

HILLSBOROUGH COUNTY AVIATION AUTHORITY

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

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
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RSM US LLP

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors
Hillsborough County Aviation Authority
Tampa, Florida

We have audited the accompanying financial statements of the Hillsborough County Aviation Authority (the Authority), as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the schedule of funding progress – other post-employment benefits plan, the schedules of the Authority' proportionate share of the net pension liability, and the schedules of Authority contributions 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of bonds issued, redeemed and outstanding, the schedules of cash and investment transactions, and the summary schedule of insurance policies are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and Chapter 10.550, *Rules of the Auditor General, State of Florida*, and the schedule of passenger facility charges collected and expended as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance and the schedule of passenger facility charges collected and expended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of passenger facility charges collected and expended provides relevant information that is not provided by the financial statements and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or a complete presentation in accordance with the cash basis of accounting. Under the cash basis, expenditures are recognized when paid rather than when the obligation is incurred and receipts are recorded when cash is received rather than when earned. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance and the schedule of passenger facility charges collected and expended are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of bonds issued, redeemed and outstanding, the schedules of cash and investment transactions, and the summary schedule of insurance policies have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. This 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.

RSM US LLP

Tampa, Florida
February 27, 2018

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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, 2017 and 2016, 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 2017 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 2017 continued a trend which has seen overall financial results improve substantially since 2010. Despite Hurricane Irma, the total number of passengers, at 19,240,070 for 2017 is an increase of 1.6% over the prior year, as domestic traffic increased by 1.5% and international traffic increased by 4.7%. The Hurricane resulted in an estimated loss of 215,100 passengers due to cancelled flights and reduced schedules. Despite the ongoing construction and the weather impacts, the Authority's diversified revenue sources helped drive revenues up by \$2,667,730 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 2017 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, 2017, totaled 9,641,228, which is an increase of 155,349 or 1.6% from the prior fiscal year. The domestic load factor remained strong at 85.5% on average while international load factor was flat at 78.5%. For 2017, the top three airlines, in terms of passenger enplanement market share were Southwest, American, and Delta. Southwest remained the highest market share of 35.4%, Delta moved to second at 17.4%, and American was third at 16.4%. During 2016, Southwest maintained the highest market share of 34.7%, American was second at 17.8%, and Delta was third at 17.2%.

Landed weight in 2017 totaled 11,031,509 thousand pounds, compared to 10,788,244 thousand pounds and 10,483,785 thousand pounds in 2016 and 2015, respectively. The number of landings for domestic and international flights was 84,279 for 2017, compared to 83,617 and 83,830 for 2016 and 2015, respectively. The increase in landed weight is primarily due to new markets being added to the TPA air service offering in addition increased gauge of the aircraft serving TPA.

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, 2017 and 2016. 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, 2017 and 2016. 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.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

Financial Highlights

Operating Revenues

| <u>Revenue Classification</u> | <u>Year</u> | | | <u>Percent Change</u> | |
|-------------------------------|----------------------|----------------------|----------------------|-------------------------|-------------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2016 to 2017</u> | <u>2015 to 2016</u> |
| Airfield | \$ 19,038,968 | \$ 17,410,487 | \$ 16,432,476 | 9.4% | 6.0% |
| Terminal Building | 48,459,064 | 48,250,652 | 49,273,922 | 0.4 | (2.1) |
| Airside Buildings | 21,090,618 | 19,828,461 | 19,921,053 | 6.4 | (0.5) |
| Commercial Landside | 106,491,397 | 108,488,403 | 103,382,759 | (1.8) | 4.9 |
| Cargo | 2,331,214 | 2,121,928 | 2,019,161 | 9.9 | 5.1 |
| Auxiliary Airports | 1,299,465 | 1,182,089 | 1,089,074 | 9.9 | 8.5 |
| General Aviation | 2,503,557 | 2,323,015 | 2,298,444 | 7.8 | 1.1 |
| Federal | | | | | |
| Reimbursements | 948,190 | 955,176 | 786,844 | (0.7) | 21.4 |
| Other | 9,987,949 | 8,922,480 | 10,201,533 | 11.9 | (12.5) |
| Total | <u>\$212,150,422</u> | <u>\$209,482,691</u> | <u>\$205,405,266</u> | 1.3% | 2.0% |

The table above presents the major operating revenue classifications for fiscal years 2017, 2016 and 2015. 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 fee rates are calculated for the fiscal year based on the approved budget. An increase in airfield revenues of 9.4% or \$1,628,481 in fiscal year 2017 is attributable to increased non-signatory landed weight in addition to an increase in the cost to operate the airfield. During fiscal year 2017, 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 \$366,600 in 2017, compared to \$281,400 and \$127,800 in 2016 and 2015, 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 2017, overall terminal building revenues increased 0.4% or \$209,000 over the prior year. For fiscal year 2016, the overall terminal building revenues decreased 2.1% or \$1,023,300 versus the prior year. Signatory airline terminal rental rates increased by 4.8% from fiscal year 2016 to fiscal year 2017 with an average increase of \$7.01 per square foot. With the ongoing phasing of the concessions re-development program, concessions terminal rents decreased by \$840,900 or 19.3% versus the prior year. An increase of \$597,920 in concession sales and service fees partially offset the space rent reduction. The ASIP incentives for airlines offset the terminal space rental revenues in the amount of \$324,900.

As with terminal rentals, airside airline rental rates are based on the cost of providing the space to the airlines. In fiscal year 2017, airside rents increased by \$1,262,200. Although the airside rental rates did increase by 7.5% or \$6.04 per square foot in 2017, additional leased space at both airside A & C to support growth from Spirit, JetBlue, & Southwest along with an increase of \$2,039,600 in non-signatory agreements from American & United Airlines helped drive the increase versus the prior year. Federal

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inspection fees from Customs & Border Protection services for inbound international passengers increased by \$44,200 while the additional operations drove a \$300,100 increase in gate usage and hardstand charges. The Authority granted a waiver of airside airline fees of \$365,900 as a part of the ASIP in 2017.

In fiscal year 2016, the overall decrease in airside revenues was \$92,600. The airside rental rates increased 3.5% or \$2.77 per square foot in 2016, however, as a result of the 2015 Signatory Agreement extension, the signatory airline rental revenue decreased as the carriers were given a one-time opportunity to evaluate space requirements with many in fact reducing space. Additional increases \$1,960,600 in non-signatory and other space rentals, \$188,200 in Federal Inspection fees from customs services provided to international passengers, and \$111,800 in gate use and hardstand charges. The Authority granted a waiver of airside airline fees of \$305,600 as a part of the ASIP in 2016.

The commercial landside classification consists of car rental, parking, the ground transportation privilege and permit fees, and hotel concession revenues, which overall decreased by \$1,997,000 in fiscal year 2017. The growth in Transportation Network Companies (TNCs) in conjunction with the Master Plan Phase 1 construction and Authority waiving parking fees during Hurricane Irma adversely affected the parking revenue, which decreased by \$1,899,000 or 2.8% versus the prior year. Rental car revenues were also affected by the TNCs and Hurricane Irma with transactions for the year decreasing by 3.9% versus 2016. In spite of these decreases, revenues were only down \$1.8% or \$645,500, as the average daily rate for the year was slightly up. The Authority negotiated a per-trip fee starting in August 2017 with the TNC companies (Uber, Lyft, & Wingz) resulting in \$316,600 of revenue in just the last two months of the fiscal year, which partially offset the decreases in parking & rental car revenues. Advertising revenue increased by \$168,200 or almost 20% versus the prior year.

In 2016, commercial landside revenues increased \$5,105,600. The primary contributing factors are the increases of parking revenues of \$6,621,000 due to a rate increase for all garages effective October 1, 2015. Rental car transactions increased by 0.7%, however, the average daily rate decreased by 4.6%, which in turn drove revenues down by \$1,727,300. Hotel revenue increased by \$117,800 or 6.5% due to high occupancy rates coupled with an increase in the average rental room rate. In addition, \$93,200 increases in ground transportation and other revenues further offset the reduction in rental car revenues.

Cargo revenues in the fiscal year 2017 increased by 9.9% or \$220,000 as a result of the continued growth of dedicated Amazon cargo service as well as increases in ground handling companies supporting the cargo operation. Cargo volume increased by 16.2% in 2017 to over 295,221,500 lbs. which has made TPA the 2nd fastest growing cargo airport in the country. Cargo revenues in fiscal year 2016 increased by 5.1% or \$102,800 as a result of the introduction of daily Amazon cargo freighter service.

General aviation and auxiliary airport operating revenue in 2017 totaled \$3,803,022, an increase of 8.5% or \$298,000 versus the prior year. Increased fuel flowage volume as well as occupancy rates and new tenants across the system have driven this increase. In 2016, revenues totaled \$3,505,104, \$117,600 higher than the prior year. The increase was primarily due to an increase in tenants and aircraft occupancy at Tampa Executive Airport under the leadership of FBO (Skyport Holdings).

Other revenues include rentals received for the fuel farm, land rent for rental car storage areas, the post office and the International Plaza Mall, revenues received for the Pemco lease of the maintenance hangars, concession revenues from the flight kitchen operations, and other miscellaneous revenues.

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Although there are multiple items making up this category, an overall increase of \$1,065,500 is due to the continued growth in ground handling companies supporting the airlines at TPA as well as miscellaneous one time revenue items for items such as forfeitures, unclaimed property, & lost & found. In 2016, other revenues decreased by \$1,279,100 primarily due to the decrease in footprint of the rental car operators during the construction of the Rental Car Center.

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 2017, reimbursement for Law Enforcement Officers was more or less flat versus 2016 as funding rates did not change. During 2016, reimbursement for Law Enforcement Officers increased by \$168,300 versus the prior year due to higher than projected funding levels.

Operating Expenses

| <u>Expense Classification</u> | <u>Year</u> | | | <u>Percent Change</u> | |
|-------------------------------|----------------------|----------------------|----------------------|-------------------------|-------------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2016 to 2017</u> | <u>2015 to 2016</u> |
| Airfield | \$ 13,301,269 | \$ 12,577,673 | \$ 11,474,823 | 5.8% | 9.6% |
| Terminal Building | 30,456,523 | 30,263,297 | 30,409,028 | 0.6 | (0.5) |
| Airside Buildings | 27,546,010 | 26,221,302 | 23,711,509 | 5.1 | 10.6 |
| Commercial Landside | 28,102,155 | 27,426,993 | 24,693,761 | 2.5 | 11.1 |
| Cargo | 818,028 | 739,327 | 699,277 | 10.6 | 5.7 |
| Auxiliary Airports | 1,687,004 | 1,528,688 | 1,473,503 | 10.4 | 3.7 |
| General Aviation | 1,315,674 | 1,011,664 | 907,306 | 30.1 | 11.5 |
| Passenger Transfer System | 4,451,889 | 4,330,343 | 4,271,253 | 2.8 | 1.4 |
| Roads and Grounds | 10,474,881 | 9,790,121 | 9,443,143 | 7.0 | 3.7 |
| Other | 6,702,289 | 5,583,279 | 1,087,955 | 20.0 | 413.2 |
| Total | <u>\$124,855,722</u> | <u>\$119,472,687</u> | <u>\$108,171,558</u> | 4.5% | 10.4% |

The table above presents the major expense classifications for 2017, 2016, and 2015. Total operating expenses for 2017 were \$124,855,700, an increase of \$5,383,000, or 4.5% increase over the prior fiscal year. Total operating expenses for 2016 were \$119,472,687, an increase of \$11,301,100 or 8.1% over the prior fiscal year. The sections following provide a more detailed analysis of these variances.

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2017 Discussion of Operating Expenses

The Authority continued the trend of strong financial growth while maintaining successful cost management, in fiscal year 2017. Although the total expenses increased approximately \$5.4 million compared with fiscal year 2016, they were \$5,170,500 less than the budget. In fiscal year 2017, salaries and benefits increased 5.3% or \$3,214,000 compared to fiscal year 2016. The major contributing factors to this variance were an increase of \$1,806,200 in salaries, due to an increase in headcount along with a merit increase which averaged 3.5%. Florida Retirement System rates increased in FY17, causing higher increases of 8.7% & 3.3% or \$360,000 and \$104,000, respectively. Group insurance costs increased of 13.0% or \$1,091,500, due to the additional positions being filled during the year. Non-personnel expenses increased overall by \$1,102,500 or 1.9% versus the prior year. Contracted services increased by \$125,000 or 0.7% versus 2016 due to increased costs associated management of the Concessions Warehouse, which supports the concessions redevelopment program. Although the Authority is reimbursed by the concessionaires for this expense, the full-year of operations resulted in an increase of \$528,600 versus the prior year. Business improvement studies to support ongoing initiatives to maintain and drive new revenue initiatives increased by \$190,500 versus the prior year. Offsetting these increases were decreases in outside legal counsel, Aircraft Rescue & Firefighting, Promotional Advertising, and the use of the Authority's engineering and insurance consultants. Contractual Maintenance increased by \$1,064,600 or 6.1% due to software support and maintenance and janitorial costs associated with the larger airport footprint. Supplies & Material increased by \$505,000 or 14.8% as our maintenance department continues to support and maintain the over 40 year old facility. Utility costs decreased by \$1,044,200 versus 2016 primarily due to lower electricity rates from TECO. Property insurance premiums decreased, resulting in a savings of \$448,500 or 16.2% versus 2016. Although other expenses were under budget by \$871,400, they increased by \$900,900 or 31.9%, due to increases in master plan marketing, promotions, & travel & training in an effort to support the continued air service growth as well as maintain our top customer service scores during the Master Plan construction. During 2017, the Authority allocated \$4,658,160 of project related costs to capital projects, an increase of \$63,400 over fiscal year 2016.

