 in revenues, an increase of \$142,300 over FY2014. Advertising was down \$90,700 for the year due to the decreased interest in advertising as construction in the main terminal has commenced.

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As with terminal rentals, airside airline rental rates are based on the cost of providing the space to the airlines. In fiscal year 2015, the overall increase in airside revenues was \$1,281,800. The airside rental rates decreased slightly (\$0.20) per square foot in 2015 resulting in a net decrease of signatory airline rental revenues of \$34,100. Additional increases of \$48,000 in non-signatory and other space rentals, and \$79,000 in Federal Inspection fees from customs services provided to international passengers helped offset a decrease of \$33,100 in gate use and hardstand charges. The Authority granted a waiver of airside airline fees of \$95,500 as a part of the ASIP in 2015.

In 2014, the overall increase in airside revenues was \$790,000. The airside rental rates increased 7.3% (\$5.34) per square foot in 2014 resulting in a net increase of signatory airline rental revenues of \$417,000. Additional increases of \$158,000 in non-signatory and other space rentals, \$113,000 in gate use and hardstand charges, and \$79,000 in Federal Inspection fees from custom services provided to international passengers drove the additional increases versus the prior year. The Authority granted a waiver of airside airline fees of \$190,000 as a part of the ASIP in 2014.

The commercial landside classification consists of car rental, parking, the ground transportation privilege and permit fees, and hotel concession revenues, which overall increased \$5,471,300 in fiscal year 2015. The primary contributing factors are the increases of parking revenues of \$3.5 million, or 5.9% over the prior year due to the increase in passenger traffic and a change in customer preference as parkers continue to move to more premium options. In addition, car rental concession revenues increased by \$1.6 million (4.2%), with \$1.55 million and \$59,500 from on and off Airport car rentals. In addition, the airport hotel revenues to the Authority increased by 11.4% or \$185,200 versus the prior years due to increased volume and room rate.

In 2014, commercial landside revenues increased \$7,620,500. The primary contributing factors are the increases of parking revenues of \$5.1 million, or 9.5% over the prior year which was due to the increase in passenger traffic coupled with a rate increase in both the employee and public parking areas. Additionally, car rental concession revenues increased by \$2.0 million (6%), with \$1.24 million and \$716,000 from on and off Airport car rentals, respectively, offsetting a decrease of \$20,600 in ground transportation privilege and permit fees. Also, the airport hotel saw increases of 17.2% or \$238,000 over the prior years.

Cargo revenues in the fiscal year 2015 were down 9.7% or \$215,800 as a result of the bankruptcy filing of Global Aviation and their operations ending in July 2014. In 2014, the cargo revenues were down slightly at 1.6% or \$36,000 due to Global Aviation significantly reducing operations in early 2014 before vacating their space in July 2014.

General aviation and auxiliary operating revenues in 2015 totaled \$3,387,518, \$245,200 over the prior year. The increase is due to the increase in the contractual percentage of FBO gross receipts during the year as well as the successful transition to Volo Aviation at Tampa Executive Airport. In fiscal year 2014, general aviation and auxiliary operating revenues totaled \$3,142,300 an increase of \$74,100, due to the contractual percentage the Authority received.

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Other revenues include rentals received for the fuel farm, land rent for rental car storage areas, the post office and the mall, revenues received for the Pemco lease of the maintenance hangars, and concession revenues from the flight kitchen operations, and other miscellaneous revenues. Although there are multiple items making up this category, an overall increase of \$224,000 is primarily due to increased airfield concessions revenue from ground handlers as airlines move toward third party operators for ground handling and maintenance services and a very successful year for the Pemco MRO business versus the prior year, which has more than offset the decreases in forfeitures and other misc. revenue collections versus the prior year

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. During 2015, reimbursement for Law Enforcement Officers decreased by \$513,200 versus the prior year increase of \$847,000. In FY2014, the reimbursement was \$1,096,120 as a result of funding for the final 9 months of 2013 becoming available from the TSA, artificially increasing collections. Grants of \$204,000 and \$242,000 were also received for the canine program at the Airport in fiscal year 2015 and 2014, respectively.

Operating Expenses

Expense Classification	Year			Percent Change	
	2015	2014 RESTATED	2013	2014 to 2015	2013 to 2014
Airfield	\$ 11,474,823	\$ 10,136,040	\$ 9,659,834	13.2%	4.9%
Terminal Building	30,409,028	28,827,681	26,547,937	5.5	8.6
Airside Buildings	23,711,509	22,359,051	20,840,424	6.0	7.3
Commercial Landside	24,693,761	24,080,229	22,898,619	2.5	5.2
Cargo	699,277	751,034	630,116	(6.9)	19.2
Auxiliary Airports	1,473,503	1,538,771	1,340,726	(4.2)	14.8
General Aviation	907,306	827,288	801,106	9.7	3.3
Passenger Transfer System	4,271,253	4,198,571	3,943,064	1.7	6.5
Roads and Grounds	9,443,143	9,127,904	8,468,144	3.5	7.8
Other	1,087,955	1,138,177	1,914,208	(4.4)	(40.5)
Total	\$ 108,171,558	\$ 102,984,746	\$ 97,044,178	5.0%	6.1%

The table above presents the major expense classifications for 2015, 2014, and 2013. Total operating expenses for 2015 were \$108,171,600, an increase of \$5,186,800, or 5.0% increase over the prior fiscal year. Total operating expenses for 2014 were \$102,984,800, an increase of \$5,940,600, or 6.1% increase over the prior fiscal year. The sections following provide a more detailed analysis of these variances.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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2015 Discussion of Operating Expenses

The Authority continued the trend of strong growth and successful cost management, in fiscal year 2015. Although the total expenses increased approximately \$5.1 million compared with fiscal year 2014, they were \$138,000 less than the budget. In fiscal year 2015, salaries and benefits increased 10.0%, or \$5,203,000 compared to fiscal year 2014. The major contributing factors to this variance were an increase of \$2,869,200 in salaries, due to filling of vacancies and a merit increase that averaged 3.5%, increased rates leading to a contributions increase of \$702,300 to the Florida Retirement System and FICA, \$484,100 increase in other employee costs due to an increase in estimated long-term post-employment costs, \$454,000 increase in group medical insurance, and \$525,000 increase in other benefits. An increase of \$1,594,100 in contracted services is due to a \$553,000 increase in the cost of outside legal services as the Authority was without an in-house legal counsel for the entire year, a \$403,000 increase in airport rescue and firefighting costs with the City of Tampa, a \$310,700 increase in promotional advertising due to the costs associated with master plan marketing to ensure continued high customer service levels during the construction, and \$286,600 increase in airport engineering services, offsetting a decrease of \$124,100 in other professional services and \$32,000 in employee parking costs. There was a 1.2% or \$195,800 increase in contractual maintenance, relating to other equipment/software maintenance costs, which have been partially offset by a decrease of \$291,300 in janitorial costs due to decreased benefit and staffing costs associated with transition in janitorial providers. Supplies and materials increased 3.0% or \$89,200 compared with 2014, primarily due to the increases in building system and miscellaneous supplies. Utility expenses increased \$96,200, attributable to an increase in passenger traffic driving consumption up for the current year. Other expenses decreased by \$112,000 or 4.2% versus 2014 due to the Authority no longer being responsible for the Airport Marriott's Ad Valorem Taxes (\$277,500) which more than offset an increase in dues and subscriptions of \$81,000 and miscellaneous costs of \$86,000. During 2015, the Authority allocated \$4,053,300 of project related costs to capital projects, an increase of \$642,400 over fiscal year 2014.

2014 Discussion of Operating Expenses

The Authority continued the trend of strong growth and successful cost management, in fiscal year 2014. Although the total expenses increased approximately \$6 million compared with fiscal year 2013, they were \$1.8 million less than the budget. In fiscal year 2014, salaries and benefits increased 10.3%, or \$4,838,800 compared to fiscal year 2013. The major contributing factors to this variance were an increase of \$2,467,400 in salaries, due to filling of vacancies and a merit increase that averaged 3.5%, increased contributions of \$1,349,500 to the Florida Retirement System, full year deferred retirement plan, and FICA, \$761,700 increase in group medical and compensation insurance, and other benefits of \$260,200. An increase of \$168,800 in contracted services is due to \$712,900 increases in professional services, federal and state lobby services, parking maintenance, and promotional advertising expenses, offsetting a decrease of \$544,200 in business improvement studies, firefighting, legal, engineering, and environment testing service expenses. There was less than a 1% or \$121,600 increase in contractual maintenance, relating to janitorial and trash removal services. Supplies and materials increased 9% or \$250,300 compared with 2013, primarily due to the increases in electrical and miscellaneous supplies. Utility expenses increased \$529,000, attributable to an increase in consumption for the current year. The increase of \$561,100 in promotions, travel and conferences, and dues and subscriptions reflect the continuing marketing effort to grow the core business and promoting new air services at the airport. During 2014, the Authority allocated \$3,410,900 of project related costs to capital projects, an increase of \$364,800 over fiscal year 2013.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Summary of Changes in Net Position

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

	Year			Change	Change
	2015	2014 RESTATED	2013	2014 to 2015	2013 to 2014
Operating Revenues	\$ 205,405,266	\$ 194,604,730	\$ 181,197,943	\$ 10,800,536	\$ 13,406,787
Operating Expenses	108,171,558	102,984,746	97,044,178	5,186,812	5,940,568
Signatory Airline Revenue Sharing	10,534,756	9,012,420	7,494,479	1,522,336	1,517,941
Operating Income before Depreciation and Amortization	86,698,952	82,607,564	76,659,286	4,091,388	5,948,278
Depreciation and Amortization	93,570,189	89,361,262	89,084,941	4,208,927	276,321
Operating Income (Loss)	(6,871,237)	(6,753,698)	(12,425,655)	(117,539)	5,671,957
Net Nonoperating Expense	(9,907,236)	(23,215,064)	(30,066,634)	13,307,828	6,851,570
Capital Contributions	94,912,916	68,672,815	66,239,751	26,240,101	2,433,064
Increase in Net Position	<u>\$ 78,134,443</u>	<u>\$ 38,704,053</u>	<u>\$ 23,747,462</u>	<u>\$ 39,430,390</u>	<u>\$ 14,956,591</u>

In 2015, the operating revenues were \$205,405,300, an increase of \$10.8 million over the prior year, and operating expenses increased \$5,186,800, compared to the prior year. Operating income before depreciation and amortization was \$86,698,952, an increase of \$4,091,400 over the prior year.

The 2014 operating revenues, at \$194,604,700, increased \$13,406,800 over the prior year, and operating expenses increased \$5,940,600, compared to the prior year. Operating income before depreciation and amortization was \$82,607,600, an increase of \$5,948,300 over the prior year. Details of the operating revenues and expenses are more fully discussed in the previous section "Financial Highlights" of this MD&A. Due to the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the fiscal year 2014 financial statements were restated to reflect the inclusion of the Authority's proportionate share of the net pension liability and related pension amounts as a participant in the Florida Retirement System (FRS) pension plans. There was a decrease in the pension expense of \$1,742,600 as a result of the implementation. See Note 10 - Defined Benefit Pension Plans and Note 11 - Defined Contribution Plan.