2016 Discussion of Operating Expenses

In an effort to support the Master Plan construction, the appropriate resources were added during fiscal year 2016, driving total operating expenses increased approximately \$8.8 million compared with fiscal year 2015. In addition, the Authority's successful cost management resulted in a savings versus budget of \$1,710,100. In fiscal year 2016, salaries and benefits increased 6.4%, or \$3,660,500 compared to fiscal year 2015. The major contributing factors to this variance were an increase of \$2,567,400 in salaries, due to a lower vacancy factor, the full-year impact of the 2015 merit increases, a 2016 merit increase that averaged 3.5%, increased rates leading to a contributions increase of \$345,000 or 9.1% to the Florida Retirement System, FICA increase of \$199,100, and a \$271,000 increase in medical insurance, and other employee costs. An increase of \$1,540,300 in contracted services is due to the introduction of the Concessions Warehouse Management Fee for the concessions redevelopment program which totaled \$796,000, a net increase of \$289,100 in professional services for a variety of projects associated with the implementation of ongoing Authority initiatives, an increase in the Airport Fire Rescue costs of \$293,800 due to contractual increase with the City of Tampa, a \$280,100 increase in promotional advertising which is primarily for the master plan marketing to improve the passenger experience in light of the increase in construction in the terminal complex. These increases were partially offset by a decrease of \$212,400 in airport engineering costs due to the decrease in non-master plan projects, a decrease in outside legal services of \$191,400

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following the hiring of an internal General Counsel, and a \$104,100 decrease in external audit expenses due to the timing in the transition of external auditors. There was a 7.5% or \$1,213,600 increase in contractual maintenance, relating to software maintenance cost increases of \$893,800 and janitorial contract increases of \$140,600 due to higher rates with the new janitorial provider. Other increases in areas included increased costs of trash removal, shuttle maintenance, and monorail expenses totaling \$201,400 higher when compared with the prior year. Supplies and materials increased 10.2% or \$317,200, primarily due to the increases in building system and miscellaneous supplies. Utility expenses decreased by \$35,500, attributable to decreased consumption due to the construction related decrease in airside shuttle usage which more than offset increases in telecommunication, water and sewer costs. Airport insurance premiums increased by \$346,000 or 14.2% over the prior year. Other expenses increased by \$265,400 or 10.4% which can be attributed to increased cloud based services, dues & subscriptions, employee recruitment, and travel, conferences & training costs. During 2016, the Authority allocated \$4,721,500 of project related costs to capital projects, an increase of \$668,300 over the fiscal year 2015. In addition, changes in environmental expenses and pension expenses of \$1.9 million are attributable to the increase in operating expenses.

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 |
|-------------------------------------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2015 | 2016 to 2017 | 2015 to 2016 |
| Operating Revenues | \$ 212,150,422 | \$209,482,691 | \$205,405,266 | \$ 2,667,731 | \$ 4,077,425 |
| Operating Expenses | 124,855,722 | 119,472,687 | 108,171,558 | 5,383,035 | 11,301,129 |
| Signatory Airline Revenue Sharing | 8,840,961 | 9,866,864 | 10,534,756 | (1,025,903) | (667,892) |
| Operating Income before Depreciation and Amortization | 78,453,739 | 80,143,140 | 86,698,952 | (1,689,401) | (6,555,812) |
| Depreciation and Amortization | 81,539,090 | 84,738,296 | 93,570,189 | (3,199,206) | (8,831,893) |
| Operating (Loss) | (3,085,351) | (4,595,156) | (6,871,237) | 1,509,805 | 2,276,081 |
| Net Nonoperating Expense | (31,197,215) | (33,227,709) | (9,907,236) | 2,030,494 | (23,320,473) |
| Capital Contributions | 177,180,384 | 152,228,079 | 94,912,916 | 24,952,305 | 57,315,163 |
| Increase in Net Position | <u>\$ 142,897,818</u> | <u>\$114,405,214</u> | <u>\$ 78,134,443</u> | <u>\$ 28,492,604</u> | <u>\$ 36,270,771</u> |

In fiscal year 2017, the operating revenues were \$212,150,400, an increase of \$2,667,700 over the prior year, and operating expenses increased \$5,383,000, compared to the prior year. Operating income before depreciation and amortization was \$78,453,700, a decrease of \$1,689,400 over the prior year.

In fiscal year 2016, the operating revenues were \$209,482,700, an increase of \$4,077,400 over the prior year, and operating expenses increased \$11,301,100, compared to the prior year. Operating income before depreciation and amortization was \$80,143,100, a decrease of \$6,555,800 over the prior year, which was driven by the increases in operating expenses exceeding the increases in operating revenues.

Depreciation and amortization expenses were \$81,539,100 \$84,738,300, and \$93,570,200 for 2017, 2016, and 2015, respectively.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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.

In fiscal year 2017, capital contributions from PFCs were \$37,401,100, an increase of \$637,100 over the prior year, due to an increase of enplaned passengers of 155,300 during the year. Total federal and state grants at \$103,822,800 were \$29,406,800 higher than the prior year. The increases were primarily attributable to the increase of \$30,255,700 in the multi-year master plan project grants funded by the Florida Department of Transportation, offsetting the decrease of the Federal capital improvement grant of \$848,900. In addition, the Authority received Federal Reimbursements of \$78,300 for the baggage claim project at the airport.

During fiscal year 2016, capital contributions from PFCs were \$36,764,000, a decrease of \$344,600 over the prior year. Total federal and state grants at \$74,416,100, were \$48,828,600 increase over the prior year. The increases were primarily attributable to the increases of \$48,242,100 in the master plan project grants funded by the Florida Department of Transportation, and federal airport improvement grants of \$4,625,100, offsetting a decrease of other capital improvement grants of \$4,046,500. In addition, the Authority received Federal Reimbursements of \$2,253,000 for the baggage claim project at the airport.

The Customer Facility Charge (CFC) daily rate is \$5.95 for current on-airport companies and those off-airport companies who bid on being in the Rental Car Center transitioned from the \$2.00 per day TFC charge to \$5.95 per transaction day CFC charge.

In fiscal year 2017, the Customer Facility Charge (CFC) net collections were \$35,878,200, which was a \$2,916,800 reduction from the prior year, attributable to an overall 3.9% decrease in rental car transactions resulting from the volatility of market conditions.

In fiscal year 2016, the Customer Facility Charge (CFC) net collections were \$38,795,000 which was an increase of \$8,977,300 over the prior year, resulting from a full year impact of rate increase.

Net non-operating expenses in fiscal year 2017 decreased \$2,030,500 compared with the prior year, primarily due to current and prior years' debt refundings, reducing bond interest payments by \$1,350,900, an increase of \$8,039,200 in interest capitalized for construction projects, and reduction in debt interest expenses of \$1,318,700. The overall decrease in interest expense offset the interest income decrease of \$1,043,100, attributable investments reaching maturity, a partially sale of Reserve Fund investments in 2017, and an unrealized investment loss of \$6,467,200. In addition, amortization of bonds premium and deferred loss further lower the interest expenses.

Net non-operating expenses in fiscal year 2016 increased \$23,320,500 compared with prior year, primarily due to the increases of debt service interest payments of \$26,086,800, as a result of new bonds issuance in late fiscal year 2015 to fund master plan capital projects, offset by an increase of in capitalized interest of 10,747,300 and a net increase of \$2,842,100 in interest income due to better returns in debt proceeds investments.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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 |
|----------------------------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2017 | 2016 | 2015 | 2016 to 2017 | 2015 to 2016 |
| ASSETS | | | | | |
| Current Assets | \$ 222,062,737 | \$ 207,719,974 | \$ 181,201,004 | \$ 14,342,763 | \$ 26,518,970 |
| Capital Assets, Net | 1,921,351,116 | 1,582,218,350 | 1,244,226,832 | 339,132,766 | 337,991,518 |
| Other Non-Current Assets | 234,259,354 | 511,789,358 | 763,143,786 | (277,530,004) | (251,354,428) |
| Total Assets | <u>2,377,673,207</u> | <u>2,301,727,682</u> | <u>2,188,571,622</u> | <u>75,945,525</u> | <u>113,156,060</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred Loss on Refunding of Debt | 1,790,591 | 1,648,532 | 2,171,164 | 142,059 | (522,632) |
| Deferred Outflows on Pension Related Amounts | 20,021,450 | 17,740,513 | 5,599,798 | 2,280,937 | 12,140,715 |
| Total Deferred Outflows of Resources | <u>21,812,041</u> | <u>19,389,045</u> | <u>7,770,962</u> | <u>2,422,996</u> | <u>11,618,083</u> |
| LIABILITIES | | | | | |
| Current Liabilities | 143,364,589 | 156,902,197 | 120,763,883 | (13,537,608) | 36,138,314 |
| Non-Current Liabilities | 1,169,474,771 | 1,222,215,382 | 1,244,266,272 | (52,740,611) | (22,050,890) |
| Total Liabilities | <u>1,312,839,360</u> | <u>1,379,117,579</u> | <u>1,365,030,155</u> | <u>(66,278,219)</u> | <u>14,087,424</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred Gain on Refunding of Debt | 1,324,026 | 1,623,623 | 1,813,448 | (299,597) | (189,825) |
| Deferred Inflows on Pension Related Amounts | 2,362,520 | 314,000 | 3,842,671 | 2,048,520 | (3,528,671) |
| Total Deferred Inflows of Resources | <u>3,686,546</u> | <u>1,937,623</u> | <u>5,656,119</u> | <u>1,748,923</u> | <u>(3,718,496)</u> |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | 907,382,140 | 813,780,062 | 687,704,824 | 93,602,078 | 126,075,238 |
| Restricted | 94,080,706 | 55,966,418 | 59,082,409 | 38,114,288 | (3,115,991) |
| Unrestricted | 81,496,496 | 70,315,044 | 78,869,077 | 11,181,452 | (8,554,033) |
| Total Net Position | <u>\$ 1,082,959,342</u> | <u>\$ 940,061,524</u> | <u>\$ 825,656,310</u> | <u>\$ 142,897,818</u> | <u>\$ 114,405,214</u> |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

Current assets at September 30, 2017, totaled \$222,062,700, an increase of \$14,342,800. The major contributing factor is the increase in unrestricted cash and cash equivalents \$21,155,400, as a result of increases in cash balances of \$17,600,800 in the surplus fund, \$5,926,300 in operation and maintenance fund, and increases in accounts receivable, investments and other current assets of \$1,034,200, offsetting the reductions of \$7,846,900 in restricted cash and cash equivalents and \$939,800 in the capital improvement fund.

Current assets at September 30, 2016, totaled \$207,720,000, an increase of \$26,519,000. The major contributing factor is the increase of \$39,741,200 in restricted cash and cash equivalents, as a result of the master plan project construction expenditures, and decreases in accounts receivables and other assets of \$1,213,800. Additionally, there was a decrease in restricted investments of \$13,833,600.

Current liabilities, with a balance of \$143,364,600 at September 30, 2017, were \$13,537,600 lower than the prior fiscal year. The reductions are primarily due to the current year construction progress of the Master Plan projects with up to date expenditures to be paid during the fiscal year, decreasing net construction related payable and accrued expenses of \$14,089,300, offsetting net increases of \$692,100 in accrued payroll expenses, self-insurance liability and other accrued expenses.

Current liabilities, with a balance of \$156,937,300 at September 30, 2016, were a \$36,173,400 increase over the prior year. The increases are primarily due to the multi-years development of the Master Plan projects with an increase of \$46,255,400 in construction payable and accrued expenses. The decrease of the current portion of bonds principal of \$10,695,000, offset the increase in current liabilities.

At September 30, 2017, the net deferred outflows of resources increased by \$2,423,000, and the net deferred inflows of resources increased by \$1,748,900, primarily attributable to the Authority's participation in the Florida Retirement System.

At September 30, 2016, the net deferred outflows of resources increased by \$11,618,000, and the net deferred inflows of resources decreased by \$3,718,500, both as a result of the Authority's participation in the Florida Retirement System.

At September 30, 2017, non-current liabilities totaled \$ 1,169,474,700, a reduction of \$52,740,600 compared with the balance at the ending of fiscal year 2016. The major contributing factor is the decreases in bonds payable of \$51,016,700, as a result of several bond refundings completed during the year to reduce long-term bonds liabilities of \$15,730,000 (details included in Note 8, Debt and Other Non-Current Liabilities), an increase of \$33,135,000 scheduled principal payments due to their maturity in the coming fiscal year 2018, as well as amortizing bonds premiums and discounts of \$2,151,700 in current year. In addition, repayment of the bank notes of \$10,800,000, and a net reduction in liquidated damage payable and other liability of \$794,900, offset the increase of \$3,864,500 in net pension liabilities shared from the Florida Retirement System.

At September 30, 2016, non-current liabilities totaled \$1,222,215,400, a reduction of 22,050,900 compared with the balance at the ending of fiscal year 2015. The major contributing factor is the decrease in bonds payable of \$37,135,000, bank notes of \$1,771,500, and amortization of bonds premium of \$3,151,600, offsetting an increase of other liabilities of \$1,805,700 resulting from establishing potential construction related liquidated damage payable of \$1,125,000, and increasing in other post-employment benefits and environmental liabilities of \$670,600.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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. In 2013, the current agreement was extended one more time through September 30, 2020.

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 2017 and 2016. 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 | 2017 | 2016 |
|--------------------------------|---------------|---------------|
| Airline Landing Fees | \$ 16,931,331 | \$ 15,826,721 |
| Landside Terminal Rentals | 22,923,075 | 22,871,765 |
| Airside Building Rentals | 20,182,515 | 18,755,210 |
| Total Airline Fees and Charges | 60,036,921 | 57,453,696 |
| Less: Airline Revenue Sharing | (8,840,961) | (9,866,864) |
| Net Airline Fees and Charges | \$ 51,195,960 | \$ 47,586,832 |
| Enplaned Passengers | 9,641,228 | 9,485,879 |
| Airline Cost per Passenger | \$ 5.31 | \$ 5.02 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

Capital Improvement Program

During fiscal year 2017, the Authority received Board approval for \$88.3 million of capital projects. Projects in the FY2017 Budget include replacement or upgrade of various systems, rehabilitation of structures and initiatives at the general aviation facilities. The Taxiway W Pavement Reconstruction Project, budgeted at \$17.7 million, preserve and improve the safety and capacity of the airfield system. The reclamation of level 1 and 2 of the long term parking garage, budgeted at \$15.6 million, repurposes these levels from their current use as rent-a-car (RAC) pick-up and drop-off, returning these floors to general public parking. An associated project at the long term garage closes the petroleum storage system for the RAC quick turnaround facility, for a cost of \$2.5 million. Other renovation projects for the Authority's parking garages include \$2.9 million for level 8 of the short term garage and \$2.1 million for the ramps at the economy garage; both projects extend the useful life of the facilities. An additional \$15.0 million continue to upgrade the checked baggage system that began in FY2014. Other software and technology projects totaling \$11.0 million include replacement of the airport security and cable management systems, CCTV server refresh, common use self-service, Network Operation Center technology enhancements, enterprise geographical information systems and the upgrade of the server and software for the baggage handling system. The Shuttle Guideway Railing project, budgeted at \$2.9 million, will improve the guard rails on the shuttle bridges to the airside. There are several rehabilitation and replacement projects, for a total of \$8.6 million, for airside and boarding bridge carpets, the automated transit system, main terminal airside space, ARFF facility and vehicle, exterior dynamic signage and recurring structural and pavement rehabilitation. A total of \$9.7 million is budgeted for general aviation projects including runway and other pavement rehabilitation, hangar rehabilitation, access control system upgrades and perimeter fence replacement. These projects will be funded with the Authority funds, PFC funds, federal and state grants.

In fiscal year 2017, the Authority substantially completed reconstruction of the Taxiway J pavement and Boarding Bridge projects at a cost of \$29,861,700, structure and pavement inspection and rehabilitation at a cost of \$2,237,100; common shared self-service passenger processing system at a cost of \$2,473,000, Main Terminal roof replacement and transfer level concession redevelopment at a cost of \$2,271,000, long-term parking garage lighting fixtures replacement at a cost of \$1,115,300, Airside F support facility roof rehabilitation at a cost of \$1,064,900, petroleum storage system refurbishment at a cost of \$1,044,200, perimeter security study at a cost of \$860,800, Aircraft Rescue and Fire Fighting (ARFF) vehicle replacement and facility refurbishment at a cost of \$1,467,400, general aviation automated weather observation system at a cost of \$ 339,400, and other airside, Taxiway bridge and maintenance contingency projects at a cost of \$1,733,500. These completed projects were paid by a combination of Authority funds and grants.

During fiscal year 2016, the Authority received Board approval for \$50.1 million of capital projects. Projects in fiscal year 2016 include replacement or upgrade of various systems, rehabilitation of structures and initiative at the general aviation facilities. The Airfield Pavement Rehabilitation Project, budgeted at \$19.8 million, extends the useful life of the taxiways and repaint airfield markings. Other airfield and site improvement and rehabilitation projects total \$6.1 million. Phase 3 of the Replace Parking Revenue Control System, budgeted at \$6.2 million, reduces labor costs, supports new customer product offerings, and maintain payment card industry data security standards. The \$3.7 million Commercial Ground Transportation Facility Project is an enabling project for the consolidated rental car facility. Phase 2 of the Common Use Passenger Processing System Enhancement project, in the budget at \$3.3 million, increases the efficiency and utilization of existing gates and ticket counters and allow for flexibility to re-assign gates resources as needed. Information technology projects totaling \$4.6 million include checked baggage system upgrades and optimization, replacement of interior cabling, and a refresh of the network operations center technology. A total of

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

\$4.3 million is budgeted for general aviation projects including tree trimming, automated weather observation system improvements, hangar rehabilitation and pond maintenance. Terminal and airside improvement are budgeted at \$1.8 million to upgrade the shuttle and monorail systems, refurbish boarding bridges at Airside A and rehabilitate airline and TSA space at Airside C. These projects will be funded with the Authority funds, PFC funds, federal and state grants.

In fiscal year 2016, the Authority substantially completed Airside F Boarding Bridges and general aviation facility replacements at a cost of \$15,627,200, construction of the concessions warehouse at a cost of \$7,490,600, fuel farm maintenance at a cost of \$7,622,300, shared tenant network system replacement at a cost of \$1,561,800, public parking garages rehabilitation at a cost of \$1,560,700, police radio system replacement at a cost of \$1,310,300, site rehabilitation at a cost of \$1,092,900, general aviation master plan update at a cost of \$875,500, and other airside and support facilities maintenance projects at a cost of \$1,945,900. 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 2017 and 2016, the Authority expended \$360,499,200 and \$335,440,700, respectively, towards the acquisition and construction of capital assets.

In May 2015, PFC Application #10, authorizing PFC collections in the amount of \$469,873,000 was approved by the Federal Aviation Administration, bringing the total collection authority for all PFC applications to \$1,298,745,400. Through September 30, 2017, \$699,489,900 has been collected under these approved applications. Expenditures under the PFC applications through September 30, 2017 total \$912,581,500. Expenditures in excess of collections are funded from the issuance of PFC-backed revenue bonds, 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 \$1,109,475,000. Of this total, \$38,135,000 is reported as the current liability. Prior to 2009, all of the Authority's long-term bonds were issued as insured debt.

On October 3, 2016, the Authority used proceeds from the bank notes in the amount of \$10,430,000 to refund the Tampa International Airport Senior Revenue Refunding Bonds 2006 Series A, in the principal amount of \$5,900,000, and Senior Revenue Refunding Bonds 2006 Series B, in the principal amount of \$4,530,000.

On December 15, 2016, the Authority issued the Tampa International Airport Senior Revenue Refunding Bonds 2016 Series A, in the principal amount of \$16,425,000.

The proceeds from 2016A Senior Bonds were used to refund 2008 Series B Revenue Bonds and partially accrued interest totaling \$171,896.

The refundings of 2006A, 2006B, and 2008B Bonds result in approximately net present value savings of \$9.4 million.

On November 10, 2015, the Authority issued the Tampa International Airport Senior Revenue Refunding Bonds 2015 Series B, in the principal amount of \$43,160,000, and Senior Revenue Refunding Bonds 2015 Series C, in the principal amount of \$18,710,000, respectively.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

The proceeds from 2015B and 2015C Senior Bonds were used to refund 2005 Series A and Series B Revenue Bonds and partially accrued interest totaling \$361,000. The refunding of 2005A and 2005B Bonds results in approximately net present value savings of \$6.5 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.

During fiscal year 2016, the Authority repaid the Bank Notes in the amount of \$12,215,000 for the debt refinement and bus purchases, and issued Bank Notes in the amount of \$10,470,000 to refund 2006 Series A and B Revenue Bonds on October 3, 2016. The total issue costs for the Bank Notes are \$40,000. (see Note 8 – Debt and Other Non-Current Liabilities).

During fiscal year 2017, the Authority repaid the Bank Notes in the amount of \$10,800,000.

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 2017 and 2016 was 2.24 and 2.37, 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, Vice President of Finance, Tampa International Airport, P.O. Box 22287, Tampa, FL 33622. Information of interest may also be obtained on the Authority's website at TampaAirport.com.

FINANCIAL STATEMENTS

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2017 AND 2016**

| | 2017 | 2016 |
|---------------------------------------------------|------------------------|------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Unrestricted: | | |
| Cash and Cash Equivalents | \$ 114,194,740 | \$ 93,039,348 |
| Prepays | 1,937,905 | 1,838,583 |
| Government Grants Receivable | 358,604 | 178,054 |
| Total Unrestricted Assets | <u>116,491,249</u> | <u>95,055,985</u> |
| Restricted: | | |
| Cash and Cash Equivalents | 84,941,689 | 92,788,564 |
| Investments | 11,148,185 | 10,867,407 |
| Accounts Receivable, Net | 6,665,849 | 6,299,923 |
| Accrued Interest Receivable | 796,787 | 769,166 |
| Other Assets | 2,018,978 | 1,938,929 |
| Total Restricted Assets | <u>105,571,488</u> | <u>112,663,989</u> |
| Total Current Assets | <u>222,062,737</u> | <u>207,719,974</u> |
| NONCURRENT ASSETS | | |
| Capital Assets: | | |
| Land | 203,818,436 | 203,721,144 |
| Construction in Progress | 927,289,986 | 564,580,248 |
| Building, Equipment and Improvements | 2,118,652,900 | 2,084,619,652 |
| Total | <u>3,249,761,322</u> | <u>2,852,921,044</u> |
| Less: Accumulated Depreciation | <u>(1,328,410,206)</u> | <u>(1,270,702,694)</u> |
| Total Capital Assets, Net | 1,921,351,116 | 1,582,218,350 |
| Cash and Cash Equivalents, Restricted | 120,799,527 | 171,586,564 |
| Investments, Restricted | 84,931,982 | 307,793,427 |
| Passenger Facility Charges Receivable, Restricted | 4,392,187 | 3,617,870 |
| Government Grants Receivable, Restricted | 23,079,544 | 27,352,182 |
| Accrued Interest Receivable, Restricted | - | 174,466 |
| Debt Prepaid Insurance Costs, Net | 1,056,114 | 1,264,849 |
| Total Noncurrent Assets | <u>2,155,610,470</u> | <u>2,094,007,708</u> |
| Total Assets | <u>2,377,673,207</u> | <u>2,301,727,682</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Loss on Refunding of Debt | 1,790,591 | 1,648,532 |
| Deferred Outflows on Pension Related Amounts | 20,021,450 | 17,740,513 |
| Total Deferred Outflows of Resources | <u>21,812,041</u> | <u>19,389,045</u> |

(Continued)

HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2017 AND 2016

Statements Of Net Position
September 30, 2017 and 2016

| | 2017 | 2016 |
|------------------------------------------------------------|-------------------------|-----------------------|
| CURRENT LIABILITIES | | |
| Payable from Unrestricted Assets: | | |
| Accounts Payable – Construction | \$ 2,798,347 | \$ 1,717,410 |
| Accrued Airline Revenue Sharing | 8,840,961 | 9,866,864 |
| Accounts Payable – Trade | 7,080,005 | 5,383,183 |
| Accrued Expenses | 18,697,517 | 26,832,758 |
| Net Pension Liability, Due Within One Year | 376,271 | 437,993 |
| Total Current Liabilities Payable from Unrestricted Assets | <u>37,793,101</u> | <u>44,238,208</u> |
| Payable from Restricted Assets: | | |
| Accounts Payable – Construction | 59,117,603 | 64,672,188 |
| Accrued Interest Payable | 66,175 | 62,261 |
| Current Maturities of Revenue Bonds Payable | 38,135,000 | 34,875,000 |
| Current Maturities of Bank Notes | 4,203,527 | 10,210,000 |
| Other Liabilities | 4,049,183 | 2,844,540 |
| Total Current Liabilities Payable from Restricted Assets | <u>105,571,488</u> | <u>112,663,989</u> |
| Total Current Liabilities | <u>143,364,589</u> | <u>156,902,197</u> |
| NONCURRENT LIABILITIES | | |
| Revenue Bonds Payable, Net of Current Maturities | 1,114,554,746 | 1,165,571,436 |
| Bank Notes, Net of Current Maturities | - | 4,793,527 |
| Net Pension Liability | 48,627,302 | 44,762,771 |
| Other Liabilities | 6,292,723 | 7,087,648 |
| Total Noncurrent Liabilities | <u>1,169,474,771</u> | <u>1,222,215,382</u> |
| Total Liabilities | <u>1,312,839,360</u> | <u>1,379,117,579</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Gain on Refunding of Debt | 1,324,026 | 1,623,623 |
| Deferred Inflows on Pension Related Amounts | 2,362,520 | 314,000 |
| Total Deferred Inflows of Resources | <u>3,686,546</u> | <u>1,937,623</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 907,382,140 | 813,780,062 |
| Restricted for: | | |
| Construction | 43,318,102 | 31,736,436 |
| Customer Facility Charges | 39,982,694 | 24,229,982 |
| Other Purposes | 10,779,910 | - |
| Unrestricted | 81,496,496 | 70,315,044 |
| Total Net Position | <u>\$ 1,082,959,342</u> | <u>\$ 940,061,524</u> |

See accompanying notes to financial statements.

HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEPTEMBER 30, 2017 AND 2016

| | 2017 | 2016 |
|-------------------------------------------------------|---------------------|---------------------|
| OPERATING REVENUES | | |
| Airfield | \$ 19,038,968 | \$ 17,410,487 |
| Terminal Building | 48,459,064 | 48,250,652 |
| Airside Buildings | 21,090,618 | 19,828,461 |
| Commercial Landside | 106,491,397 | 108,488,403 |
| Cargo | 2,331,214 | 2,121,928 |
| Auxiliary Airports | 1,299,465 | 1,182,089 |
| General Aviation | 2,503,557 | 2,323,015 |
| Federal Reimbursements | 948,190 | 955,176 |
| Other | 9,987,949 | 8,922,480 |
| Total Operating Revenues | <u>212,150,422</u> | <u>209,482,691</u> |
| OPERATING EXPENSES | | |
| Airfield | 13,301,269 | 12,577,673 |
| Terminal Building | 30,456,523 | 30,263,297 |
| Airside Buildings | 27,546,010 | 26,221,302 |
| Commercial Landside | 28,102,155 | 27,426,993 |
| Cargo | 818,028 | 739,327 |
| Auxiliary Airports | 1,687,004 | 1,528,688 |
| General Aviation | 1,315,674 | 1,011,664 |
| Passenger Transfer System | 4,451,889 | 4,330,343 |
| Roads and Grounds | 10,474,881 | 9,790,121 |
| Other | 6,702,289 | 5,583,279 |
| Total Operating Expenses | <u>124,855,722</u> | <u>119,472,687</u> |
| Signatory Airline Net Revenue Sharing | <u>8,840,961</u> | <u>9,866,864</u> |
| Operating Income before Depreciation and Amortization | 78,453,739 | 80,143,140 |
| Depreciation and Amortization | <u>81,539,090</u> | <u>84,738,296</u> |
| OPERATING INCOME (LOSS) | <u>(3,085,351)</u> | <u>(4,595,156)</u> |
| NONOPERATING REVENUES AND EXPENSES | | |
| Interest Income | 3,135,291 | 4,178,371 |
| Net Realized and Unrealized Investment (Loss) Gain | (3,990,428) | 2,476,769 |
| Interest Expense | <u>(30,342,078)</u> | <u>(39,882,849)</u> |
| Total Nonoperating Expenses – Net | <u>(31,197,215)</u> | <u>(33,227,709)</u> |
| CHANGE IN NET POSITION BEFORE CONTRIBUTIONS | <u>(34,282,566)</u> | <u>(37,822,865)</u> |

(Continued)

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEPTEMBER 30, 2017 AND 2016**

| | 2017 | 2016 |
|-----------------------------------------|--------------------------------|------------------------------|
| CAPITAL CONTRIBUTIONS | | |
| Passenger Facility Charges | 37,401,050 | 36,763,954 |
| Federal and State Grants | 103,822,840 | 74,416,070 |
| Federal Reimbursements | 78,281 | 2,253,008 |
| Customer Facility Charges | 35,878,213 | 38,795,047 |
| Total Capital Contributions | <u>177,180,384</u> | <u>152,228,079</u> |
| CHANGE IN NET POSITION | 142,897,818 | 114,405,214 |
| Total Net Position – Beginning of Year | 940,061,524 | 825,656,310 |
| TOTAL NET POSITION – END OF YEAR | <u><u>\$ 1,082,959,342</u></u> | <u><u>\$ 940,061,524</u></u> |

See accompanying notes to financial statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

| | 2017 | 2016 |
|-----------------------------------------------------------------|------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating Cash Receipts from Customers | \$ 211,215,186 | \$ 211,592,303 |
| Cash Payments to Suppliers for Goods and Services | (102,782,818) | (73,663,054) |
| Cash Payments to Employees for Services | (42,424,401) | (39,137,628) |
| Cash Receipts from Federal Reimbursements | 767,640 | 894,856 |
| Net Cash Provided by Operating Activities | <u>66,775,607</u> | <u>99,686,477</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from Issuance of Revenue Refunding Bonds | 16,425,000 | 61,870,000 |
| Proceeds from Issuance of Revenue Bonds | - | - |
| Proceeds from Issuance of Bank Notes | - | 10,470,000 |
| Payment to Escrow for Bond Refunding | (27,379,490) | (64,460,957) |
| Redemption of Bank Notes | (10,800,000) | (12,215,000) |
| Payments of Bonds Issue Costs | (103,087) | (166,667) |
| Payments of Bank Notes Issuance costs | - | (40,000) |
| Principal Paid on Revenue Bond Maturities | (34,875,000) | (45,600,000) |
| Interest Paid on Revenue Bonds and Bank Notes | (52,783,774) | (56,829,695) |
| Acquisition and Construction of Capital Assets | (396,377,429) | (374,235,706) |
| Rental Car Customer Facility Charges | 35,878,213 | 38,795,047 |
| Federal and State Grants | 108,871,331 | 60,161,169 |
| Passenger Facility Charges | 36,626,733 | 36,872,960 |
| Net Cash Used by Capital and Related Financing Activities | <u>(324,517,503)</u> | <u>(345,378,849)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Investment Securities | (240,226,659) | (167,220,773) |
| Proceeds from Maturities of Investment Securities | 457,183,892 | 457,790,686 |
| Income Received on Investments | 3,306,143 | 4,494,628 |
| Net Cash Provided by Investing Activities | <u>220,263,376</u> | <u>295,064,541</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | <u>(37,478,520)</u> | <u>49,372,169</u> |
| Cash and Cash Equivalents – Beginning of year | <u>357,414,476</u> | <u>308,042,307</u> |
| CASH AND CASH EQUIVALENTS – END OF YEAR | <u><u>\$ 319,935,956</u></u> | <u><u>\$ 357,414,476</u></u> |

(Continued)

See accompanying notes to financial statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

| | 2017 | 2016 |
|--------------------------------------------------------------------------------------|------------------------|------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating Loss | \$ (3,085,351) | \$ (4,595,156) |
| Adjustments to Reconcile Operating Income to Net Cash | | |
| Provided by Operating Activities: | | |
| Depreciation and Amortization | 81,539,090 | 84,738,296 |
| (Increase) Decrease in Accounts Receivable | (365,926) | 515,314 |
| (Increase) Decrease in Prepaid Insurance and Other Assets | (390,758) | 638,203 |
| Increase in Accounts Payable - Trade | 1,696,822 | 1,196,378 |
| (Decrease) Increase in Accrued Expenses and Other Liabilities | (17,428,100) | 12,849,265 |
| Increase in Unearned Revenue | 1,239,438 | 756,611 |
| Increase in Pension Related Liabilities | 3,570,392 | 3,587,566 |
| Net Cash Provided by Operating Activities | <u>\$ 66,775,607</u> | <u>\$ 99,686,477</u> |
| Noncash Investing, Capital and Financing Activities | | |
| Unrealized (Loss) Gain on Investments | <u>\$ (4,014,434)</u> | <u>\$ 2,356,532</u> |
| Capatalized interest | <u>\$ 21,178,559</u> | <u>\$ 13,139,382</u> |
| Amortization of Bond Premium - Net | <u>\$ 1,818,970</u> | <u>\$ 2,273,948</u> |
| Amortization of Deferred Gain on Bond Refundings | <u>\$ 579,725</u> | <u>\$ 683,898</u> |
| Amortization of Deferred Loss on Bond Refundings | <u>\$ (1,129,092)</u> | <u>\$ (522,633)</u> |
| Accounts Payable - Construction | <u>\$ (59,117,603)</u> | <u>\$ (64,672,188)</u> |
| Government Grant Receivable | <u>\$ 23,079,544</u> | <u>\$ 27,352,182</u> |

See accompanying notes to financial statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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 into 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 Automated People Mover (APM) and the Consolidated Rental Car Center (ConRAC) projects, the Authority entered into 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 THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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

Cash and Cash Equivalents

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

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Authority's investments are reported at fair value using quoted market price or other fair value techniques as required by GASB Statement No. 72, *Fair Value Measurements*. Fair value is defined by GASB Statement No. 72, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Interest and dividends are recognized when earned, realized gains and losses when sales occur and unrealized gain or loss based on the change in fair value between reporting periods.

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. Unliquidated cash balances resulting from collections of passenger facility charges and rental car facility charges are also reported as restricted assets as their use is legally restricted.

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 resources to have been depleted before unrestricted resources.

Accounts Receivable

Management considers the need for an allowance for doubtful accounts based on the expected collectability of outstanding balances. No allowance has been made for fiscal years 2017 and 2016.

Grants

Grants received from federal and state governmental agencies that are restricted for the acquisition or construction of capital assets are recognized as capital contributions when eligibility requirements are met. Eligibility requirements are typically met 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 operating revenue in the statements of revenues, expenses and changes in net position.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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 projects pre-approved by the FAA. PFCs are recorded as Capital Contributions in the accompanying statements of revenues, expenses and changes in net position.

Rental Car Facility Charges

The CFCs are collected at \$5.95 per transaction day for current on-airport companies and those off-airport companies who will be operating in the ConRAC. A \$2.00 per transaction day TFC charge is collected for the off-airport rental car companies who will not operate out of the ConRAC. 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, PFCs and CFCs. 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. Interest capitalized for the fiscal years ended September 30, 2017 and 2016 was \$21,178,559 and \$13,139,382 respectively.

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 THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Compensated Absences

Employees accrue annual leave in varying amounts based upon length of service, hire date and work schedule per pay period. As of the last payday of the fiscal year, all leave remaining in excess of 256 hours (Police 269), a portion of the time can be purchased by the Authority, and up to 80 hours (Police 84 hours) may be carried forward.

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.

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) 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 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 FRS Pension Plan and the Retiree HIS Program. These amounts will be recognized as increases in pension expense in future years.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 FRS Pension investments, relating to the FRS Pension Plan and the Retiree HIS 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.

Rentals and concession fees are generated from airlines, parking structures and lots, rental cars, fixed based operators, food and beverage, retail, advertising and other commercial tenants. Leases with the airlines are based on residual cost recovery method, through rates and charges pursuant to the agreement. Leases are typically for terms from one or more years and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized on a straight line basis over the life of the respective leases and concession revenue is recognized based on reported concession revenue and typically based on a minimum rental guarantee. Rental revenue and concession revenue are recognized as operating revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

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.

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 related project costs are incurred.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Classifications

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

Airfield – Fees for landing of cargo and passenger aircraft.

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

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

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

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

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

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

Federal Reimbursements – Operating grants from the federal government for reimbursing security activities at Tampa International Airports.

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

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Classifications (Continued)

The major sources of revenues are as follows for the fiscal years ending September 30, 2017 and 2016:

| | 2017 | 2016 |
|---------------------------|----------------|----------------|
| Aeronautical Space Rental | \$ 44,650,935 | \$ 43,103,961 |
| Concessions | 23,762,086 | 23,555,767 |
| Federal Reimbursements | 948,190 | 955,176 |
| General Aviation | 3,801,497 | 3,503,154 |
| Landing Fees | 18,498,118 | 16,992,668 |
| Other | 15,528,713 | 13,843,650 |
| Parking | 68,940,818 | 70,863,642 |
| Rental Cars | 36,020,065 | 36,664,673 |
| | \$ 212,150,422 | \$ 209,482,691 |

Recent Accounting Pronouncements

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 year 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 Statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. Disclosure requirements about defined benefit OPEB are also addressed. The Authority has determined that the impact on its financial statements would be immaterial.

GASB Statement 83, *Certain Asset Retirement Obligations*, was issued in November 2016 and will be effective for the Authority in fiscal year 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs), and enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. The Authority has not yet determined the impact on its financial statements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

GASB Statement 86, *Certain Debt Extinguishment Issues*, was issued in May 2017 and will be effective for the Authority in fiscal year 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Authority has not yet determined the impact on its financial statements.

GASB Statement 87, *Leases*, was issued in June 2017 and will be effective for the Authority in fiscal year 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement also includes an exception for short-term leases, and exceptions for contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. The Authority's leases may be classified as regulated leases within the scope of exceptions of the Statement. 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, CFCs, 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, excluding bonds payable from CFC collections, 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

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 3 RATE-MAKING POLICY (CONTINUED)

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, 2017 and 2016 were \$8,840,961 and \$9,866,864, 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.

NOTE 4 CASH AND INVESTMENTS

Included in the Authority's cash balances are 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.

At September 30, 2017 and 2016, all cash, cash equivalents and investments, were as follows:

| | 2017 | 2016 |
|----------------------------------------------|----------------|----------------|
| U.S. Treasury Securities | \$ 92,252,714 | \$ 314,880,138 |
| Certificate Deposit | 3,827,453 | 3,780,696 |
| Investments Subtotal | 96,080,167 | 318,660,834 |
| Cash in Deposit Accounts | 319,935,956 | 357,414,476 |
| Total Cash and Investments | \$ 416,016,123 | \$ 676,075,310 |
| Reconciliation to Statement of Net Position: | | |
| Cash and Cash Equivalents – Unrestricted | \$ 114,194,740 | \$ 93,039,348 |
| Cash and Cash Equivalents – Restricted | 205,741,216 | 264,375,128 |
| Investments – Restricted | 96,080,167 | 318,660,834 |
| Total Cash and Investments | \$ 416,016,123 | \$ 676,075,310 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

The Authority is authorized to invest in securities as described in its investment policy and the Trust Agreement. The authorized investments are allowable under Florida Statute 218.415. As of September 30, 2017 and 2016, the Authority held the following investments as categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

| | | Investment Maturities – 2017 | | | | |
|------------------------|---------------|------------------------------|----------------------|----------------------|----------------------|-----------------------|
| | | Less Than 1 Year | 1 to 5 Years | 6 to 10 Years | 11 to 15 Years | Total |
| Investment Type | | | | | | |
| | U.S. Treasury | \$ 21,188,081 | \$ 16,212,902 | \$ 8,095,062 | \$ 46,756,669 | \$ 92,252,714 |
| | Total | <u>\$ 21,188,081</u> | <u>\$ 16,212,902</u> | <u>\$ 8,095,062</u> | <u>\$ 46,756,669</u> | <u>\$ 92,252,714</u> |
| | | Investment Maturities – 2016 | | | | |
| | | Less Than 1 Year | 1 to 5 Years | 6 to 10 Years | 11 to 15 Years | Total |
| Investment Type | | | | | | |
| | U.S. Treasury | \$ 230,603,470 | \$ 20,565,427 | \$ 14,050,032 | \$ 49,661,209 | \$ 314,880,138 |
| | Total | <u>\$ 230,603,470</u> | <u>\$ 20,565,427</u> | <u>\$ 14,050,032</u> | <u>\$ 49,661,209</u> | <u>\$ 314,880,138</u> |

Interest Rate Risk

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

Credit Risk

The Authority's banking and investment policy is to apply the prudent-person rule: investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would make, not for speculation, but for investment, considering the probable safety of the principal as well as the probable income to be derived. The Authority will also strive to maximize the return on the portfolio while minimizing risk. The Authority's 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.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

For an investment, custodial credit 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 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, Certificates of Deposit, 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.