Depreciation and amortization expenses were \$93,570,200, \$89,361,300, and \$89,084,900 for 2015, 2014 and 2013, respectively.

Capital contributions consist of Federal and State Grants, Federal Reimbursements, Passenger Facility Charges (PFCs), and Customer Facility Charges (CFC), 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.

During 2015, capital contributions from PFCs were \$37,108,600, which is an increase of \$3,445,600 over the prior year, due to the improvement in passenger traffic by 6.8% in 2015. Total federal and state grants were \$25,587,400, which is an increase of \$6,643,200 over the prior year, primarily due to an increase of the state grants of \$9,687,400, offsetting a decrease of \$3,044,300 in the federal airport improvement grants. In addition, the Authority received Federal Reimbursements of \$2,399,100 for the baggage claim project at the airport.

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In 2014, capital contributions from PFCs were \$33,663,000, an increase of \$477,100 over the prior year. Total federal and state grants were \$18,944,300, a decrease of \$5,891,500 over the prior year, due to projects completed in fiscal year 2013 that had grant funding.

For fiscal year 2015, the Customer Facility Charge (CFC) net collections were \$29,817,800 which is an increase of \$13,752,200 over the prior year, and is a result of the full year impact of the increase in transaction day rate from \$2.50 to \$5.00 and the implementation of the Transportation Facility Charge (TFC) of \$2.00 per transaction day. In addition, effective July 6, 2015, the CFC daily rate is increased to \$5.95 for current on-airport companies and those off-airport companies who bid on being in the Consolidated Rental Car Center (ConRAC) transitioned from the \$2.00 per day TFC charge to \$5.95 per transaction day CFC charge. Furthermore, rental car transactions were also increased 5.8% over fiscal year 2014, which contributed to the increased collections.

In 2014, the CFC collected was \$16,065,600, an increase of \$7,847,400 over the prior year and is a result of the increase from \$2.50 per day to \$5.00 per day and the implementation the TFC at \$2.00 per day on the off airport rental car companies. See Note 2 – Summary of Significant Account Policies.

Net non-operating expenses in 2015 decreased \$13,307,800 compared with the prior year, primarily due to the receipt of one time legal settlement proceeds of \$11,278,800, and increases in capitalized interest of \$885,800, attributable to 2015 bonds issues to for the Master Plan capital projects. The increase in investment income of \$2,501,300 offsets an increase of \$1,345,800 in debt service interest expenses.

Net non-operating expenses for 2014 decreased \$6,851,600 compared with the prior year, primarily attributable to the decrease in interest expenses of \$4,802,100, resulting from the refunding of bonds with savings on the debt service interest of \$4,373,700, as well as an increase of net investment gains and interest income of \$1,637,000. Amortization of bonds deferred loss and gains and capitalized interest of \$865,100 further reduced interest expenses.

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Summary of Statements of Net Position

The following is a summary of the Authority's total assets, deferred outflows, total liabilities, deferred inflows, and net position:

	Year			Change	Change
	2015	2014 RESTATED	2013	2014 to 2015	2013 to 2014
ASSETS					
Current Assets	\$ 942,904,794	\$ 270,070,890	\$ 263,362,681	\$ 672,833,904	\$ 6,708,209
Capital Assets, Net	1,244,226,832	1,149,445,769	1,171,573,700	94,781,063	(22,127,931)
Other Non-Current Assets	1,439,996	1,533,228	2,144,202	(93,232)	(610,974)
Total Assets	<u>2,188,571,622</u>	<u>1,421,049,887</u>	<u>1,437,080,583</u>	<u>767,521,735</u>	<u>(16,030,696)</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Loss on Refunding of Debt	2,171,164	2,826,721	3,493,089	(655,557)	(666,368)
Deferred Outflows on Pension Related Amounts	5,599,798	2,823,953	-	2,775,845	2,823,953
Total Deferred Outflows of Resources	<u>7,770,962</u>	<u>5,650,674</u>	<u>3,493,089</u>	<u>2,120,288</u>	<u>2,157,585</u>
LIABILITIES					
Current Liabilities	120,763,883	115,789,327	93,831,925	4,974,556	21,957,402
Non-Current Liabilities	1,244,266,272	549,396,853	610,234,610	694,869,419	(60,837,757)
Total Liabilities	<u>1,365,030,155</u>	<u>665,186,180</u>	<u>704,066,535</u>	<u>699,843,975</u>	<u>(38,880,355)</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Gain on Refunding of Debt	1,813,448	2,449,240	-	(635,792)	2,449,240
Deferred Inflows on Pension Related Amounts	3,842,671	11,543,274	-	(7,700,603)	11,543,274
Total Deferred Inflows of Resources	<u>5,656,119</u>	<u>13,992,514</u>	<u>-</u>	<u>(8,336,395)</u>	<u>13,992,514</u>
NET POSITION					
Net Investment in Capital Assets	680,555,613	618,609,166	590,716,821	61,946,447	27,892,345
Restricted	96,567,349	99,023,310	90,594,741	(2,455,961)	8,428,569
Unrestricted	48,533,348	29,889,391	55,195,575	18,643,957	(25,306,184)
Total Net Position	<u>\$ 825,656,310</u>	<u>\$ 747,521,867</u>	<u>\$ 736,507,137</u>	<u>\$ 78,134,443</u>	<u>\$ 11,014,730</u>

Current assets at September 30, 2015, totaled \$942,904,800, an increase of \$672,833,900. The major contributing factors of the changes are the increases of \$660,513,600 in cash and investments, resulting from the 2015 new revenue bonds proceeds to fund the Master Plan projects. Other increases include accounts receivable of \$2,258,200, government grants, reimbursements and PFC receipts of \$8,075,600, accrued interest of \$643,900, as well as prepaid insurance and other assets of \$1,342,600.

Current liabilities, with a balance of \$120,763,900 at September 30, 2015, which is \$4,974,600 increase over the prior year. The increase is primarily due to the on-going development of the Master Plan projects with an increase of \$23,922,200 in construction payable and accrued expenses. In addition, other accrued expenses including airline revenue sharing, various operating expenses and interest payable are increased by \$748,200. The reductions of current portion of bonds principal of \$7,790,000 and bank notes of \$11,905,900, and deferred revenues and trade accounts payable of \$2,186,500 offset the increases in current liabilities.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

Current assets at September 30, 2014, totaled \$270,070,900, an increase of \$6,708,200 compared to September 30, 2013. The contributing factors of the changes are increases in the Customer Facility Charge (CFC) fund cash balance of \$11,834,800, construction funds cash balance of \$11,543,100, capital improvement fund and surplus fund cash balance of \$6,094,700, improved revenue cash reserve of \$2,331,600. Offsetting these changes are the partial liquidation of debt service reserve fund related to the 2003 series bond refundings of \$20,797,300, lower receipts in government grants and PFC revenues of \$3,892,500 and a reduction in prepaid insurance and other assets of \$411,000.

During fiscal year 2015, the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, resulted in deferred outflows and inflows of resources related to pensions from Authority contributions to the Florida Retirement System subsequent to the measurement date, and other amounts increasing or decreasing in pension expenses. The net deferred outflows of resources were increased by \$2,120,300, and the net deferred inflows of resources were decreased by \$8,336,400, primarily due to the restated pension reporting under GASB Statement 68 in FY 2014, offsetting an increase of the deferred gain in the amount of \$2,449,200 on 2013 refunding of debt.

Current liabilities, with a balance of \$115,789,300 at September 30, 2014, are \$21,957,400 more than the end of fiscal year 2013. The increase in current liabilities is primarily due to the change in the current portion of the Bank Note in the amount of \$17,427,000, an increase in construction project payable and accrued expenses of \$4,028,000, \$2,242,400 more in accrued airline revenue sharing and operating accounts payable, and \$1,734,000 more in deferred revenues, offsetting a reduction in the current maturities of bonds of \$2,695,000.

At September 30, 2015, non-current liabilities totaled \$1,244,266,300, an increase of \$694,869,400 compared with the balance at the end of fiscal year 2014. The primary contributing factor is the issuance of 2015 bonds in the principal amount of \$705,040,000, with a net increase in bonds premium of \$35,922,700. In addition, repayments of bond principals in the amount of \$53,360,000 and bank notes of \$71,089,400 reduced overall debt service liabilities by \$36,293,500 in fiscal year 2015.

At September 30, 2014, non-current liabilities totaled \$549,396,900, a reduction of \$60,837,800 compared with the balance at the end of 2013. The decrease is primarily due to a repayment of the Bank Notes in the amount of \$96,796,600, resulting from the 2013 bond refunding, offsetting the increases in pension liability of \$17,648,600, and principal balance of long-term bonds of \$12,760,000. In addition, the bonds premium is increased by \$4,828,400 as a result of new debt issuance in fiscal year 2014.

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.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

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.

The following table summarizes passenger airline rents, landing fees, net revenue sharing and cost per enplaned (departing) passenger for fiscal years 2015 and 2014. 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	2015	2014
Airline Landing Fees	\$ 15,426,776	\$ 13,980,507
Landside Terminal Rentals	24,212,582	22,574,262
Airside Building Rentals	19,064,363	17,859,855
Total Airline Fees and Charges	58,703,721	54,414,624
Less: Airline Revenue Sharing	(10,534,756)	(9,012,420)
Net Airline Fees and Charges	\$ 48,168,965	\$ 45,402,204
Enplaned Passengers	9,263,336	8,673,747
Airline Cost per Passenger	\$ 5.20	\$ 5.23

Capital Improvement Program

During fiscal year 2015, the Authority received Board approval of \$46 million of capital projects. Projects in FY2015 include the Enterprise Resource Planning and Analytics Project budgeted at \$9.3 million, final phase of the on-going land acquisition program budgeted at \$5.8 million, replacement of the parking revenue control system budgeted at \$5.7 million, the short term garage rehabilitation budgeted at \$2.9 million, the east airfield improvement and rehabilitation budgeted at \$2.5 million, rehabilitation of the Airside A shuttle structure budgeted at \$2.3 million, replacement of lighting fixtures in long term garage budgeted at \$2.3 million, and replacement of the police radio system budgeted at \$2.1 million. These projects will be funded with the Authority funds, PFC funds, federal and state grants.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

In fiscal year 2015, the Authority substantially completed the Main Terminal and Airsides improvements and rehabilitation at a cost of \$7,293,900, Shared Use System Upgrades at a cost of \$5,675,300, the Short and Long Term Parking Garage Rehabilitation at a cost of \$2,011,500, and rehabilitation of structures at the general aviation facilities at a cost of \$1,909,200. Other substantially completed projects include Electronic Airport Layout Plan at a cost of \$1,493,600, and other facilities and roads improvement at a cost of \$1,492,800. These completed projects were paid by a combination of Authority funds and grants.

During fiscal year 2014, the Authority received Board approval for \$927 million of capital projects related to the Master Plan as well as \$84 million for projects included in the annual capital program. Major projects started in fiscal year 2014 include the Main Terminal & Airport Concessions Redevelopment Program budgeted at \$122,500,000; Concessions Warehouse & Flight Kitchen budgeted at \$17,145,000; Reconstruct Taxiway J and Bridge budgeted at \$30,692,800; South Terminal Support Area Roadway budgeted at \$21,409,200; Automated People Mover budgeted at \$417,500,000; Consolidated Rental Car Facility budgeted at \$318,700,000 and Checked Baggage System Upgrades and Optimization – Construction Phase at \$58,000,000. These projects will be funded with PFC funds, federal and state grants, debt financing and CFC funds.

In fiscal year 2014, the Authority substantially completed their Main Terminal Interior Modernization at a cost of \$9,843,200. Other substantially completed projects include the Short Term Parking Garage Ramp Rehabilitation at a cost of \$6,545,400, Terminal and Airside Interior Dynamic Signage at a cost of \$5,906,300. These completed projects were paid by a combination of Authority funds and grants.

Current and prior year capital spending includes projects approved in prior years that are still underway. In 2015 and 2014, the Authority expended \$143,275,900 and \$46,770,000, respectively, towards the acquisition and construction of capital assets.

PFC Application #10, authorizing PFC collections in the amount of \$469,873,000 was approved by the Federal Aviation Administration in May 2015, bringing the total collection authority for all PFC applications to \$1,298,745,400. Through September 30, 2015, \$625,950,000 has been collected under these approved applications. Expenditures under the PFC applications through September 30, 2015 total \$773,304,800. Expenditures in excess of collections are funded from the issuance of PFC-backed revenue bonds, commercial paper notes and bank notes, 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 \$1,202,910,000. Of this total, \$45,570,000 is current and will mature on October 1, 2016. Prior to 2009, all of the Authority's long-term bonds were issued as insured debt.

On August 13, 2015, the Authority issued the Tampa International Airport Senior Revenue Bonds 2015 Series A in the amount of \$148,210,000, and Subordinated Revenue Bonds 2015 Series A and Series B, in the amount of \$19,590,000 and \$153,915,000, respectively.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

The proceeds from 2015A Senior Revenue Bonds were used to repay the Bank Notes in the principal amount of \$26,000,000; as well as to fund the airport Master Plan Phase I projects including the Automated People Mover (APM), Main Terminal Expansion, and Concessions Consolidated Warehouse. The proceeds from 2015A Subordinated Revenue Bonds were used to repay the Bank Notes in the principal amount of \$5,790,132, and to fund Taxiway J and Bridge Reconstruction. The issue proceeds from 2015B Subordinated Revenue Bonds were used to repay the Bank Notes in the principal amount of \$37,209,868, and to fund the APM and South Terminal Support Area Roadway Improvement projects.

On September 3, 2015, the Authority issued the Tampa International Airport Customer Facility Charge (CFC) Revenue Bonds 2015 Series A and Series B, in the amount of \$88,975,000 and \$294,350,000, respectively.

The proceeds from 2015A CFC Revenue Bonds are used to fund the APM project, connecting the Main Terminal to Consolidated Rental Car Center (ConRAC), including three APM Stations.

The proceeds from 2015B CFC Revenue Bonds (Taxable) are used to fund the ConRAC project including the relocation and expansion of the existing rental car operations, and improvement of a new consolidated rental car facility.

In October 2013, the Authority issued the 2013A Subordinated Revenue Refunding Bonds in the par amount of \$168,865,000. The proceeds from this issue were used refund the 2003A Series PFC-backed Bonds and to convert a portion of the Bank Notes to bonds. The refunding of the 2003A Bonds resulted in approximate net present value savings of \$5.3 million. In November 2013, the Authority issued the 2013A and 2013B Revenue Refunding Bonds in the par amount of \$38,635,000 and \$35,235,000, respectively to refund the 2003B and 2003D Series Bonds, and portion of the Bank Notes. The refunding of these bonds resulted in approximate net present values savings of \$12.6 million. In December 2013, the Authority issued the 2013C Revenue Refunding Bonds in the par amount of \$34,095,000 to refund 2013C Series Bonds. The refunding of the 2013C Bonds resulted in approximately net present value savings of \$5.7 million.

During fiscal year 2012, an amendment was made on the Bank Notes to increase the principal amount not exceeding \$130,000,000. This amendment to the not to exceed amount was for a term of three years or until the next public bond issue. However, during fiscal year 2013, the Authority commenced negotiations with SunTrust to extend the not to exceed amount of the Note to \$200,000,000, allow taxable draws under the Bank Note and change the formula upon which the variable interest rate is calculated. This amendment with SunTrust closed on October 18, 2013.

The Authority issued multiple 2012 Bank Notes to fund its capital projects, equipment, and debt service refundings, including \$7,500,000 Bank Notes for its capital projects and shuttle buses on March 27, 2012; \$11,000,000 Bank Notes to fund the Airport's terminal building and PFC 9 projects (\$7,014,000), and for the partial revenue bonds refunding (\$3,975,000) on July 31, 2012. The amounts refunded were \$953,333 for the 2001A Bonds, \$975,000 for the 2003C Bonds, \$422,500 for the 2003D Bonds, \$1,005,833 for the 2005A Bonds, and \$618,334 for the 2008C Bonds. The issue costs of the 2012 Bank Notes were \$64,995 and \$11,000, respectively.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

In fiscal year 2013, the Authority used \$10,000,000 PFC receipts to repay the bank note advances made for PFC 4 projects, surplus revenues of \$227,000 to repay advances for parking shuttle bus purchases, and \$1,910,000 grant receipts of PFC 9 projects to repay advances on these projects on January 10, 2013, and made partial payment of \$4,293,900 on Bank Notes for PFC 9 projects on July 1, 2013. The Authority also issued a total of \$23,316,100 Bank Notes to fund capital projects, including \$20,020,037 for PFC 9 projects, \$1,501,503 for the fuel farm upgrade, and \$1,794,560 for purchasing the employee buses on March 14, 2013, and for the partial revenue bonds refunding (\$4,769,000) on July 30, 2013. The amounts refunded were \$1,005,833 for the 2001A Bonds, \$1,026,667 for the 2003C Bonds, \$446,667 for the 2003D Bonds, \$1,058,333 for the 2005A Bonds, \$406,667 for the 2005B Bonds, \$463,333 for the 2006A Bonds and \$356,667 for the 2006B Bonds. The issue costs of the 2012 Bank Notes were \$23,336 and \$4,833, respectively.

During fiscal year 2014, the Authority refunded a portion of the Bank Notes with proceeds from the 2013 refunding bonds, and also issued the Bank Notes to fund its capital projects. In October 2013, the Authority made partial payments of \$1,726,300 on the Bank Notes for the PFC 9 project, issued \$100,000 2013B Taxable Notes, and refunded \$89,140,605 2013A Subordinated Tax-Exempt Bank Notes with the proceeds of 2013A Subordinated Revenue Refunding Bonds.

In November 2013, the Authority paid \$4,566,703 on the Bank Notes with the proceeds of 2013B Senior Revenue Refunding Bonds. In May 2014, the Authority made total payments of \$3,036,000 on the Bank Notes for the capital projects, and issued \$7,000,000 Bank Notes for PFC 10 capital projects. In July 2014, the Authority issued a total of \$13,000,000 Bank Notes to fund PFC 10 capital projects. In September 2014, the Authority made a partial principal payment of \$1,000,000. The total issue costs for the Bank Notes are \$54,229.

During fiscal year 2015, the Authority issued \$49,000,000 Bank Notes for PFC 10 capital projects, and refunded \$69,000,000 Bank Notes with portions of the proceeds from 2015A Senior Revenue Bonds and 2015A and B Subordinated Revenue Bonds. In addition, the Authority repaid \$2,089,400 Bank Notes for Economy Garage and Employee Buses. The total issue costs for the Bank Notes are \$29,000 (see Note 8 – Debt and Other Non-Current Liabilities).

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 2015 and 2014 was 1.89 and 1.71, respectively.

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, Director of Finance, Tampa International Airport, PO Box 22287, Tampa, FL 33622. Information of interest may also be obtained on the Authority's website at TampaAirport.com.

FINANCIAL STATEMENTS

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014**

ASSETS	<u>2015</u>	<u>2014 RESTATED</u>
CURRENT ASSETS		
Unrestricted:		
Cash and Cash Equivalents	\$ 84,345,410	\$ 65,269,736
Restricted:		
Cash and Cash Equivalents	223,696,897	124,466,240
Investments	606,874,215	64,666,973
Accounts Receivable, Net	6,815,237	4,557,013
Passenger Facility Charges Receivable	3,726,876	3,317,988
Government Grants Receivable	11,832,595	4,165,870
Accrued Interest Receivable	1,137,530	493,599
Prepaid Insurance and Other Assets	4,476,034	3,133,471
Total Restricted Assets	<u>858,559,384</u>	<u>204,801,154</u>
Total Current Assets	<u>942,904,794</u>	<u>270,070,890</u>
NONCURRENT ASSETS		
Capital Assets:		
Land	201,836,149	199,480,991
Construction in Progress	188,750,265	36,261,066
Building, Equipment and Improvements	<u>2,046,218,538</u>	<u>2,019,609,305</u>
Total	<u>2,436,804,952</u>	<u>2,255,351,362</u>
Less: Accumulated Depreciation	<u>(1,192,578,120)</u>	<u>(1,105,905,593)</u>
Total Capital Assets, Net	<u>1,244,226,832</u>	<u>1,149,445,769</u>
Debt Prepaid Insurance Costs, net	<u>1,439,996</u>	<u>1,533,228</u>
Total Noncurrent Assets	<u>1,245,666,828</u>	<u>1,150,978,997</u>
Total Assets	<u>2,188,571,622</u>	<u>1,421,049,887</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding of Debt	2,171,164	2,826,721
Deferred Outflows on Pension Related Amounts	<u>5,599,798</u>	<u>2,823,953</u>
Total Deferred Outflows of Resources	<u>\$ 7,770,962</u>	<u>\$ 5,650,674</u>

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2015 AND 2014**

LIABILITIES AND NET POSITION	<u>2015</u>	<u>2014 RESTATED</u>
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts Payable – Construction	\$ 1,033,219	\$ 1,263,706
Accrued Airline Revenue Sharing	10,534,756	9,012,420
Net Pension Liability, due within one year	473,085	391,635
Total Current Liabilities Payable from Unrestricted Assets	<u>12,041,060</u>	<u>10,667,761</u>
Payable from Restricted Assets:		
Accounts Payable – Construction	24,931,006	9,392,680
Accounts Payable – Trade	4,186,805	4,521,280
Accrued Expenses	20,318,530	11,704,145
Accrued Interest Payable	1,432,128	101,377
Current Maturities of Revenue Bonds Payable	45,570,000	53,360,000
Current Maturities of Bank Notes	10,183,546	22,089,400
Unearned Revenue and Other Liabilities	2,100,808	3,952,684
Total Current Liabilities Payable from Restricted Assets	<u>108,722,823</u>	<u>105,121,566</u>
Total Current Liabilities	<u>120,763,883</u>	<u>115,789,327</u>
NONCURRENT LIABILITIES		
Revenue Bonds Payable, Net of Current Maturities	1,205,858,037	510,465,326
Bank Notes, Net of Current Maturities	6,564,981	16,748,527
Net Pension Liability	26,561,348	17,256,969
Other Liabilities	5,281,906	4,926,031
Total Noncurrent Liabilities	<u>1,244,266,272</u>	<u>549,396,853</u>
Total Liabilities	<u>1,365,030,155</u>	<u>665,186,180</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding of Debt	1,813,448	2,449,240
Deferred Inflows on Pension Related Amounts	3,842,671	11,543,274
Total Deferred Inflows of Resources	<u>5,656,119</u>	<u>13,992,514</u>
NET POSITION		
Net Investment in Capital Assets	680,555,613	618,609,166
Restricted for:		
Construction	44,317,877	41,422,444
Rental Car Customer Facility Charges	13,212,592	27,074,516
Other Purposes	39,036,880	30,526,350
Unrestricted	48,533,348	29,889,391
Total Net Position	<u>\$ 825,656,310</u>	<u>\$ 747,521,867</u>

See accompanying Notes to Financial Statements.

HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014 RESTATED
OPERATING REVENUES		
Airfield	\$ 16,432,476	\$ 14,857,840
Terminal Building	49,273,922	46,270,829
Airside Buildings	19,921,053	18,639,279
Commercial Landside	103,382,759	97,911,419
Cargo	2,019,161	2,234,934
Auxiliary Airports	1,089,074	930,739
General Aviation	2,298,444	2,211,539
Federal Reimbursements	786,844	1,338,114
Other	10,201,533	10,210,037
Total Operating Revenues	205,405,266	194,604,730
OPERATING EXPENSES		
Airfield	11,474,823	10,136,040
Terminal Building	30,409,028	28,827,681
Airside Buildings	23,711,509	22,359,051
Commercial Landside	24,693,761	24,080,229
Cargo	699,277	751,034
Auxiliary Airports	1,473,503	1,538,771
General Aviation	907,306	827,288
Passenger Transfer System	4,271,253	4,198,571
Roads and Grounds	9,443,143	9,127,904
Other	1,087,955	1,138,177
Total Operating Expenses	108,171,558	102,984,746
Signatory Airline Net Revenue Sharing	10,534,756	9,012,420
Operating Income before Depreciation and Amortization	86,698,952	82,607,564
Depreciation and Amortization	93,570,189	89,361,262
OPERATING LOSS	(6,871,237)	(6,753,698)
NONOPERATING REVENUES AND EXPENSES		
Interest Income	2,107,724	1,854,995
Net Realized and Unrealized Investment Gain (Loss)	1,705,302	(543,278)
Interest Expense	(24,999,022)	(24,526,781)
Legal Settlement	11,278,760	-
Total Nonoperating Expenses - Net	(9,907,236)	(23,215,064)
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS	(16,778,473)	(29,968,762)

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
 YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014 RESTATED
CAPITAL CONTRIBUTIONS		
Passenger Facility Charges	\$ 37,108,587	\$ 33,662,960
Federal and State Grants	25,587,431	18,944,268
Federal Reimbursements	2,399,143	-
Customer Facility Charges	29,817,755	16,065,587
Total Capital Contributions	94,912,916	68,672,815
 CHANGE IN NET POSITION	 78,134,443	 38,704,053
Total Net Position - Beginning of Year, As Restated (Note 16)	747,521,867	708,817,814
 TOTAL NET POSITION - END OF YEAR	 \$ 825,656,310	 \$ 747,521,867

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014 RESTATED
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Cash Receipts from Customers	\$ 200,475,197	\$ 193,995,692
Cash Payments to Suppliers for Goods and Services	(64,035,557)	(69,062,781)
Cash Payments to Employees for Services	(39,246,418)	(36,089,747)
Cash Receipts from Federal Reimbursements	814,516	1,338,114
Other - Legal Settlement Proceeds	11,278,760	-
Net Cash Provided by Operating Activities	109,286,498	90,181,278
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Revenue Refunding Bonds	-	287,943,750
Proceeds from Issuance of Revenue Bonds	742,959,535	-
Proceeds from Issuance of Bank Notes	49,000,000	20,100,000
Principal and Interest Paid on Revenue Bond Refunding	-	(218,435,042)
Redemption of Bank Notes	(71,089,400)	(99,469,608)
Payments of Bond Issue Costs	(5,081,729)	(1,873,695)
Payments of Bank Notes Issue Costs	(49,000)	(54,229)
Principal Paid on Revenue Bond Maturities	(53,360,000)	(49,745,000)
Interest Paid on Revenue Bonds and Bank Notes	(28,042,020)	(27,302,108)
Acquisition and Construction of Capital Assets	(173,093,685)	(65,178,480)
Rental Car Customer Facility Charges	29,817,755	16,065,587
Federal and State Grants	20,292,177	22,471,560
Passenger Facility Charges	36,699,699	34,028,167
Net Cash Provided by Capital and Related Financing Activities	548,053,332	(81,449,098)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investment Securities	(626,001,419)	(102,626,234)
Proceeds from Maturities of Investment Securities	85,402,609	118,713,443
Income Received on Investments	1,565,311	6,614,393
Net Cash Used by Investing Activities	(539,033,499)	22,701,602
NET CHANGE IN CASH AND CASH EQUIVALENTS	118,306,331	31,433,782
Cash and Cash Equivalents - Beginning of Year	189,735,976	158,302,194
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 308,042,307	\$ 189,735,976

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014 RESTATED
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (6,871,236)	\$ (6,753,698)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided by Operating Activities:		
Depreciation and amortization	93,570,189	89,361,262
(Increase) in Accounts Receivable	(2,258,224)	(959,460)
(Increase) Decrease in Prepaid Insurance and Other Assets	(1,314,891)	411,944
(Decrease) Increase in Accounts Payable - Trade	(334,475)	237,657
Increase Accrued Expenses,		
Unearned Revenue, and Other Liabilities	15,216,375	7,883,573
Other - Legal Settlement Proceeds	11,278,760	-
Net Cash Provided by Operating Activities	\$ 109,286,498	\$ 90,181,278
NONCASH ACTIVITIES		
Unrealized Gain (Loss) on Investments	\$ 1,608,432	\$ (4,643,929)
Amortization of Bond Premium - Net	\$ 1,996,823	\$ 2,172,093
Amortization of Deferred Gain on Bond Refundings	\$ (635,792)	\$ (600,152)
Amortization of Deferred Loss on Bond Refundings	\$ 655,558	\$ 778,301

See accompanying Notes to Financial Statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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.

During fiscal year 2014, in association with the issuance of the 2013A Subordinated Revenue Refunding Bonds, the Authority entered the Subordinated Trust Agreement, to refund a portion of the outstanding Tax-Exempt Subordinated Revenue Notes, Series 2013A issued pursuant to that certain Amended and Restated Revolving Credit Agreement (the "Loan Agreement") dated as of October 18, 2013. The Loan Agreement provides the Authority future borrowing capacity in connection with airport projects.

In fiscal year 2015, due to the issuance of the 2015A and B Customer Facility Charge (CFC) Revenue Bonds to fund a portion of the APM and the Consolidated Rental Car Center (ConRAC) projects, the Authority entered the CFC Trust Agreement and Concessionaire Agreement dated as of September 1, 2015. The agreement provides the Authority CFC Entitlement Revenues to secure bonds issued under the Senior Trust Agreement.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 GENERAL (CONTINUED)

Description (Continued)

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. Prior to the end of the agreement, a new agreement was negotiated with the Signatory Airlines.

This agreement maintains the compensatory rate-making methodology (see Note 3 - Rate Making Policy) 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 agreement has a five-year term, expiring on September 30, 2015. During 2014, an amendment was approved to extend the term for a period of five years to September 30, 2020.

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 accompanying financial statements are reported on the accrual basis of accounting, under which revenues are recognized when earned and measurable and expenses are recognized when incurred.

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.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Florida PRIME operated by the Florida State Board of Administration (SBA) is a "2a-7-like" pool in accordance with GASB 31; therefore, the investments are not presented at fair value but at the actual pooled share price, which approximates fair value. 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.

Net Position Flow Assumptions

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

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 position. Funds received from the Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA) 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 Federal Reimbursements in the statements of revenues, expenses and changes in net position.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position.

Rental Car Facility Charges

On October 1, 2011, the Authority implemented a \$2.50 per day Rental Car Customer Facility Fee (RCFF) with the on airport rental car companies. Effective April 6, 2014, the RCFF was increased to \$5.00 per day. The Transportation Facility Charge (TFC) in the amount of \$2.00 per day with the off airport rental car companies was also implemented during fiscal year 2014. Effective July 6, 2015, the CFC daily rate is increased to \$5.95 for current on-airport companies and those off-airport companies who bid on being in the ConRAC transitioned from the \$2.00 per day TFC charge to \$5.95 per transaction day CFC charge. The portion of the CFC recognized as operating revenue is based upon the debt service costs on the existing rental car facilities. The remaining portion is recorded as a capital contribution and is used for ongoing and future customer facility development projects.

Debt Insurance Costs, Bond Discounts and Premiums

Debt insurance costs and bond discounts and premiums are 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. Debt issue costs other than insurance costs are expensed.

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 - Rate Making Policy), 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.

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

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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 position.

Other Post-Employment Benefits

The Authority obtains actuarial valuation reports for its postemployment benefit plan (other than pensions) and records the net obligation as required under Governmental Accounting Standards Board (GASB) Statement No. 45. Disclosure information required by GASB Statement No. 45 is found in Note 12 – Other Post-Employment Benefits (OPEB).

Pensions

In the statement of net position, liabilities are recognized for the Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the Authority's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the Authority's contributions and proportionate share of contributions, and the Authority's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the Authority's statement of net position represent the difference between expected and actual economic experience and the net difference between projected and actual earnings on Florida Retirement System Pension investments, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

Losses and gains on bond refundings are deferred and amortized as a component of interest expense using the declining balance method, which approximates the effective interest method over the shorter of the remaining life of the original issue or the life of the new issue, and are reported as deferred outflows of resources and deferred inflows of resources.

Operating Revenues and Expenses

Operating revenues and expenses for enterprise funds are those that result from providing services and producing and delivering goods. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating Revenues and Expenses

Non-operating revenues and expenses represent revenue and expense items that are not incurred from the normal user activity of the Authority. This classification includes interest earned on bank accounts, unrealized gain or loss on investments, and interest paid on debt service as well as asset contribution.

Capital Contributions

Capital contributions consist primarily of grants and contributions from federal and state governmental agencies, passenger facility charges, and rental car facility charges. Capital contributions resulting from grants are recognized as earned as related project costs are incurred.

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.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Classifications (Continued)

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.

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

Other – Fees from aviation supporting facilities provided to tenants, rentals from non-aviation 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.

Recent Accounting Pronouncements

GASB Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, was issued in June 2012, and was implemented by the Authority in fiscal year 2015. The statement addresses accounting and financial reporting for pensions provided to governmental employees through pension plans that are administered by trusts. The Authority participates in the Florida Retirement System that is administered by the State of Florida. Under this standard, the Authority will be required to report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on its proportionate share of the collective amounts for all the governments in the Florida Retirement System plan.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*, was issued November 2013 and is required to be applied simultaneously with the provisions of GASB Statement 68, and was implemented by the Authority in fiscal year 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

GASB Statement 72, *Fair Value Measurement and Application*, was issued February 2015 and will be effective for the Authority in fiscal 2016. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value providing additional fair value application guidance and enhancing disclosures about fair value measurements. The Authority has not yet determined the impact on its financial statements.

GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued June 2015 and will be effective for the Authority in fiscal 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Authority has not yet determined the impact on its financial statements.

GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued June 2015 and will be effective for the Authority in fiscal 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state of local governmental OPEB plans for making decisions and assessing accountability. The Authority has not yet determined the impact on its financial statements.

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued June 2015 and will be effective for the Authority in fiscal 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The objective of this Statement is to improve the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The Authority has not yet determined the impact on its financial statements.

GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued June 2015 and will be effective for the Authority in fiscal 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The Authority has not yet determined the impact on its financial statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

GASB Statement 77, *Tax Abatement Disclosures*, was issued August 2015 and will be effective for the Authority in fiscal 2017. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The Authority has not yet determined the impact on its financial statements.

GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued December 2015 and will be effective for the Authority in fiscal 2017. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Authority has not yet determined the impact on its financial statements.

GASB Statement 79, *Certain External Investment Pools and Pool Participants*, was issued December 2015 and will be effective for the Authority in fiscal 2016, except for certain provision on portfolio quality, custodial credit risk, and shadow pricing which would be effective for the Authority in fiscal 2017. The objective of this Statement is to address for certain external investments pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. The Authority has not yet determined the impact on its financial statements.

GASB Statement 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, was issued January 2016 and will be effective for the Authority in fiscal 2018. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement is not applicable to the Authority.

GASB Statement 81, *Irrevocable Split-Interest Agreements*, was issued March 2016 and will be effective for the Authority in fiscal 2018. The objective of the Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Authority has not yet determined the impact on its financial statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

GASB Statement 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, was issued March 2016 and will be effective for the Authority in fiscal 2017. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Authority has not yet determined the impact on its financial statements.

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, 2015 and 2014 were \$10,534,756 and \$9,012,420, respectively. The net revenue sharing is presented as a separate item after Operating Expenses on the statements of revenues, expenses and changes in net position. Depreciation and amortization is excluded from the rate making process.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 4 CASH AND INVESTMENTS

Included in the Authority's cash balances are amounts deposited with the Florida State Board of Administration (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.

Florida PRIME

The State Board of Administration (SBA) manages Florida PRIME, a 2a-7 like pool, carried at amortized costs. A 2a-7 like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Therefore Florida PRIME operates essentially as a money market fund and the Authority's position in Florida PRIME is considered to be equivalent to its fair value.

Regulatory oversight of the SBA is provided by three state of Florida elected officials designated as trustees: the Governor serves as Chairman of the SBA; the Chief Financial Officer serves as the Treasurer of the SBA; and the Attorney General serves as Secretary of the SBA. External oversight of the SBA is provided by the Investment Advisory Council, which reviews investment performance, strategy and decision-making, provides insight, advice and counsel on these and other matters when appropriate. Audit oversight is also provided by the state of Florida Auditor General.

As of September 30, 2015, the Authority had \$10,835,341 deposited in Florida PRIME.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Florida PRIME (Continued)

At September 30, 2015 and 2014, all cash and cash equivalent and investments, were as follows:

	<u>2015</u>	<u>2014</u>
U.S. Treasury Securities	\$ 603,139,768	\$ 64,666,973
Florida PRIME	10,835,341	10,680,372
Investment in Money Market Bank Accounts	7,381,978	6,726,138
Certificate Deposit	3,734,447	-
Cash Equivalents Subtotal	<u>21,951,766</u>	<u>17,406,510</u>
Cash in Deposit Accounts	289,824,988	172,329,466
Total Cash and Investments	<u>\$ 914,916,522</u>	<u>\$ 254,402,949</u>
Reconciliation to Statement of Net Position:		
Cash and Cash Equivalents – Unrestricted	\$ 84,345,410	\$ 65,269,736
Cash and Cash Equivalents – Restricted	223,696,897	124,466,240
Investments - Restricted	606,874,215	64,666,973
Total Cash and Investments	<u>\$ 914,916,522</u>	<u>\$ 254,402,949</u>

The Authority is authorized to invest in securities as described in its investment policy and the Trust Agreement. As of September 30, 2015 and 2014, the Authority held the following investments as categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

	Investment Maturities - 2015				
	Less Than 1 Year	1 to 5 Years	6 to 10 Years	11 to 15 Years	Total
Investment Type					
U.S. Treasury Securities	\$ 341,933,714	\$ 204,732,269	\$ 9,661,967	\$ 46,811,818	\$ 603,139,768
Florida PRIME	10,835,341	-	-	-	10,835,341
Investment in Money Market					
Bank Accounts	7,381,978	-	-	-	7,381,978
Certificate of Deposit	-	3,734,447	-	-	3,734,447
Total	<u>\$ 360,151,033</u>	<u>\$ 208,466,716</u>	<u>\$ 9,661,967</u>	<u>\$ 46,811,818</u>	<u>\$ 625,091,534</u>
	Investment Maturities - 2014				
	Less Than 1 Year	1 to 5 Years	6 to 10 Years	11 to 15 Years	Total
Investment Type					
U.S. Treasury Securities	\$ 4,887,707	\$ 28,682,213	\$ 17,789,572	\$ 13,307,481	\$ 64,666,973
Florida PRIME	10,680,372	-	-	-	10,680,372
Investment in Money Market					
Bank Accounts	6,726,138	-	-	-	6,726,138
Total	<u>\$ 22,294,217</u>	<u>\$ 28,682,213</u>	<u>\$ 17,789,572</u>	<u>\$ 13,307,481</u>	<u>\$ 82,073,483</u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

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 banking and investment 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. Florida PRIME is rated AAAM. The money market bank accounts are not rated.

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.

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. The Authority's banking and investment policy states that assets will be diversified to control the risk of loss.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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 non-trust 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, 2015 and 2014 is as follows:

	2015	2014
Restricted for Debt Service:		
Bond Principal, Interest, and Redemption		
Sinking Fund	\$ 23,487,432	\$ 16,906
Bond Reserve Fund	96,255,047	65,163,849
Restricted to Acquisition of Property and Equipment:		
Construction and Equipment Funds	651,897,581	51,495,128
Restricted to Operating Expenses:		
Operating Reserve Account	17,887,886	17,024,111
Operation and Maintenance	8,199,079	9,871,810
	797,727,025	143,571,804
Other Restricted Funds:		
Revenue Funds	23,477,819	23,192,864
Escrow and Forfeiture Deposits	371,996	344,641
Certificate Deposit for OCIP Collateral	3,734,447	-
Capital Acquisition	15,559,471	7,483,858
Rental Car Facility Future Development	13,212,592	27,074,516
Prepaid Insurance and Other Assets	4,476,034	3,133,471
	60,832,359	61,229,350
Total Restricted Assets	\$ 858,559,384	\$ 204,801,154

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.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 7 CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2015 and 2014 is summarized as follows:

	Balance October 1, 2014	Additions and Reclasses	Deletions and Reclasses	Balance September 30, 2015
Land	\$ 199,480,991	\$ 2,355,158	\$ -	\$ 201,836,149
Construction in Progress	36,261,066	187,061,406	(34,572,207)	188,750,265
Equipment	41,864,084	5,533,115	(1,104,994)	46,292,205
Buildings and Improvements	<u>1,977,745,221</u>	<u>23,007,640</u>	<u>(826,528)</u>	<u>1,999,926,333</u>
	2,255,351,362	217,957,319	(36,503,729)	2,436,804,952
Less: Accumulated Depreciation:				
Equipment	(30,399,162)	(6,251,819)	1,053,109	(35,597,872)
Buildings and Improvements	<u>(1,075,506,431)</u>	<u>(82,083,674)</u>	<u>609,857</u>	<u>(1,156,980,248)</u>
	<u>(1,105,905,593)</u>	<u>(88,335,493)</u>	<u>1,662,966</u>	<u>(1,192,578,120)</u>
Total Capital Assets – Net	<u>\$ 1,149,445,769</u>	<u>\$ 129,621,826</u>	<u>\$ (34,840,763)</u>	<u>\$ 1,244,226,832</u>
	Balance October 1, 2013	Additions and Reclasses	Deletions and Reclasses	Balance September 30, 2014
Land	\$ 190,388,939	\$ 9,092,052	\$ -	\$ 199,480,991
Construction in Progress	33,146,366	57,373,798	(54,259,098)	36,261,066
Equipment	38,759,718	4,641,108	(1,536,742)	41,864,084
Buildings and Improvements	<u>1,933,011,123</u>	<u>48,929,620</u>	<u>(4,195,522)</u>	<u>1,977,745,221</u>
	2,195,306,146	120,036,578	(59,991,362)	2,255,351,362
Less: Accumulated Depreciation:				
Equipment	(26,677,489)	(5,861,800)	2,140,127	(30,399,162)
Buildings and Improvements	<u>(997,054,957)</u>	<u>(81,941,961)</u>	<u>3,490,487</u>	<u>(1,075,506,431)</u>
	<u>(1,023,732,446)</u>	<u>(87,803,761)</u>	<u>5,630,614</u>	<u>(1,105,905,593)</u>
Total Capital Assets – Net	<u>\$ 1,171,573,700</u>	<u>\$ 32,232,817</u>	<u>\$ (54,360,748)</u>	<u>\$ 1,149,445,769</u>

Depreciation expense and amortization of capitalized interest during the years ended September 30, 2015 and 2014 were \$88,335,493 and \$87,803,761, respectively. These amounts are included in Depreciation and Amortization in the accompanying statements of revenues, expenses and changes in net position.

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.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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

Revenue Bonds (Continued)

During the years ended September 30, 2015 and 2014, serial revenue bonds in the amounts of \$53,360,000 and \$49,745,000, respectively, were redeemed. Total interest costs incurred on outstanding bonds during the years ended September 30, 2015 and 2014, were \$28,792,644 and \$27,555,176, respectively. Of these interest amounts, \$2,392,043 and \$1,506,221 was capitalized, respectively. Amortization of prepaid bond insurance costs in the fiscal years 2015 and 2014 was \$93,230. A total of \$5,081,729 of new bond issue costs during 2015 were expensed.

On August 13, 2015, the Authority issued the Tampa International Airport Senior Revenue Bonds 2015 Series A in the amount of \$148,210,000, and Subordinated Revenue Bonds 2015 Series A and Series B, in the amount of \$19,590,000 and \$153,915,000, respectively.

The 2015A Senior Revenue Bonds were issued with a premium of \$13,568,176 at a rate of 5.0%, and maturities from 2027 to 2044. The proceeds of \$161,778,176, debt service reserve funds, less total issue costs of \$1,140,712 are used to finance the airport Master Plan Phase I projects including the Automated People Mover (APM), Main Terminal Expansion, and Concessions Consolidated Warehouse, as well as the repayment of the Bank Notes in the principal amount of \$26,000,000.

The 2015A Subordinated Revenue Bonds were issued with a premium of \$1,455,913 at a rate of 5%, and maturities from 2031 to 2044. The issue proceeds of \$21,045,913, less total issue costs of \$151,899 are used to fund Taxiway J and Bridge Reconstruction, as well as the repayment of the Bank Notes in the principal amount of \$5,790,132.