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by the standard. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of September 30, 2017 and 2016:

- U.S. Treasury securities of \$92,252,714 and \$314,880,138, respectively, are valued using quoted market prices (Level 1 input).

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, 2017 and 2016 is as follows:

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 5 RESTRICTED ASSETS (CONTINUED)

| | 2017 | 2016 |
|------------------------------------------------------|----------------|----------------|
| Restricted for Debt Service: | | |
| Bond Principal, Interest, and Redemption | | |
| Sinking Fund | \$ 200,016 | \$ 17,931,061 |
| Bond Reserve Fund | 83,016,675 | 88,561,916 |
| Restricted to Acquisition of Property and Equipment: | | |
| Construction and Equipment Funds | 138,110,790 | 414,137,719 |
| Restricted to Operating Expenses: | | |
| Operating Reserve Account | 20,415,407 | 19,051,858 |
| | 241,742,888 | 539,682,554 |
| Other Restricted Funds: | | |
| Revenue Funds | 23,419,824 | 22,262,748 |
| Escrow and Forfeiture Deposits | 311,160 | 323,537 |
| Certificate Deposit for OCIP Collateral | 3,827,452 | 3,780,696 |
| Capital Acquisition | 27,471,731 | 30,970,052 |
| Rental Car Facility Future Development | 39,982,695 | 24,229,982 |
| Prepaid Insurance and Other Assets | 2,018,978 | 1,938,929 |
| | 97,031,840 | 83,505,944 |
| Total Restricted Assets | \$ 338,774,728 | \$ 623,188,498 |

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. Certain leases provide for minimum rentals plus a contingency portion specified as a percentage of the tenant's gross revenues. Contingent rental revenue under such arrangements amounted to approximately \$22,691,290 and \$14,280,276 for the years ended September 30, 2017 and 2016, respectively.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 6 LEASES (CONTINUED)

The following is a schedule by years of minimum future revenues for each of the next five years and thereafter on non-cancelable agreements as of September 30, 2017:

| Year Ended September 30, | Amount |
|--------------------------|---------------|
| 2018 | \$ 91,756,008 |
| 2019 | 94,361,186 |
| 2020 | 92,965,142 |
| 2021 | 60,627,551 |
| 2022 | 60,298,920 |
| 2023-2027 | 288,762,975 |
| 2028-2032 | 93,919,919 |
| 2033-2037 | 26,043,056 |
| 2038-2042 | 11,412,163 |
| 2043-2047 | 8,848,870 |
| 2048-2052 | 7,733,771 |
| 2053-2057 | 7,431,447 |
| 2058-2062 | 7,486,667 |
| 2063-2067 | 7,491,563 |
| 2068-2072 | 7,547,839 |
| 2073-2077 | 7,552,939 |
| 2078-2080 | 4,566,019 |

The majority of the Authority's capital assets used in operations are subject to operating lease agreements.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 7 CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2017 and 2016 is summarized as follows:

| | Balance October 1, 2016 | Additions and Reclasses | Deletions and Reclasses | Balance September 30, 2017 |
|---------------------------------|-------------------------------|----------------------------|----------------------------|----------------------------------|
| Land | \$ 203,721,144 | \$ 97,292 | \$ - | \$ 203,818,436 |
| Construction in Progress | 564,580,248 | 418,477,658 | (55,767,920) | 927,289,986 |
| Equipment | 47,888,562 | 4,644,701 | (2,839,861) | 49,693,402 |
| Buildings and Improvements | 2,036,731,090 | 53,055,144 | (20,826,736) | 2,068,959,498 |
| | <u>2,852,921,044</u> | <u>476,274,795</u> | <u>(79,434,517)</u> | <u>3,249,761,322</u> |
| Less: Accumulated Depreciation: | | | | |
| Equipment | (39,690,690) | (4,278,000) | 2,827,339 | (41,141,351) |
| Buildings and Improvements | (1,231,012,004) | (75,330,722) | 19,073,871 | (1,287,268,855) |
| | <u>(1,270,702,694)</u> | <u>(79,608,722)</u> | <u>21,901,210</u> | <u>(1,328,410,206)</u> |
| Total Capital Assets – Net | <u>\$ 1,582,218,350</u> | <u>\$ 396,666,073</u> | <u>\$ (57,533,307)</u> | <u>\$ 1,921,351,116</u> |
| | | | | |
| | Balance October 1, 2015 | Additions and Reclasses | Deletions and Reclasses | Balance September 30, 2016 |
| Land | \$ 201,836,149 | \$ 1,884,995 | \$ - | \$ 203,721,144 |
| Construction in Progress | 188,750,265 | 421,818,177 | (45,988,194) | 564,580,248 |
| Equipment | 46,292,205 | 2,763,172 | (1,166,815) | 47,888,562 |
| Buildings and Improvements | 1,999,926,333 | 41,948,577 | (5,143,820) | 2,036,731,090 |
| | <u>2,436,804,952</u> | <u>468,414,921</u> | <u>(52,298,829)</u> | <u>2,852,921,044</u> |
| Less: Accumulated Depreciation: | | | | |
| Equipment | (35,597,872) | (5,233,222) | 1,140,404 | (39,690,690) |
| Buildings and Improvements | (1,156,980,248) | (78,619,821) | 4,588,065 | (1,231,012,004) |
| | <u>(1,192,578,120)</u> | <u>(83,853,043)</u> | <u>5,728,469</u> | <u>(1,270,702,694)</u> |
| Total Capital Assets – Net | <u>\$ 1,244,226,832</u> | <u>\$ 384,561,878</u> | <u>\$ (46,570,360)</u> | <u>\$ 1,582,218,350</u> |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 8 DEBT AND OTHER NON-CURRENT LIABILITIES

Revenue Bonds

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

During the years ended September 30, 2017 and 2016, serial revenue bonds in the amounts of \$34,875,000 and \$45,600,000, respectively, were redeemed. Total interest costs incurred on outstanding bonds during the years ended September 30, 2017 and 2016, were \$52,381,327 and \$55,081,332, respectively. Of these interest amounts \$21,178,559 and \$13,139,382 were capitalized, respectively. Amortization of prepaid bond insurance costs in the fiscal years 2017 and 2016 was, \$59,345 and \$69,223, respectively. A total of \$103,087 of new bond issue costs during 2017 was expensed.

On October 3, 2016, the Authority used SunTrust Bank Notes proceeds in the amount of \$10,430,000 to refund 2006 Series A Revenue Refunding Bonds in the amount of \$5,900,000, and 2006 Series B Revenue Refunding Bonds in the amount of \$4,530,000.

The refundings of 2006A and 2006B series bonds would result in an estimated net present value savings of \$2.3 million and a debt services cash flow savings of \$3.2 million.

On December 15, 2016, the Authority issued the Tampa International Airport Senior Revenue Refunding Bonds 2016 Series A, in the principal amount of \$16,425,000, at a rate of 1.380%, and maturities from 2018 to 2020.

The 2016A Senior Bonds issue proceeds of \$16,425,000, debt service funds attributable to the refunding of \$1,818,063 less estimated issue costs \$169,827 were used to refund 2008 Series B Revenue Bonds maturing on October 1, 2024 to 2038, outstanding amount of \$16,725,000, and partially accrued interest of \$171,896.

The refunding of 2008B series bonds in fiscal year 2017 would result in an estimated net present value savings of \$7.1 million and a debt services cash flow savings of \$12.8 million.

On November 10, 2015, the Authority issued the Tampa International Airport Senior Revenue Refunding Bonds 2015 Series B, in the principal amount of \$43,160,000, at a rate of 1.11%, and maturities from 2016 to 2018.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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

Revenue Bonds (Continued)

The 2015B Senior Bonds issue proceeds of \$43,160,000, debt service funds attributable to the refunding of \$2,794,310, and additional contribution of \$59,674, less total issue costs of \$111,667 were used to refund 2005 Series A Revenue Bonds maturing on October 1, 2016 to October 1, 2018, outstanding in the principal amount of \$45,445,000, and partially accrued interest of \$258,468.

On November 10, 2015, the Authority issued the Tampa International Airport Senior Revenue Refunding Bonds 2015 Series C, in the principal amount of \$18,710,000, at a rate of 1.80%, and maturities from 2019 to 2023.

The 2015C Senior Bonds issue proceeds of \$18,710,000, debt service funds attributable to the refunding of \$157,674, and additional contribution of \$23,651, less total issue costs of \$55,000 were used to refund 2005 Series B Revenue Bonds maturing on October 1, 2019 to October 1, 2023, outstanding in the principal amount of \$18,655,000, and partially accrued interest of \$102,488.

The refundings of 2005A and 2005B series bonds would result in an estimated net present value savings of \$6.5 million and a debt services cash flow savings of \$6.9 million.

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.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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

Revenue Bonds (Continued)

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.

The total principal maturities and debt service requirements for all revenue bonds through the year 2044, as of September 30, 2017, are as follows:

| <u>Year Ended September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|---------------------------------|------------------------|-----------------------|-------------------------------|
| 2018 | \$ 38,135,000 | \$ 51,452,598 | \$ 89,587,598 |
| 2019 | 49,395,000 | 50,578,892 | 99,973,892 |
| 2020 | 41,235,000 | 49,438,157 | 90,673,157 |
| 2021 | 35,185,000 | 48,322,525 | 83,507,525 |
| 2022 | 32,385,000 | 47,197,872 | 79,582,872 |
| 2023-2027 | 152,385,000 | 217,418,819 | 369,803,819 |
| 2028-2032 | 192,690,000 | 174,988,526 | 367,678,526 |
| 2033-2037 | 227,170,000 | 122,935,864 | 350,105,864 |
| 2038-2042 | 235,265,000 | 61,969,663 | 297,234,663 |
| 2043-2044 | 105,630,000 | 7,986,750 | 113,616,750 |
| | <u>\$1,109,475,000</u> | <u>\$ 832,289,666</u> | <u>\$1,941,764,666</u> |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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, 2017 and 2016 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 September 30.

| | 2017 | | 2016 | |
|--------------------------------------|-------------------------|-----------------------------------|-------------------------|-----------------------------------|
| | Balance Outstanding | Amounts Due Within One Year | Balance Outstanding | Amounts Due Within One Year |
| Revenue and Revenue Refunding Bonds: | | | | |
| 1996B Series, 6.0% | \$ 3,205,000 | \$ 3,205,000 | \$ 6,230,000 | \$ 3,025,000 |
| 2006A Series, 4.375% to 5.0% | - | - | 5,900,000 | - |
| 2006B Series, 4.375% to 5.0% | - | - | 4,530,000 | - |
| 2008A Series, 5.375% to 5.5% | 133,000,000 | - | 133,000,000 | - |
| 2008B Series, 5.0% | - | - | 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% | 7,035,000 | 7,035,000 | 13,760,000 | 6,725,000 |
| 2013A Series 1.870% | 32,680,000 | - | 34,305,000 | 1,625,000 |
| 2013B Series 2.0% | 24,445,000 | 1,470,000 | 27,245,000 | 2,800,000 |
| 2013C Series 1.0% | 11,990,000 | 5,965,000 | 17,400,000 | 5,410,000 |
| 2013A Subordinated 4.994% to 5.5% | 128,750,000 | - | 128,750,000 | - |
| 2015A Senior 5.0% | 148,210,000 | - | 148,210,000 | - |
| 2015B Senior 1.11% | 15,460,000 | 15,460,000 | 30,750,000 | 15,290,000 |
| 2015C Senior 1.8% | 18,710,000 | - | 18,710,000 | - |
| 2016A Senior 1.380% | 16,425,000 | 5,000,000 | - | - |
| 2015A Subordinated 5.0% | 19,590,000 | - | 19,590,000 | - |
| 2015B Subordinated 5.0% | 153,915,000 | - | 153,915,000 | - |
| 2015A CFC 5.0% | 88,975,000 | - | 88,975,000 | - |
| 2015B CFC 2.587% to 5.250% | 294,350,000 | - | 294,350,000 | - |
| | <u>1,109,475,000</u> | <u>\$ 38,135,000</u> | <u>1,155,080,000</u> | <u>\$ 34,875,000</u> |
| Unamortized Bond Premium – Net | 43,214,746 | | 45,366,436 | |
| Total Revenue Bonds Payable | <u>\$ 1,152,689,746</u> | | <u>\$ 1,200,446,436</u> | |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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