The 2015B Subordinated Revenue Bonds were issued with a premium of \$15,121,670 at a rate of 5%, and maturities from 2031 to 2044. The issue proceeds of \$169,036,700, less total issue costs of \$1,183,001 are used to fund the Automated People Mover (APM), South Terminal Support Area Roadway Improvement projects, as well as the repayment of the Bank Notes in the principal amount of \$37,209,868.

On September 3, 2015, the Authority issued the Tampa International Airport Customer Facility Charge (CFC) Revenue Bonds 2015 Series A and Series B, in the amount of \$88,975,000 and \$294,350,000, respectively.

The 2015A CFC Revenue Bonds were issued with a premium of 7,773,746 at a rate of 5%, and maturities from 2041 to 2044. The proceeds of \$96,748,746, less total issue costs of \$606,229 are used to fund the APM project, connecting the Main Terminal to Consolidated Rental Car Center (ConRAC).

The 2015B CFC Revenue Bonds (Taxable) were issued at par value with a rate of 5%, and maturities from 2019 to 2044. The proceeds of \$294,350,000, less total issue costs of \$1,997,888 are used to fund the ConRAC project including the relocation and expansion of the existing rental car operations, and improvement of a new consolidated rental car facility.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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

Revenue Bonds (Continued)

On October 30, 2013, the Authority issued the Tampa International Airport Subordinated Revenue Refunding Bonds 2013 Series A in the amount of \$168,865,000, the 2013A Subordinated Revenue Refunding Bonds were issued with a premium of \$11,113,750, at a rate of 2.0% to 5.5%, and maturities from 2014 to 2030.

The 2013A Subordinated Bonds issue proceeds of \$179,978,750, debt service reserve funds attributable to the refunding in the amount of \$6,673,844, additional contribution of \$874,273, less total issue costs of \$1,569,120, were used to refund the 2003 Series A Revenue Bonds maturing on October 1, 2014 to October 1, 2018, outstanding in the principal amount of \$96,115,000, and a portion of the Bank Notes in the principal amount of \$89,140,605. The refunding resulted in a calculated net present value savings of \$5,283,474.

On November 20, 2013, the Authority issued the Tampa International Airport Revenue Refunding Senior Bonds 2013 Series A and 2013 Series B in the amounts of \$38,635,000 and \$35,235,000, respectively. The Series A Senior Bonds were issued at a rate of 1.875% with maturities from 2014 to 2021, and the Series B Senior Bonds were issued at a rate of 2% with maturities from 2014 to 2023.

The 2013 Series A Senior Bonds were used to refund the 2003 Series B Bonds, maturing October 1, 2014 to October 1, 2020. The issue proceeds of \$38,635,000, debt service reserve funds attributable to the refunding in the amount of \$3,098,777, additional contribution of \$68,620, less issue costs of \$100,679, were used to refund the 2003 Series B Revenue Bonds maturing October 1, 2014 to October 1, 2020, outstanding in the principal amount of \$41,290,000. The refunding resulted in a calculated net present value savings of \$6,662,133.

The 2013 Series B Senior Bonds were used to refund the 2003 Series D Bonds, maturing October 1, 2014 to October 1, 2023. The issue proceeds of \$35,235,000, debt service reserve funds attributable to the refunding in the amount of \$5,267,106, additional contribution of \$60,693, less issue costs of \$101,941, were used to refund the 2003 Series D Revenue Bonds maturing October 1, 2014 to October 1, 2023, outstanding in the principal amount of \$41,290,000, and a portion of the Bank Notes in the principal amount of \$4,566,703. The refunding resulted in a calculated net present value savings of \$5,894,701.

On December 18, 2013, the Authority issued the Tampa International Airport Revenue Refunding Senior Bonds 2013 Series C in the amounts of \$34,095,000. The Series C Senior Bonds were issued at a rate of 1.0% with maturities from 2014 to 2019.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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

Revenue Bonds (Continued)

The 2013 Series C Senior Bonds were used to refund the 2003 Series C Bonds, maturing October 1, 2014 to October 1, 2019. The issue proceeds of \$34,095,000, debt service reserve funds attributable to the refunding in the amount of \$10,643,018, and additional contribution of \$55,106, less issue costs of \$101,956, were used to refund the 2003 Series C Revenue Bonds maturing October 1, 2014 to October 1, 2019, outstanding in the principal amount of \$44,085,000. The refunding resulted in a calculated net present value savings of \$5,669,027.

On July 30, 2013, the Authority drew \$4,769,000 in Bank Notes to refund portion of several bond series. The amounts refunded were \$1,005,833 for the 2001A Bonds, \$1,026,667 for the 2003C Bonds, \$446,667 for the 2003D Bonds, \$1,058,333 for the 2005A Bonds, \$406,667 for the 2005B Bonds, \$463,333 for the 2006A Bonds and \$356,667 for the 2006B Bonds.

The total principal maturities and debt service requirements for all revenue bonds through the year 2044, as of September 30, 2015 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 45,570,000	\$ 58,742,670	\$ 104,312,670
2017	36,720,000	55,270,147	91,990,147
2018	33,605,000	53,841,853	87,446,853
2019	39,575,000	52,372,428	91,947,428
2020	39,255,000	51,256,165	90,511,165
2021-2025	165,250,000	236,376,740	401,626,740
2026-2030	188,430,000	197,156,356	385,586,356
2031-2035	211,415,000	146,740,673	358,155,673
2036-2040	241,665,000	86,837,588	328,502,588
2041-2044	201,425,000	25,806,338	227,231,338
	<u>\$ 1,202,910,000</u>	<u>\$ 964,400,958</u>	<u>\$ 2,167,310,958</u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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

Revenue Bonds (Continued)

Revenue bond information and activity as of and for the years ended September 30, 2015 and 2014 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.

	2015		2014	
	Balance Outstanding	Amounts Due Within One Year	Balance Outstanding	Amounts Due Within One Year
Revenue and Revenue Refunding Bonds:				
1996B Series, 6.0%	\$ 9,085,000	\$ 2,855,000	\$ 9,085,000	\$ -
2001A Series, 5.5%	-	-	6,715,000	6,715,000
2005A Series, 5.25%	45,445,000	12,380,000	52,485,000	7,040,000
2005B Series, 5.0% to 5.125%	18,655,000	-	21,345,000	2,690,000
2006A Series, 4.375% to 5.0%	5,900,000	-	9,925,000	4,025,000
2006B Series, 4.375% to 5.0%	4,530,000	-	7,620,000	3,090,000
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, 5.75%	9,625,000	-	9,625,000	-
2008D Series, 5.5%	3,110,000	-	3,110,000	-
2009A Series, 4.635% to 5.0%	20,180,000	6,420,000	26,300,000	6,120,000
2013A Series 1.875%	35,905,000	1,600,000	37,400,000	1,495,000
2013B Series 2.0%	29,985,000	2,740,000	32,685,000	2,700,000
2013C Series 1.0%	22,745,000	5,345,000	28,540,000	5,795,000
2013A Subordinated 4.0% to 5.5%	142,980,000	14,230,000	156,670,000	13,690,000
2015A Senior 5.0%	148,210,000	-	-	-
2015A Subordinated 5.0%	19,590,000	-	-	-
2015B Subordinated 5.0%	153,915,000	-	-	-
2015A CFC 5.0%	88,975,000	-	-	-
2015B CFC 2.587% to 5.250%	294,350,000	-	-	-
	<u>1,202,910,000</u>	<u>\$ 45,570,000</u>	<u>551,230,000</u>	<u>\$ 53,360,000</u>
Unamortized Bond Premium – Net	48,518,037		12,595,326	
Total Revenue Bonds Payable	<u>\$ 1,251,428,037</u>		<u>\$ 563,825,326</u>	

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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

Revenue Bonds (Continued)

	Balance September 30, 2014	Additions	Refunding	Paydowns	Balance September 30, 2015
1996B Revenue Bonds	\$ 9,085,000	\$ -	\$ -	\$ -	\$ 9,085,000
2001A Revenue Refunding Bonds	6,715,000	-	-	(6,715,000)	-
2005A Revenue Bonds	52,485,000	-	-	(7,040,000)	45,445,000
2005B Revenue Refunding Bonds	21,345,000	-	-	(2,690,000)	18,655,000
2006A Revenue Refunding Bonds	9,925,000	-	-	(4,025,000)	5,900,000
2006B Revenue Refunding Bonds	7,620,000	-	-	(3,090,000)	4,530,000
2008A Revenue Bonds	133,000,000	-	-	-	133,000,000
2008B Revenue Bonds	16,725,000	-	-	-	16,725,000
2008C Revenue Refunding Bonds	9,625,000	-	-	-	9,625,000
2008D Revenue Refunding Bonds	3,110,000	-	-	-	3,110,000
2009A Revenue Bonds	26,300,000	-	-	(6,120,000)	20,180,000
2013A Revenue Refunding Bonds	37,400,000	-	-	(1,495,000)	35,905,000
2013B Revenue Refunding Bonds	32,685,000	-	-	(2,700,000)	29,985,000
2013C Revenue Refunding Bonds	28,540,000	-	-	(5,795,000)	22,745,000
2013A Subordinated Revenue Refunding Bonds	156,670,000	-	-	(13,690,000)	142,980,000
2015A Senior Revenue Bonds	-	148,210,000	-	-	148,210,000
2015A Subordinated Revenue Bonds	-	19,590,000	-	-	19,590,000
2015B Subordinated Revenue Bonds	-	153,915,000	-	-	153,915,000
2015A CFC Revenue Bonds	-	88,975,000	-	-	88,975,000
2015B CFC Revenue Bonds	-	294,350,000	-	-	294,350,000
	<u>\$ 551,230,000</u>	<u>\$ 705,040,000</u>	<u>\$ -</u>	<u>\$ (53,360,000)</u>	<u>\$ 1,202,910,000</u>

	Balance September 30, 2013	Additions	Refunding	Paydowns	Balance September 30, 2014
1996B Revenue Bonds	\$ 9,085,000	\$ -	\$ -	\$ -	\$ 9,085,000
2001A Revenue Refunding Bonds	13,080,000	-	-	(6,365,000)	6,715,000
2003A Revenue Bonds	96,115,000	-	(96,115,000)	-	-
2003B Revenue Bonds	41,290,000	-	(41,290,000)	-	-
2003C Revenue Refunding Bonds	44,085,000	-	(44,085,000)	-	-
2003D Revenue Refunding Bonds	35,530,000	-	(35,530,000)	-	-
2005A Revenue Bonds	59,170,000	-	-	(6,685,000)	52,485,000
2005B Revenue Refunding Bonds	23,910,000	-	-	(2,565,000)	21,345,000
2006A Revenue Refunding Bonds	13,750,000	-	-	(3,825,000)	9,925,000
2006B Revenue Refunding Bonds	10,565,000	-	-	(2,945,000)	7,620,000
2008A Revenue Bonds	133,000,000	-	-	-	133,000,000
2008B Revenue Bonds	16,725,000	-	-	-	16,725,000
2008C Revenue Refunding Bonds	9,625,000	-	-	-	9,625,000
2008D Revenue Refunding Bonds	3,110,000	-	-	-	3,110,000
2009A Revenue Bonds	32,125,000	-	-	(5,825,000)	26,300,000
2013A Revenue Refunding Bonds	-	38,635,000	-	(1,235,000)	37,400,000
2013B Revenue Refunding Bonds	-	35,235,000	-	(2,550,000)	32,685,000
2013C Revenue Refunding Bonds	-	34,095,000	-	(5,555,000)	28,540,000
2013A Subordinated Revenue Refunding Bonds	-	168,865,000	-	(12,195,000)	156,670,000
	<u>\$ 541,165,000</u>	<u>\$ 276,830,000</u>	<u>\$ (217,020,000)</u>	<u>\$ (49,745,000)</u>	<u>\$ 551,230,000</u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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

Bank Notes

On June 21, 2011, the Authority entered into an agreement with SunTrust to provide a variable rate direct bank loan (Bank Notes). The Bank Notes had a seven-year term, were subject to the revolving credit agreement with SunTrust Bank and had a not to exceed 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.

On March 1, 2012, a new amendment was approved to increase the principal amount not exceeding \$130,000,000, which required the issuance of the 2012 Bank Notes to replace the 2011 Bank Notes. This amended principal amount was set to last for three years or until the next public bond issue.

During fiscal year 2012, the Authority issued multiple Bank Notes in the amount of \$18,500,000 to fund its capital projects and equipment. The issue costs totaled \$75,995.

As of September 30, 2012, the outstanding Bank Notes totaled \$106,553,335 with an interest rate of 1.20159%.

During fiscal year 2013, the Authority issued multiple Bank Notes in the amount of \$28,085,100 to fund its capital projects and paid \$16,430,900 for principal payments and revenue bond refunding. The issue costs totaled \$28,169.

On October 18, 2013, the Authority amended and restated its agreement which increased the principal amount not exceeding \$200,000,000.

During fiscal year 2014, the Authority issued multiple Bank Notes in the amount of \$20,100,000 to fund its capital projects. The Authority made partial payments on the Bank Notes in the amount of \$99,469,608 which were for principal payments and revenue bond refunding.

During fiscal year 2015, the Authority issued multiple Bank Notes in the amount of \$49,000,000 to fund its capital projects. The Authority repaid the Bank Notes in the amount of \$69,000,000 from 2015 revenue bonds proceeds, and \$2,089,400 for principal payments.

As of September 30, 2015, the outstanding Bank Notes totaled \$16,748,527, with an interest rate of 1.036490%. The total issue costs of \$29,000 were expensed in the fiscal year 2015.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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

Bank Notes (Continued)

Bank Notes information and activity for the years ended September 30, 2015 and 2014 is presented below:

	Balance October 1, 2014	Additions	Refundings/ Paydowns	Balance September 30, 2015	Amounts Due Within One Year
Bank Notes	\$ 38,837,927	\$ 49,000,000	\$ (71,089,400)	\$ 16,748,527	\$ 10,183,546
	Balance October 1, 2013	Additions	Refundings/ Paydowns	Balance September 30, 2014	Amounts Due Within One Year
Bank Notes	\$ 118,207,535	\$ 20,100,000	\$ (99,469,608)	\$ 38,837,927	\$ 22,089,400

Other Non-Current Liabilities

This line item consists of compensated absences (see Note 14 – Commitments and Contingencies), pollution remediation obligations and other post-employment benefits.

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 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 sites at September 30, 2015 and 2014 are \$23,437 and \$495,977, respectively, and the balance at September 30, 2015 is due within one year. One of the sites had a phased recovery from a former tenant. Phase 1 amount was recovered by the Authority during fiscal years 2010 to 2012. In Phase 2, 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 the remaining balance was received in 2012. There is a phase 2 remediation with a receivable balance of \$185,000 and a portion of the receivable has been received in 2013. As of September 30, 2015, the remaining balance of the receivable is \$129,549.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

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

Other Non-Current Liabilities (Continued)

Other non-current liability information and activity for the years ended September 30, 2015 and 2014 is presented below:

	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015
Compensated Absences	\$ 3,766,699	\$ -	\$ (32,793)	\$ 3,733,906
Environmental Liabilities	332	-	(332)	-
Other Post-Employment Benefits	1,159,000	389,000	-	1,548,000
Total Other Liabilities	\$ 4,926,031	\$ 389,000	\$ (33,125)	\$ 5,281,906

	Balance October 1, 2013	Additions	Reductions	Balance September 30, 2014
Compensated Absences	\$ 3,466,351	\$ 300,348	\$ -	\$ 3,766,699
Environmental Liabilities	346,179	-	(345,847)	332
Other Post-Employment Benefits	-	1,159,000	-	1,159,000
Total Other Liabilities	\$ 3,812,530	\$ 1,459,348	\$ (345,847)	\$ 4,926,031

NOTE 9 CONTRIBUTIONS

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

	2015	2014
Passenger Facility Charges	\$ 37,108,587	\$ 33,662,960
Federal Grants	3,638,659	4,283,782
State Grants	21,948,772	14,660,486
Federal Reimbursement	2,399,143	-
Customer Facility Charges	29,817,755	16,065,587
Total Capital Contributions	\$ 94,912,916	\$ 68,672,815

On October 1, 2011, the Authority implemented a customer facility charge program (CFC) with the on airport rental car companies. The \$2.50 CFC per rental day generated additional funds for rental car facility development projects or to pay debt service on future borrowings on rental car projects. Effective April 6, 2014, the rate increased to \$5.00 per day. The Transportation Facility Charge (TFC) in the amount of \$2.00 per day was implemented during fiscal year 2014 with the off airport rental cars. Effective July 6, 2015, the CFC daily rate was increased to \$5.95 for current on-airport companies. Off-airport companies who bid on being in the Consolidated Rental Car Center (ConRAC) transitioned from the \$2.00 per day TFC charge to \$5.95 per transaction day CFC charge. In 2015 and 2014, the CFC and TFC amounts of \$29,817,755 and \$16,065,587 were recognized respectively as capital contributions.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 10 DEFINED BENEFIT PENSION PLANS

Background

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Authority are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The Authority's pension expense totaled \$1,970,064 and \$1,392,742 for both the FRS Pension Plan and HIS Plan for the fiscal year ended September 30, 2015 and 2014, respectively.

Florida Retirement System Pension Plan

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Description (Continued)

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service:</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the Authority, for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, were applied to employee salaries as follows: Regular 7.37% and 7.26%, Special Risk 19.82% and 22.04%, Senior Management Service 21.14% and 21.43%, and DROP participants 12.28% and 12.88%. The Authority's contributions to the FRS Plan were \$2,794,783 and \$2,403,034 for the fiscal years ended September 30, 2015 and 2014, respectively.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Costs

At September 30, 2015 and 2014, the Authority reported a liability of \$14,638,737 and \$6,672,224, respectively, for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of July 1. The Authority's proportion of the net pension liability was based on the Authority's contributions received by FRS during the measurement period for employer payroll paid dates from July 1 through June 30, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2015, the Authority's proportion was 0.1133%, which was an increase of 0.0040% from its proportion measured as of June 30, 2014. At June 30, 2014, the Authority's proportion was 0.1094%, which was an increase of 0.0004% from its proportion measured as of June 30, 2013.

For the year ended September 30, 2015, the Authority recognized pension expense of \$1,155,448 for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 1,545,417	\$ 347,186
Changes in Actuarial Assumptions	971,622	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,495,485
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	566,684	-
Authority Contributions Subsequent to the Measurement Date	638,120	-
Total	<u>\$ 3,721,843</u>	<u>\$ 3,842,671</u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Costs (Continued)

\$638,120 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30	Amount
2016	\$ (1,049,174)
2017	(1,049,174)
2018	(1,049,174)
2019	1,834,711
2020	436,813
Thereafter	117,048

For the year ended September 30, 2014, the Authority recognized pension expense of \$630,553 for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ -	\$ 412,897
Changes in Actuarial Assumptions	1,555,518	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	11,130,377
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	54,539	-
Authority Contributions Subsequent to the Measurement Date	606,541	-
Total	\$ 2,216,598	\$ 11,543,274

Actuarial Assumptions

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	7.65%, Net of Pension Plan Investment Expense, Including Inflation

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Costs (Continued)

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0	4.8%	4.7%	4.7%
Global Equity	53.0	8.5%	7.2%	17.7%
Real Estate (Property)	10.0	6.8%	6.2%	12.0%
Private Equity	6.0	11.9%	8.2%	30.0%
Strategic Investments	12.0	6.7%	6.1%	11.4%
Totals	<u>100.0%</u>			
Assumed Inflation - Mean		2.6%		1.9%

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	6.65%	7.65%	8.65%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	\$ 37,932,280	\$ 14,638,737	\$ (4,745,316)

Pension Plan Fiduciary Net Position

Detailed information about the FRS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

Retiree Health Insurance Subsidy Program

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, the contribution rate was 1.20% and 1.26% of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100% of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The Authority's contributions to the HIS Plan were \$508,940 and \$403,596, respectively, for the years ended September 30, 2015 and 2014, respectively.

Pension Costs

At September 30, 2015 and 2014, the Authority reported a liability of \$12,395,695 and \$10,976,380, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, and the total pension liability used to calculate the net pension liability was determined by annual actuarial valuations as of July 1. The Authority's proportion of the net pension liability was based on the Authority's contributions received during the measurement period for employer payroll paid dates from July 1 through June 30, relative to the total employer contributions received from all participating employers. At June 30, 2015, the Authority's proportion was 0.1215%, which was an increase of 0.0042% from its proportion measured as of June 30, 2014. At June 30, 2014, the Authority's proportion was 0.1174%, which was an increase of 0.0068% from its proportion measured as of June 30, 2013.

For the year ended September 30, 2015, the Authority recognized pension expense of \$1,057,655 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	975,218	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,710	-
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	749,720	-
Authority Contributions Subsequent to the Measurement Date	146,308	-
Total	<u>\$ 1,877,956</u>	<u>\$ -</u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Costs (Continued)

\$146,308 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30	Amount
2016	\$ 304,009
2017	304,009
2018	304,009
2019	304,009
2020	301,991
Thereafter	214,983

For the year ended September 30, 2014, the Authority recognized pension expense of \$762,209 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	390,582	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,269	-
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	509,515	-
Authority Contributions Subsequent to the Measurement Date	101,989	-
Total	\$ 1,007,355	\$ -

Actuarial Assumptions

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.80%

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study of the FRS Pension Plan for the period July 1, 2008, through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 3.80% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
HIS Plan Discount Rate	2.80%	3.80%	4.80%
Authority's Proportionate Share of the HIS Plan Net Pension Liability	\$ 14,124,317	\$ 12,395,695	\$ 10,954,283

Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

NOTE 11 DEFINED CONTRIBUTION PLAN

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 DEFINED CONTRIBUTION PLAN (CONTINUED)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk class 14.00% and Senior Management class 11.34%. These allocations include a required employee contribution of 3% of gross compensation for each member class.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the years ended September 30, 2015 and 2014, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority's Investment Plan pension expense totaled \$490,503 and \$414,483 for the years ended September 30, 2015 and 2014, respectively. Employee contributions to the Investment Plan totaled \$178,835 and \$157,016 for the years ended September 30, 2015 and 2014, respectively.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 OTHER POST EMPLOYMENT BENEFITS

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 self-funded 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. The Authority does not issue a separate financial report for the OPEB Plan.