Revenue Bonds (Continued)

| | Balance September 30, 2016 | Additions | Refunding | Paydowns | Balance September 30, 2017 |
|--------------------------------------------|----------------------------------|----------------------|------------------------|------------------------|----------------------------------|
| 1996B Revenue Bonds | \$ 6,230,000 | \$ - | \$ - | \$ (3,025,000) | \$ 3,205,000 |
| 2006A Revenue Refunding Bonds | 5,900,000 | - | (5,900,000) | - | - |
| 2006B Revenue Refunding Bonds | 4,530,000 | - | (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 | 13,760,000 | - | - | (6,725,000) | 7,035,000 |
| 2013A Revenue Refunding Bonds | 34,305,000 | - | - | (1,625,000) | 32,680,000 |
| 2013B Revenue Refunding Bonds | 27,245,000 | - | - | (2,800,000) | 24,445,000 |
| 2013C Revenue Refunding Bonds | 17,400,000 | - | - | (5,410,000) | 11,990,000 |
| 2013A Subordinated Revenue Refunding Bonds | 128,750,000 | - | - | - | 128,750,000 |
| 2015A Senior Revenue Bonds | 148,210,000 | - | - | - | 148,210,000 |
| 2015B Senior Revenue Bonds | 30,750,000 | - | - | (15,290,000) | 15,460,000 |
| 2015C Senior Revenue Bonds | 18,710,000 | - | - | - | 18,710,000 |
| 2016A Senior Revenue Bonds | - | 16,425,000 | - | - | 16,425,000 |
| 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>\$ 1,155,080,000</u> | <u>\$ 16,425,000</u> | <u>\$ (27,155,000)</u> | <u>\$ (34,875,000)</u> | <u>\$ 1,109,475,000</u> |

| | Balance September 30, 2015 | Additions | Refunding | Paydowns | Balance September 30, 2016 |
|--------------------------------------------|----------------------------------|----------------------|------------------------|------------------------|----------------------------------|
| 1996B Revenue Bonds | \$ 9,085,000 | \$ - | \$ - | \$ (2,855,000) | \$ 6,230,000 |
| 2005A Revenue Bonds | 45,445,000 | - | (45,445,000) | - | - |
| 2005B Revenue Refunding Bonds | 18,655,000 | - | (18,655,000) | - | - |
| 2006A Revenue Refunding Bonds | 5,900,000 | - | - | - | 5,900,000 |
| 2006B Revenue Refunding Bonds | 4,530,000 | - | - | - | 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 | 20,180,000 | - | - | (6,420,000) | 13,760,000 |
| 2013A Revenue Refunding Bonds | 35,905,000 | - | - | (1,600,000) | 34,305,000 |
| 2013B Revenue Refunding Bonds | 29,985,000 | - | - | (2,740,000) | 27,245,000 |
| 2013C Revenue Refunding Bonds | 22,745,000 | - | - | (5,345,000) | 17,400,000 |
| 2013A Subordinated Revenue Refunding Bonds | 142,980,000 | - | - | (14,230,000) | 128,750,000 |
| 2015A Senior Revenue Bonds | 148,210,000 | - | - | - | 148,210,000 |
| 2015B Senior Revenue Bonds | - | 43,160,000 | - | (12,410,000) | 30,750,000 |
| 2015C Senior Revenue Bonds | - | 18,710,000 | - | - | 18,710,000 |
| 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>\$ 1,202,910,000</u> | <u>\$ 61,870,000</u> | <u>\$ (64,100,000)</u> | <u>\$ (45,600,000)</u> | <u>\$ 1,155,080,000</u> |

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

The Authority has made pledges of certain revenue streams as collateral for the principal and interest payments of their revenue bonds. The Authority's pledged revenues are as follows.

Operating revenues less operating and maintenance expenses (net revenues) have been pledged as collateral for the senior revenue bonds. The total amount of the pledge is equal to the remaining principal and interest payments of \$690,583,406. The Authority recognized \$103,495,242 in net revenues during 2017 and made principal and interest payments on senior revenue bonds of \$46,288,071.

PFC revenues have been pledged as collateral for the subordinated revenue bonds. The total amount of the pledge is equal to the remaining principal and interest payments of \$541,387,812. The Authority recognized \$37,401,050 of PFC revenues during 2017 and made principal and interest payments on subordinated revenue bonds of \$15,328,131.

CFC revenues have been pledged as collateral for the CFC revenue bonds. The total amount of the pledge is equal to the remaining principal and interest payments of \$709,793,448. The Authority recognized \$35,878,213 in CFC revenues during 2017 and made principal and interest payments on CFC revenue bonds of \$18,229,624.

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

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.

On September 28, 2016, the Authority repaid the Bank Notes in the amount of \$12,215,000. On September 30, 2016, the Authority issued Bank Notes in the amount of \$10,470,000 to refund 2006 Series A and B Revenue Bonds on October 3, 2016. The total issue costs of \$40,000 were expensed in the fiscal year 2016.

On September 28, 2017, the Authority repaid the principal of the Bank Notes in the amount of \$10,800,000.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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

As of September 30, 2017, the outstanding Bank Notes totaled \$4,203,527, with an interest rate of 1.731950%. Bank Notes information and activity for the years ended September 30, 2017 and 2016 is presented below:

| | Balance October 1, 2016 | Additions | Refundings/ Paydowns | Balance September 30, 2017 | Amounts Due Within One Year |
|------------|-------------------------------|---------------|-------------------------|----------------------------------|-----------------------------------|
| Bank Notes | \$ 15,003,527 | \$ - | \$ (10,800,000) | \$ 4,203,527 | \$ 4,203,527 |
| | Balance October 1, 2015 | Additions | Refundings/ Paydowns | Balance September 30, 2016 | Amounts Due Within One Year |
| Bank Notes | \$ 16,748,527 | \$ 10,470,000 | \$ (12,215,000) | \$ 15,003,527 | \$ 10,210,000 |

Other Non-Current Liabilities

This line item consists of compensated absences, pollution remediation obligations, other post-employment benefits and liquidated damages.

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, 2017 and 2016 are \$263,815 and \$430,869, respectively.

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. 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.

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

Other non-current liability information and activity for the years ended September 30, 2017 and 2016, is presented below:

| | Balance October 1, 2016 | Additions | Reductions | Balance September 30, 2017 | Amount due within one year | Amount due after one year |
|--------------------------------|----------------------------|-------------------|-----------------------|----------------------------------|-------------------------------|------------------------------|
| Compensated Absences | \$ 4,510,872 | \$ 439,559 | \$ - | \$ 4,950,431 | \$ 891,077 | \$ 4,059,354 |
| Environmental Liabilities | 430,869 | - | (167,054) | 263,815 | 94,446 | 169,369 |
| Liquidated Damages | 1,125,000 | - | (1,125,000) | - | - | - |
| Other Post-Employment Benefits | 1,917,000 | 147,000 | - | 2,064,000 | - | 2,064,000 |
| Total Other Liabilities | <u>\$ 7,983,741</u> | <u>\$ 586,559</u> | <u>\$ (1,292,054)</u> | <u>\$ 7,278,246</u> | <u>\$ 985,523</u> | <u>\$ 6,292,723</u> |

| | Balance October 1, 2015 | Additions | Reductions | Balance September 30, 2016 | Amount due within one year | Amount due after one year |
|--------------------------------|----------------------------|---------------------|---------------------|----------------------------------|-------------------------------|------------------------------|
| Compensated Absences | \$ 4,471,744 | \$ 567,545 | \$ (528,417) | \$ 4,510,872 | \$ 766,848 | \$ 3,744,024 |
| Environmental Liabilities | - | 430,869 | - | 430,869 | 129,244 | 301,625 |
| Liquidated Damages | - | 1,125,000 | - | 1,125,000 | - | 1,125,000 |
| Other Post-Employment Benefits | 1,548,000 | 369,000 | - | 1,917,000 | - | 1,917,000 |
| Total Other Liabilities | <u>\$ 6,019,744</u> | <u>\$ 2,492,414</u> | <u>\$ (528,417)</u> | <u>\$ 7,983,741</u> | <u>\$ 896,092</u> | <u>\$ 7,087,649</u> |

NOTE 9 CONTRIBUTIONS

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

| | 2017 | 2016 |
|-----------------------------|-----------------------|-----------------------|
| Passenger Facility Charges | \$ 37,401,050 | \$ 36,763,954 |
| Federal Grants | 4,335,776 | 5,184,705 |
| State Grants | 99,487,064 | 69,231,365 |
| Federal Reimbursement | 78,281 | 2,253,008 |
| Customer Facility Charges | 35,878,213 | 38,795,047 |
| Total Capital Contributions | <u>\$ 177,180,384</u> | <u>\$ 152,228,079</u> |

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.

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

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 \$7,370,199 and \$5,837,928 for both the FRS Pension Plan and HIS Plan for the fiscal year ended September 30, 2017 and 2016, 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 THE FINANCIAL STATEMENTS
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NOTE 10 DEFINED BENEFIT PENSION PLANS (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.

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

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

| Class, Initial Enrollment and Retirement Age/Years of Service: | % Value |
|--------------------------------------------------------------------------|----------------|
| 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 percent 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 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

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

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, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, were applied to employee salaries as follows: Regular 5.86% and 6.26%. Special Risk 20.91% and 21.61%, Senior Management Service 20.11% and 21.05%, and DROP participants 12.99% and 13.26%. The Authority's contributions to the FRS Plan were \$2,841,834 and \$2,453,384 for the fiscal years ended September 30, 2017 and 2016, respectively.

Pension Costs

At September 30, 2017 and 2016, the Authority reported a liability of \$35,013,237 and \$30,008,324, respectively, for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2017 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, 2016 through June 30, 2017, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2017, the Authority's proportion was 0.1184%, which was a decrease of 0.047% from its proportion measured as of June 30, 2016. At June 30, 2016, the Authority's proportion was 0.1188%, which was an increase of 0.0055% from its proportion measured as of June 30, 2015.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

For the years ended September 30, 2017 and 2016, the Authority recognized pension expense of \$6,050,324 and \$4,805,756, respectively, 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 | \$ 3,213,373 | \$ 193,955 |
| Changes in Actuarial Assumptions | 11,766,920 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 867,716 |
| Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions | 882,500 | 61,961 |
| Authority Contributions Subsequent to the Measurement Date | 872,889 | - |
| Total | <u>\$ 16,735,682</u> | <u>\$ 1,123,632</u> |

\$872,889 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, 2018. The Deferred Outflows resulting from the change in assumptions pertains to a decrease in the discount rate in the 2017 valuation. 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 |
|--------------------|--------------|
| 2018 | \$ 2,038,306 |
| 2019 | 2,038,306 |
| 2020 | 4,264,382 |
| 2021 | 3,094,045 |
| 2022 | 804,947 |
| Thereafter | 2,499,175 |

For the year ended September 30, 2016, the Authority recognized pension expense of \$4,805,756 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:

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 2,297,668 | \$ 279,398 |
| Changes in Actuarial Assumptions | 1,815,414 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 7,756,786 | - |
| Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions | 1,112,624 | - |
| Authority Contributions Subsequent to the Measurement Date | 861,449 | - |
| Total | <u>\$ 13,843,941</u> | <u>\$ 279,398</u> |

\$861,449 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, 2017. 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:

Actuarial Assumptions

The total pension liability in the June 30, 2017, 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 | 7.10%, Net of Pension Plan Investment Expense, Including Inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The total pension liability in the June 30, 2016, 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 | 7.60%, Net of Pension Plan investment Expense, Including Inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

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 underlying assumptions, and includes an adjustment for the inflation assumption. The target 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 as of July 1, 2017 and 2016 are summarized in the following table:

| Asset Class | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|------------------------|-------------------|-----------------------------|---------------------------------------------|-----------------------|
| Cash | 1% | 3.0% | 3.0% | 1.7% |
| Fixed Income | 18% | 4.7% | 4.6% | 4.6% |
| Global Equity | 53% | 8.1% | 6.8% | 17.2% |
| Real Estate (Property) | 10% | 6.4% | 5.8% | 12.0% |
| Private Equity | 6% | 11.5% | 7.8% | 30.0% |
| Strategic Investments | 12% | 6.1% | 5.6% | 11.1% |
| Totals | <u>100%</u> | | | |

Discount Rate

The long term expected rate of return assumption of 7.1% consists of two components: A real (in excess of inflation) return of 4.5% and a long-term average annual inflation assumption of 2.6% as adopted in October 2017 by the FRS Actuarial Assumption Conference. 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.

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 7.10% rate of return assumption used in the June 30, 2017 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates for the Plan.

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

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability as 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 | <u>2017</u> | | |
|-----------------------------------------------------------------------|---------------|-----------------------|------------------------------|
| | 1% Decrease | Current Discount Rate | 1% Increase in Discount Rate |
| FRS Plan Discount Rate | 6.10% | 7.10% | 8.10% |
| Authority's Proportionate Share of the FRS Plan Net Pension Liability | \$ 63,371,845 | \$ 35,013,237 | \$ 11,469,096 |

| Description | <u>2016</u> | | |
|-----------------------------------------------------------------------|---------------|-----------------------|------------------------------|
| | 1% Decrease | Current Discount Rate | 1% Increase in Discount Rate |
| FRS Plan Discount Rate | 6.60% | 7.60% | 8.60% |
| Authority's Proportionate Share of the FRS Plan Net Pension Liability | \$ 55,247,357 | \$ 30,008,324 | \$ 9,000,163 |

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, 2017, 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.

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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, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. 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 \$692,459 and \$668,157, respectively, for the years ended September 30, 2017 and 2016, respectively.

Pension Costs

At September 30, 2017 and 2016, the Authority reported a liability of \$13,990,335 and \$15,192,439, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by annual actuarial valuations as of July 1, 2017. 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, 2017, the Authority's proportion was 0.1308%, which was an increase of 0.0005% from its proportion measured as of June 30, 2016. At June 30, 2016, the Authority's proportion was 0.1304%, which was an increase of 0.0088% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2017, the Authority recognized pension expense of \$1,319,875 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 | \$ - | \$ 29,130 |
| Changes in Actuarial Assumptions | 1,966,560 | 1,209,759 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 7,759 | - |
| Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions Authority Contributions Subsequent to the Measurement Date | 1,120,214 | - |
| Total | <u>\$ 3,285,768</u> | <u>\$ 1,238,889</u> |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

\$191,235 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, 2018. The change in deferred outflows assumptions relates to an increase in the expected rate of return vs. prior year. 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 |
|--------------------|------------|
| 2018 | \$ 390,491 |
| 2019 | 390,491 |
| 2020 | 389,437 |
| 2021 | 388,938 |
| 2022 | 282,655 |
| Thereafter | 13,633 |

For the year ended September 30, 2016, the Authority recognized pension expense of \$1,511,386 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 | \$ - | \$ 34,603 |
| Changes in Actuarial Assumptions | 2,384,080 | - |
| Net Difference Between Projected and Actual Earnings on HIS Program Investments | 7,682 | - |
| Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions | 1,328,005 | - |
| Authority Contributions Subsequent to the Measurement Date | 176,806 | - |
| Total | <u>\$ 3,896,573</u> | <u>\$ 34,603</u> |

\$176,806 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, 2017.

Actuarial Assumptions

The total pension liability in the July 1, 2017, 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 | 3.58% |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The total pension liability in the July 1, 2016, 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 | 2.85% |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013

Discount Rate

The discount rate used to measure the total pension liability was 3.58% 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:

| Description | <u>2017</u> | | |
|-----------------------------------------------------------------------|---------------|-----------------------|------------------------------|
| | 1% Decrease | Current Discount Rate | 1% Increase in Discount Rate |
| HIS Plan Discount Rate | 2.58% | 3.58% | 4.58% |
| Authority's Proportionate Share of the HIS Plan Net Pension Liability | \$ 15,964,824 | \$ 13,990,335 | \$ 13,385,898 |

| Description | <u>2016</u> | | |
|-----------------------------------------------------------------------|---------------|-----------------------|------------------------------|
| | 1% Decrease | Current Discount Rate | 1% Increase in Discount Rate |
| HIS Plan Discount Rate | 1.85% | 2.85% | 3.85% |
| Authority's Proportionate Share of the HIS Plan Net Pension Liability | \$ 17,429,179 | \$ 15,192,439 | \$ 13,336,067 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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 2016-2017 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, were as follows: Regular class 6.3%, 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.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 11 DEFINED CONTRIBUTION PLAN (CONTINUED)

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 \$493,003 and \$552,805 for the years ended September 30, 2017 and 2016, respectively. Employee contributions to the Investment Plan totaled \$160,095 and \$189,168 for the years ended September 30, 2017 and 2016, respectively.

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, 2017 and 2016 of \$2,064,000 and \$1,917,000, 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 \$35,695 and \$39,270 in fiscal year 2017 and 2016, 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, 2017 and 2016 to 99 and 146 recipients respectively. A summary of monthly required contributions for retirees for the fiscal years ended September 30, 2017 and 2016 is provided as follows:

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy (Continued)

Monthly Required Contributions for Retirees

| HMO Plans | 2017 | 2016 |
|---------------------------------------|-------------------------------------|----------|
| Retiree Only | \$ 699 | \$ 699 |
| Retiree, 1 Dependent | \$ 1,430 | \$ 1,430 |
| Retiree, Family | \$ 2,129 | \$ 2,129 |
| | | |
| PPO Plans | | |
| Retiree Only (Under 65) | \$ 973 | \$ 973 |
| Retiree, 1 Dependent (Under 65) | \$ 2,171 | \$ 2,171 |
| Retiree, Family (Under 65) | \$ 3,133 | \$ 3,133 |
| Retiree Only (65+) | \$ 837 | \$ 837 |
| Retiree (65+), 1 Dependent (65+) | \$ 1,674 | \$ 1,674 |
| Retiree (65+), 1 Dependent (Under 65) | \$ 2,034 | \$ 2,034 |
| Retiree (Under 65), Dependent (65+) | \$ 2,034 | \$ 2,034 |
| | | |
| Dental Plans | | |
| Retiree Only | \$ 35 | \$ 32 |
| Dependents | \$ 85 | \$ 81 |
| | | |
| Life Insurance Contributions | 1.05 per \$1,000 Coverage per Month | |

In addition, pursuant to Section 112.0801, Florida Statutes, the Authority is required to offer the option of continuing health care, hospitalization, dental care and vision care insurance benefits to retired former employees and their eligible dependents at a cost not to exceed that of active employees. Although the retiree pays the cost for any such continuation, the premiums charged are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees have higher costs, this results in the Authority subsidizing a portion of the cost of the retiree coverage.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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, 2017 and 2016 were \$318,000 and \$616,000, respectively.

The following table shows the components of the Authority's annual OPEB cost for the years ended September 30, 2017 and 2016, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

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

| | 2017 | 2016 |
|-----------------------------------|---------------------|---------------------|
| Annual Required Contribution | \$ 309,000 | \$ 613,000 |
| Interest on Net OPEB | 77,000 | 62,000 |
| Adjustment to Annual Contribution | (68,000) | (59,000) |
| Annual OPEB Cost | 318,000 | 616,000 |
| Employer Contributions | (171,000) | (247,000) |
| Increase in Net OPEB | 147,000 | 369,000 |
| Net OPEB, Beginning of Year | 1,917,000 | 1,548,000 |
| Net OPEB, End of Year | <u>\$ 2,064,000</u> | <u>\$ 1,917,000</u> |

| Year Ended | Annual OPEB Cost | Amount Contributed | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------|---------------------|-----------------------|--------------------------------------------------|------------------------|
| 09/30/2015 | \$ 585,000 | \$ 196,000 | 33.50% | \$ 1,548,000 |
| 09/30/2016 | \$ 616,000 | \$ 247,000 | 40.10% | \$ 1,917,000 |
| 09/30/2017 | \$ 318,000 | \$ 171,000 | 53.77% | \$ 2,064,000 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

The Authority's funded status of the plan as of October 1, 2016, the most recent actuarial valuation date was as follows:

| | |
|---------------------------------------------------------------------------------------|-------------------|
| Actuarial Accrued Liability (AAL) | \$ 3,397,000 |
| Actual Value of Assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 3,397,000 |
| Funded Ratio | 0.00% |
| Covered Payroll | \$ 40,795,489 |
| Unfunded Actuarial Accrued Liability (UAAL) as a Percentage of Covered Payroll | 8.30% |

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 2017 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, 2016 |
| 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 | 7 .0% Initial 4.5% Ultimate |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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, natural disasters and workers' compensation. Details regarding insurance coverage and deductibles is presented by the Authority 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:

| | 2017 | 2016 |
|----------------------------------------------|--------------|--------------|
| Liability, Beginning of the fiscal year | 1,295,940 | 1,251,846 |
| Current year claims and changes in estimates | 9,862,009 | 8,666,628 |
| Claims paid during the year | (9,599,051) | (8,622,534) |
| Liability, End of the fiscal year | \$ 1,558,898 | \$ 1,295,940 |

The liability for the self-insurance plan is included in accrued expenses in the statements of net position.

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 \$894.9 million for construction, engineering services, land acquisition and equipment, approximately \$ 87.9 million of which remains unspent.

Contingencies

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

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

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concentration of Revenues

The Authority leases facilities to the airlines and to other businesses to operate concessions at the Authority. For fiscal years ended September 30, 2017 and 2016, revenues realized from the following sources exceeded 5% of the Authority's total operating revenues:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|-------------|-------------|
| Southwest | 8.6% | 8.1% |
| Enterprise | 6.9% | 6.9% |
| Delta | 5.6% | 5.6% |
| American Airlines (US Airways) | 5.5% | 5.7% |
| Host International, Inc. | 3.8% | 6.8% |

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, 2017 and 2016 for these services were \$6,553,300 and \$6,522,600, respectively.

NOTE 16 SUBSEQUENT EVENT

On December 22, 2017, the Authority issued the Tampa International Airport Revenue Bonds 2017 Series A in the par amount of \$54,665,000. These proceeds, along with a withdraw from the reserves in the amount of \$9,574,264 were used for deposits into a construction account, capitalized interest account, and common debt service reserve.

REQUIRED SUPPLEMENTARY INFORMATION

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS –
OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS
SEPTEMBER 30, 2017 AND 2016**

| 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 ((b-a)/c) |
|-----------------------------|-------------------------------------|----------------------------------------------------------------------|------------------------------|--------------------------|------------------------|------------------------------------------------------------|
| 10/1/2012 | \$ - | \$ 3,796,000 | \$ (3,796,000) | - | \$ 33,706,700 | 11% |
| 10/1/2014 | \$ - | \$ 5,983,000 | \$ (5,983,000) | - | \$ 37,309,400 | 16% |
| 10/1/2016 | \$ - | \$ 3,397,000 | \$ (3,397,000) | - | \$ 40,795,489 | 8% |

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Authority's Proportion of the Net Pension Liability | 0.118370628% | 0.118844480% | 0.113335017% | 0.109354355% |
| Authority's Proportionate Share of the Net Pension Liability | \$ 35,013,237 | \$ 30,008,324 | \$ 14,638,737 | \$ 6,672,224 |
| Authority's Covered-Employee Payroll | \$ 34,771,683 | \$ 33,815,069 | \$ 31,413,190 | \$ 28,595,685 |
| Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll | 100.69% | 88.74% | 46.60% | 23.33% |
| Plan Fiduciary Net Position as a Percentage of the total Pension Liability | 83.89% | 84.88% | 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***

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 3,092,919 | \$ 3,121,541 | \$ 2,794,783 | \$ 2,403,034 |
| Contributions in Relation to the Contractually Required Contribution | (3,092,919) | (3,121,541) | (2,794,783) | (2,403,034) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Authority's Covered-Employee Payroll | \$ 35,305,299 | \$ 36,325,660 | \$ 31,966,393 | \$ 28,718,892 |
| Contributions as a Percentage of Covered Employee Payroll | 8.76% | 8.59% | 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.

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Authority's Proportion of the Net Pension Liability | 0.130842975% | 0.130355889% | 0.121545164% | 0.117391378% |
| Authority's Proportionate Share of the Net Pension Liability | \$ 13,990,335 | \$ 15,192,439 | \$ 12,395,695 | \$ 10,976,380 |
| Authority's Covered-Employee Payroll | \$ 42,126,831 | \$ 39,633,682 | \$ 37,218,200 | \$ 33,889,301 |
| Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll | 33.21% | 38.33% | 33.31% | 32.39% |
| Plan Fiduciary Net Position as a Percentage of the total Pension Liability | 1.64% | 0.97% | 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***

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|-------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 706,888 | \$ 698,655 | \$ 508,940 | \$ 403,596 |
| Contributions in Relation to the Contractually Required Contribution | (706,888) | (698,655) | (508,940) | (403,596) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - |
| Authority's Covered-Employee Payroll | \$ 43,024,674 | \$ 42,985,687 | \$ 37,942,363 | \$ 34,065,788 |
| Contributions as a Percentage of Covered Employee Payroll | 1.64% | 1.63% | 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.

SUPPLEMENTARY INFORMATION

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SCHEDULE OF BONDS ISSUED, REDEEMED AND OUTSTANDING
YEAR ENDED SEPTEMBER 30, 2017 (UNAUDITED)**

| Revenue Bond Issue | Original Issuance | Redeemed In Prior Years | Refunded In Current Year | Redeemed In Current Year | Outstanding September 30, 2017 |
|-----------------------|-------------------------|----------------------------|-----------------------------|-----------------------------|--------------------------------------|
| 1996B | \$ 55,325,000 | \$ 49,095,000 | \$ - | \$ 3,025,000 | \$ 3,205,000 |
| 2006A | 18,385,000 | 12,485,000 | 5,900,000 | - | - |
| 2006B | 14,160,000 | 9,630,000 | 4,530,000 | - | - |
| 2008A | 133,000,000 | - | - | - | 133,000,000 |
| 2008B | 16,725,000 | - | 16,725,000 | - | - |
| 2008C | 34,780,000 | 25,155,000 | - | - | 9,625,000 |
| 2008D | 11,250,000 | 8,140,000 | - | - | 3,110,000 |
| 2009A | 48,095,000 | 34,335,000 | - | 6,725,000 | 7,035,000 |
| 2013A | 38,635,000 | 4,330,000 | - | 1,625,000 | 32,680,000 |
| 2013B | 35,235,000 | 7,990,000 | - | 2,800,000 | 24,445,000 |
| 2013C | 34,095,000 | 16,695,000 | - | 5,410,000 | 11,990,000 |
| 2013A Subordinated | 168,865,000 | 40,115,000 | - | - | 128,750,000 |
| 2015A Senior | 148,210,000 | - | - | - | 148,210,000 |
| 2015B Senior | 43,160,000 | 12,410,000 | - | 15,290,000 | 15,460,000 |
| 2015C Senior | 18,710,000 | - | - | - | 18,710,000 |
| 2016A Senior | 16,425,000 | - | - | - | 16,425,000 |
| 2015A Subordinated | 19,590,000 | - | - | - | 19,590,000 |
| 2015B Subordinated | 153,915,000 | - | - | - | 153,915,000 |
| 2015A CFC | 88,975,000 | - | - | - | 88,975,000 |
| 2015B CFC | 294,350,000 | - | - | - | 294,350,000 |
| Total | \$ 1,391,885,000 | \$ 220,380,000 | \$ 27,155,000 | \$ 34,875,000 | \$ 1,109,475,000 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
REVENUE FUND
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS
YEAR ENDED SEPTEMBER 30, 2017 (UNAUDITED)**

| | Depository Account | Operating Reserve Account |
|----------------------------------------|-----------------------|---------------------------------|
| Balance, October 1, 2016 | \$ 10,406,228 | \$ 19,051,858 |
| Receipts: | | |
| Interest | 5,069 | 30,561 |
| Revenue | 180,843,892 | - |
| Government Grants | 767,640 | - |
| Parking | 71,407,269 | - |
| Transfers from: | | |
| Debt Reserve Fund | 1,861,909 | - |
| Revenue Fund | - | 1,332,989 |
| CFC Fund | 6,038,607 | - |
| Intrafund Transfers and Other Deposits | 286,603 | - |
| Total Available | <u>271,617,217</u> | <u>20,415,408</u> |
| Disbursements: | | |
| Sales Taxes | (5,877,629) | - |
| Transfers to: | | |
| Operations and Maintenance Fund | (122,309,080) | - |
| Sinking Fund | (38,936,769) | - |
| Surplus Fund | (48,515,767) | - |
| Imprest Fund | (1,168,677) | - |
| Operating Reserve | (1,332,989) | - |
| Customer Facility Charges | (43,027,400) | - |
| Intrafund Transfers and Other Costs | (122,837) | - |
| Total Disbursements | <u>(261,291,148)</u> | <u>-</u> |
| Balance, September 30, 2017 | <u>\$ 10,326,069</u> | <u>\$ 20,415,408</u> |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SINKING FUND
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS
YEAR ENDED SEPTEMBER 30, 2017 (UNAUDITED)**