The Authority had a net OPEB obligation for the years ended September 30, 2015 and 2014 of \$1,548,000 and \$1,159,000, respectively, which is a non-current liability in the statements of net position.

Funding Policy

Under the self-funded medical program, 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 totaled \$43,945 and \$48,320 in fiscal year 2015 and 2014, 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. The Authority provided post-employment health benefits for the years ended September 30, 2015 and 2014 to 131 and 134 recipients, respectively. A summary of monthly required contributions for retirees for the fiscal years ended September 30, 2015 and 2014 is provided as follows:

Monthly Required Contributions for Retirees

	2015	2014
HMO Plans		
Retiree Only	\$ 660	\$ 611
Retiree, 1 Dependent	\$ 1,349	\$ 1,249
Retiree, Family	\$ 2,008	\$ 1,859
PPO Plans		
Retiree Only (Under 65)	\$ 918	\$ 850
Retiree, 1 Dependent (Under 65)	\$ 2,048	\$ 1,897
Retiree, Family (Under 65)	\$ 2,955	\$ 2,737
Retiree only (65+)	\$ 790	\$ 732
Retiree (65+), 1 Dependent (65+)	\$ 1,579	\$ 1,463
Retiree (65+), 1 Dependent (Under 65)	\$ 1,919	\$ 1,778
Retiree (Under 65), Dependent (65+)	\$ 1,919	\$ 1,593
Dental Plans		
Retiree Only	\$ 32	\$ 29
Dependents	\$ 81	\$ 43
Life Insurance Contributions	\$0.140 per \$1,000 of Coverage per Month	

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy (Continued)

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.

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 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 expenses for the years ended September 30, 2015 and 2014 was \$585,000 and \$402,000, respectively.

The following table shows the components of the Authority's annual OPEB cost of the years ended September 30, 2015 and 2014, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

	2015	2014
Annual Required Contribution (ARC)	\$ 583,000	\$ 398,000
Interest on Net OPEB Obligation	46,000	45,000
Adjustment to Annual Contribution	(44,000)	(41,000)
Annual OPEB Cost (Expense)	585,000	402,000
Contributions Made	(196,000)	(239,000)
Increase in Net OPEB Obligation	389,000	163,000
Net OPEB Obligation – Beginning of Year	1,159,000	996,000
Net OPEB Obligation – End of Year	\$ 1,548,000	\$ 1,159,000

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

Year Ended	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2013	\$ 385,000	\$ 221,000	57.40%	\$ 996,000
9/30/2014	\$ 402,000	\$ 239,000	59.45%	\$ 1,159,000
9/30/2015	\$ 585,000	\$ 196,000	33.50%	\$ 1,548,000

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

The Authority's funded status of the plan as of October 1, 2015, the most recent actuarial valuation date was as follows:

Actuarial Accrued Liability (AAL)	\$ 5,983,000
Actual Value of Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,983,000</u>
Funded Ratio	0.00%
Covered Payroll	\$ 37,309,400
Unfunded Actuarial Accrued Liability (UAAL) as a Percentage of Covered Payroll	16.04%

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 2014-2015 budgeted regular salaries for active employees. The required schedule of funding progress immediately following the notes presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2014
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	4.0%
Projected Salary Increase	3%
Healthcare Inflation Rate	8% Initial 4.5% Ultimate

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 13 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. Details regarding insurance coverage and deductibles are presented in the Other Information section of the financial statements.

The Authority provides a group health self-insurance plan for its retirees, employees and eligible dependents. The Authority is liable for the uninsured risk of loss under the plan. The Authority's liability is estimated by management in consultation with external insurance professionals. A summary of the liability for the self-insurance plan is presented below:

	2015	2014
Liability, Beginning of the fiscal year	\$ 1,289,742	\$ 1,154,606
Current year claims and changes in estimates	8,314,661	8,070,893
Claims paid during the year	(8,310,669)	(7,935,757)
Liability, End of the fiscal year	\$ 1,293,734	\$ 1,289,742

NOTE 14 COMMITMENTS AND CONTINGENCIES

Construction and Maintenance Contracts

In connection with the Authority's ongoing maintenance programs 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. The Authority also has entered into contracts and agreements totaling approximately \$1.1 billion for construction, engineering services, land acquisition and equipment, approximately \$809.2 million of which remains unspent.

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 \$4,471,744 at September 30, 2015. Expected amounts that will be paid out in the subsequent fiscal year are recorded as accrued expenses in the statement of net position. Amounts expected to be paid out past the subsequent fiscal year are included with other non-current liabilities in the statement of net position.

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.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies (Continued)

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 15 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 firefighting personnel and utilities. Total expense incurred by the Authority during the years ended September 30, 2015 and 2014 for these services were \$6,277,100 and \$6,003,500, respectively.

NOTE 16 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended September 30, 2014, the Authority adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the September 30, 2013 net position as follows:

Net Position, September 30, 2013 as Previously Reported	\$ 736,507,137
Cumulative Affect of Application of GABS 68, Net Pension Liability	(28,388,691)
Cumulative Affect of Application of GABS 71, Deferred Outflow of Resources for District Contributions Made to the Plan During Fiscal Year Ended September 30, 2014	<u>699,368</u>
Net Position, September 30, 2013, as Restated	<u><u>\$ 708,817,814</u></u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 16 CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

The following are the changes to the financial statements for the fiscal year ended September 30, 2014 as a result of the implementation of GASB Statement 68:

STATEMENT OF NET POSITION	2014	CHANGES 2014	2014 RESTATED
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow on Pension Related Amounts	\$ -	\$ 2,823,953	\$ 2,823,953
NONCURRENT LIABILITIES			
Net Pension Liability	-	17,648,604	17,648,604
Total Noncurrent Liabilities	530,980,884	17,648,604	548,629,488
Total Liabilities	647,537,576	17,648,604	665,186,180
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow on Pension Related Amounts	-	11,543,274	11,543,274
NET POSITION			
Net Investment in Capital Assets			
Unrestricted	56,257,316	(26,367,925)	29,889,391
Total Net Position	<u>\$ 773,889,792</u>	<u>\$ (26,367,925)</u>	<u>\$ 747,521,867</u>
	2014	CHANGES 2014	2014 RESTATED
OPERATING EXPENSES			
Other	\$ 2,459,575	\$ (1,321,398)	\$ 1,138,177
Total Operating Expenses	104,306,144	(1,321,398)	102,984,746
Operating Income before Depreciation and Amortization	81,286,166	1,321,398	82,607,564
OPERATING LOSS	(8,075,096)	1,321,398	(6,753,698)
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS	(31,290,160)	1,321,398	(29,968,762)
CHANGE IN NET POSITION	37,382,655	1,321,398	38,704,053
Total Net Position - Beginning of Year	<u>736,507,137</u>	<u>(27,689,323)</u>	<u>708,817,814</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 773,889,792</u>	<u>\$ (26,367,925)</u>	<u>\$ 747,521,867</u>

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 16 CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

	<u>2014</u>	<u>CHANGES 2014</u>	<u>2014 RESTATED</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Loss	\$ (8,075,096)	\$ 1,321,398	\$ (6,753,698)
Increase Accrued Expenses, Unearned Revenue, and Other Liabilities	<u>9,204,971</u>	<u>(1,321,398)</u>	<u>7,883,573</u>
Net Cash Provided by Operating Activities	<u>\$ 90,181,278</u>	<u>\$ -</u>	<u>\$ 90,181,278</u>

NOTE 17 DEEPWATER HORIZON OIL SPILL

As a consequence of the Gulf of Mexico oil spill in April 2010, British Petroleum (BP) established the Deepwater Horizon Oil Spill Trust in 2010 to satisfy legitimate individual and business claims; and state and local government claims resolved by BP, as well as other associated costs. The Authority received a settlement on August 7, 2015 in the amount of \$11,278,760 for lost compensation and risk transfer. A portion of the settlement was shared with the airlines in the amount of \$559,420.

NOTE 18 SUBSEQUENT EVENT

On November 10, 2015, the Authority issued the Tampa International Airport Revenue Bonds 2015 Series B and Series C in the par amounts of \$43,160,000 and \$18,710,000, respectively. The proceeds of these two issues, along with other funds were used to current refund the 2005 Series A (AMT) and 2005 Series B (Non-AMT) Bonds, outstanding in the amounts of \$45,445,000 and \$18,655,000, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015 AND 2014**

SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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
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	\$ -	\$ 3,796,000	\$ (3,796,000)	-	\$ 31,946,700	12%
10/1/2012	\$ -	\$ 4,266,000	\$ (4,266,000)	-	\$ 33,706,700	13%
10/1/2013	\$ -	\$ 4,433,000	\$ (4,433,000)	-	\$ 34,634,100	13%
10/1/2014	\$ -	\$ 5,983,000	\$ (5,983,000)	-	\$ 37,309,400	16%

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015 AND 2014**

**Schedule of the Authority's Proportionate Share of the Net Pension Liability
Florida Retirement System Pension Plan
Last Ten Fiscal Years***

	2015	2014
Authority's Proportion of the Net Pension Liability	0.113335017%	0.109354355%
Authority's Proportionate Share of the Net Pension Liability	\$ 14,638,737	\$ 6,672,224
Authority's Covered-Employee Payroll	\$ 31,413,190	\$ 28,595,685
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	46.60%	23.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.00%	96.09%

* The Amounts Presented for Each Fiscal Year were Determined as of June 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

**Schedule of Authority Contributions
Florida Retirement System Pension Plan
Last Ten Fiscal Years***

	2015	2014
Contractually Required Contribution	\$ 2,794,783	\$ 2,403,034
Contributions in Relation to the Contractually Required Contribution	2,794,783	2,403,034
Contribution Deficiency (Excess)	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 31,966,393	\$ 28,718,892
Contributions as a Percentage of Covered Employee Payroll	8.74%	8.37%

* The Amounts Presented for Each Fiscal Year were Determined as of September 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015 AND 2014**

**Schedule of the Authority's Proportionate Share of the Net Pension Liability
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years***

	2015	2014
Authority's Proportion of the Net Pension Liability	0.121545164%	0.117391378%
Authority's Proportionate Share of the Net Pension Liability	\$ 12,395,695	\$ 6,672,224
Authority's Covered-Employee Payroll	\$ 37,218,200	\$ 33,889,301
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	33.31%	19.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.50%	0.99%

* The Amounts Presented for Each Fiscal Year were Determined as of June 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

**Schedule of Authority Contributions
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years***

	2015	2014
Contractually Required Contribution	\$ 508,940	\$ 403,596
Contributions in Relation to the Contractually Required Contribution	508,940	403,596
Contribution Deficiency (Excess)	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 37,942,363	\$ 34,065,788
Contributions as a Percentage of Covered Employee Payroll	1.34%	1.18%

* The Amounts Presented for Each Fiscal Year were Determined as of September 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.