| | Interest Account | Principal Account | Capitalized Interest Account |
|---------------------------------------------|---------------------|----------------------|------------------------------------|
| Balance, October 1, 2016 | \$ 20,804 | \$ 10,529,596 | \$ 7,328,301 |
| Receipts: | | | |
| Interest | 33,975 | 139,758 | 87,073 |
| Transfers from: | | | |
| Revenue Fund | 10,786,769 | 28,150,000 | - |
| PFCs | 15,991,600 | 6,725,000 | - |
| CFCs | 18,229,624 | - | - |
| Total Receipts | <u>45,041,968</u> | <u>35,014,758</u> | <u>87,073</u> |
| Disbursements: | | | |
| Transfers to: | | | |
| Debt Service Paid from Revenue Fund | (10,749,602) | (28,150,000) | - |
| Debt Service Paid from PFCs | (15,991,600) | (6,725,000) | - |
| Debt Service Paid from CFCs | (18,229,624) | - | - |
| Debt Service Paid from Capitalized Interest | - | - | (7,410,500) |
| Note Proceeds to Refund 06A & 06B Bonds | - | (10,430,000) | - |
| Other Transfers and Costs | (36,441) | (99,596) | (122) |
| Total Disbursements | <u>(45,007,267)</u> | <u>(45,404,596)</u> | <u>(7,410,622)</u> |
| Balance, September 30, 2017 | <u>\$ 55,505</u> | <u>\$ 139,758</u> | <u>\$ 4,752</u> |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
OPERATING AND MAINTENANCE FUND
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS
YEAR ENDED SEPTEMBER 30, 2017 (UNAUDITED)**

| | | |
|-------------------------------------------|--|-----------------------------|
| Balance, October 1, 2016 | | \$ 12,719,646 |
| Receipts: | | |
| Transfers from: | | |
| Revenue Fund | | 122,309,081 |
| Capital Improvement Fund | | 2,359,878 |
| 2008 and 2009 Construction Fund | | 7,223 |
| PFC Fund | | 979,546 |
| Sinking Fund | | 9,872,964 |
| Other Interfund Transfers | | 2,862,718 |
| Other Deposits | | <u>983,647</u> |
| Total Available | | <u>152,094,703</u> |
| Disbursements: | | |
| Disbursements to Payroll | | (45,624,633) |
| Contribution to Florida Retirement System | | (5,407,497) |
| Transfer to Surplus Fund | | (1,340,397) |
| Transfer to Imprest Fund | | (54,066,792) |
| Transfer to Self Insurance | | (9,769,278) |
| Other Fund Transfers | | (1,748,900) |
| Payments, including voids | | (17,138,276) |
| Total Disbursements | | <u>(135,095,773)</u> |
| Balance September 30, 2017 | | <u><u>\$ 16,998,930</u></u> |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
RESERVE FUND
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS
YEAR ENDED SEPTEMBER 30, 2017 (UNAUDITED)**

| | | |
|--------------------------------------|----|---------------------|
| Balance, October 1, 2016 | \$ | 83,039,001 |
| Receipts: | | |
| Interest | | 1,912,915 |
| Net Proceeds on Sales of Investments | | 41,430 |
| Gain on Sales of Investments | | 24,006 |
| | | 85,017,352 |
| Total Available | | |
| Disbursements: | | |
| Transfers to: | | |
| Revenue Fund | | (1,861,909) |
| Escrow for 08B Bonds Refunding | | (1,609,000) |
| Other Costs | | (43,489) |
| | | (3,514,398) |
| | | Total Disbursements |
| Balance, September 30, 2017 | \$ | 81,502,954 |

Investment Detail

| | <u>Due Date</u> | <u>Amortized Cost</u> | <u>Fair Value</u> |
|---------------|-----------------|-----------------------|-------------------|
| T-Bond | 02/15/19 | \$ 2,830,540 | \$ 2,961,611 |
| T-Note | 06/30/18 | 11,155,425 | 11,148,185 |
| T-Note | 08/15/20 | 3,997,146 | 4,027,214 |
| T-Note | 08/15/21 | 3,716,394 | 3,768,257 |
| T-Note | 08/15/22 | 5,347,146 | 5,455,820 |
| T-Note | 08/15/23 | 3,898,976 | 3,942,022 |
| T-Note | 05/15/23 | 4,068,400 | 4,153,040 |
| T-Note/T-Bond | 08/15/28 | 13,967,124 | 14,808,560 |
| T-Note | 05/15/30 | 31,717,945 | 31,948,109 |
| | | \$ 80,699,096 | \$ 82,212,818 |
| | | 80,699,096 | 82,212,818 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SURPLUS FUND
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS
YEAR ENDED SEPTEMBER 30, 2017 (UNAUDITED)**

| | | |
|-----------------------------------------|----|--------------|
| Balance, October 1, 2016 | \$ | 74,352,901 |
| Receipts | | |
| Interest | | 59,449 |
| Transfers from Revenue Fund | | 48,515,767 |
| Transfer from Unclaimed Property Fund | | 71,247 |
| Other Interfund Transfers | | 16,308,236 |
| Total Available | | 139,307,600 |
| Disbursements: | | |
| Transfer to Capital Improvement Fund | | (23,448,587) |
| Transfer to O&M Fund | | (9,866,864) |
| Transfer to Imprest Fund | | (189,747) |
| Funding FY16 Equipment Budget | | (2,724,180) |
| Funding Unused Commitment Fee | | (53,813) |
| 2013 Debt Service Bonds & Notes Funding | | (155,097) |
| 2011 Note Principal payments | | (10,800,000) |
| Other Costs | | (115,705) |
| Total Disbursement | | (47,353,991) |
| Balance, September 30, 2017 | \$ | 91,953,609 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2017**

| Federal/State Agency, Federal Program/State Project | Contract/ Grant Number | CFDA CSFA Number | Current Year Expenditures |
|----------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------|--------------------------------------|
| US Department of Transportation Federal Aviation Administration, Airport Improvement Program | 3-12-0078-59 | 20.106 | \$ 9,642 |
| | 3-12-0078-63 | 20.106 | 4,318,369 |
| | 3-12-0079-03 | 20.106 | 7,765 |
| Total Expenditures of Federal Awards | | | <u><u>\$ 4,335,776</u></u> |

See accompanying notes to schedule

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2017**

| Federal/State Agency, Federal Program/State Project | Contract/ Grant Number | CFDA CSFA Number | Current Year Expenditures |
|------------------------------------------------------------------------|---------------------------------------|---------------------------------|--------------------------------------|
| Florida Department of Transportation, Aviation Development Grant | | | |
| | G0A35/415759-1 | 55.004 | \$ 70,219 |
| | G0925/420808-1 | 55.004 | 27,916 |
| | ARQ09/422551-2 | 55.004 | 330,443 |
| | AR390/425920-2 | 55.004 | 486,293 |
| | AR636/425920-5 | 55.004 | (44,290) |
| | AR637/425920-6 | 55.004 | 359,185 |
| | AR639/425921-1 | 55.004 | 18,237 |
| | ARO63/428057-2 | 55.004 | 276,658 |
| | ARO64/428057-3 | 55.004 | 31,200 |
| | ARJ43/428057-5 | 55.004 | 5,791 |
| | ARL60/428057-8 | 55.004 | 92,623 |
| | ARJ65/428062-1 | 55.004 | 4,820 |
| | G0394/429600-1 | 55.004 | 5,816 |
| | G0395/429601-1 | 55.004 | 339,729 |
| | G0926/429602-1 | 55.004 | 145,175 |
| | G0569/429603-1 | 55.004 | 11,442 |
| | G0928/429614-1 | 55.004 | 27,764 |
| | G0572/429641-1 | 55.004 | 323,600 |
| | G0H38/431248-1 | 55.004 | 29,925 |
| | G0J87/431249-1 | 55.004 | 800 |
| | G0J85/431252-1 | 55.004 | 24,305 |
| | G0J82/431257-1 | 55.004 | 15,515 |
| | G0G28/431300-1 | 55.004 | 18,074 |
| | AQQ06/431497-1 | 55.004 | 1,225,018 |
| | G0L77/432973-1 | 55.004 | 284,011 |
| | ARJ32/435722-1 | 55.004 | 94,662,289 |
| | G0898/438693-1 | 55.004 | 77,265 |
| | G0897/438694-1 | 55.004 | 18,852 |
| | G0C59/438695-1 | 55.004 | 12,314 |
| | G0895/438697-1 | 55.004 | 1,117 |
| | G0894/438698-1 | 55.004 | 69,909 |
| | G0893/438699-1 | 55.004 | 69,909 |
| | G0892/438700-1 | 55.004 | 116,737 |
| | G0I60/440694-1 | 55.004 | 263,400 |
| | G0L64/441272-1 | 55.004 | 60,000 |
| | G0L63/441279-1 | 55.004 | 25,000 |
| Total State Financial Assistance | | | <u>\$ 99,487,061</u> |
| Total of Expenditures of Federal Awards and State Financial Assistance | | | <u>\$ 103,822,837</u> |

(Concluded)

See accompanying notes to schedule

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards and State Financial Assistance is prepared on the accrual basis of accounting. Such expenditures are reported following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state award activity of the Authority under programs of the federal and state government for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Hillsborough County Aviation Authority (Authority), it is not intended to and does not present the financial position, and changes in net position or cash flows of the Authority.

NOTE 2 SUBRECIPIENTS

The Authority did not make sub-awards of federal awards or state financial assistance during the year ended September 30, 2017.

NOTE 3 INDIRECT COST RECOVERY

The Authority did not recover its indirect costs using the 10% de minimus indirect cost rate provided under section 200.414 of the Uniform Guidance.

OTHER INFORMATION

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SUMMARY SCHEDULE OF INSURANCE POLICIES
SEPTEMBER 30, 2017 (UNAUDITED)**

Lexington Insurance Company

| | |
|-------------------------------------------------------------|-----------------|
| Property Coverage - | |
| All other perils (Excluding Terrorism & Named Windstorm) | \$1,000,000,000 |
| Deductible | \$ 250,000 |
| Named Windstorm - | \$ 75,000,000 |
| Deductible – greater of 5% of value or | \$ 250,000 |
| Flood Coverage – | \$ 75,000,000 |
| Deductible Special Flood Hazard Zones – greater of 5% or | \$ 250,000 |
| Terrorism Coverage | \$ 100,000,000 |
| Deductible | \$ 25,000 |
| Nuclear, Chemical, Biological & Radiological Terrorism | \$ 2,500,000 |
| Deductible | \$ 100,000 |

Terrorism and NCBR provided by a stand-alone program via Lloyds of London.

Travelers Casualty and Surety Company of America

| | |
|------------------------------|--------------|
| Crime Coverage: | |
| Employee Theft | \$ 3,000,000 |
| Deductible | \$ 25,000 |
| Depositors Forgery | \$ 3,000,000 |
| Deductible | \$ 25,000 |
| Money Securities on Premises | \$ 1,000,000 |
| Deductible | \$ 1,000 |
| Money Securities Messenger | \$ 1,000,000 |
| Deductible | \$ 1,000 |
| Funds Transfer Fraud | \$ 3,000,000 |
| Deductible | \$ 25,000 |
| Computer Fraud | \$ 3,000,000 |
| Deductible | \$ 25,000 |
| Personal Accounts Protection | \$ 1,000,000 |
| Deductible | \$ 25,000 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SUMMARY SCHEDULE OF INSURANCE POLICIES
SEPTEMBER 30, 2017 (UNAUDITED)**

Beazley – Syndicate 2623/623 at Lloyd’s

| | |
|----------------------------------------------|------------------|
| Cyber Risk Coverage: | |
| Policy Aggregate | \$ 5,000,000 |
| Deductible | \$ 50,000 |
| | |
| Regulatory Defense & Penalties | \$ 5,000,000 |
| Deductible | \$ 50,000 |
| | |
| PCI Fines, Expenses & Costs | \$ 5,000,000 |
| Deductible | \$ 50,000 |
| | |
| Notified Individuals | 1,000,000 people |
| Deductible | 100 people |
| | |
| First Party Coverage | |
| Cyber Extortion | \$ 5,000,000 |
| Data Protection Loss & Business Interruption | \$ 5,000,000 |
| Deductible | \$50,000 |

Commerce and Industry Insurance Company

Florida Storage Tank Third-Party Liability, Corrective Action and Clean Up Costs Coverage:

| | |
|-----------------|--------------|
| Each incident | \$ 1,000,000 |
| Aggregate Limit | \$ 2,000,000 |
| Deductible | \$ 25,000 |

American Southern Insurance Company

Automobile Insurance:

| | |
|-----------------------------------------------------|---------------------------------------|
| Liability | \$1,000,000 |
| Automobile Physical Damage (On and Off Premises) | Lesser of Actual Cash Value or Repair |
| Uninsured Motorist Coverage | \$ 100,000 |
| | |
| Personal Injury Protection | Statutory |
| Florida No-Fault (Statutory) | |
| Deductible – | Comp/Collision |
| Hired Car Liability | \$ 1,000 / 5,000 |
| Hired Car Physical Damage Deductible | \$ 1,000,000 |
| Comprehensive | \$ 100 |
| Collision | \$ 500 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SUMMARY SCHEDULE OF INSURANCE POLICIES
SEPTEMBER 30, 2017 (UNAUDITED)**

Florida Municipal Insurance Trust

| | |
|---------------------------------|--------------|
| Workers' Compensation Coverage: | Statutory |
| Employer's Liability: | |
| Each Accident | \$ 1,000,000 |
| Each Employee | \$ 1,000,000 |
| Policy Limit/Disease | \$ 1,000,000 |
| Deductible | \$ -0- |

AIG – Illinois National Insurance Company

| | |
|-------------------------------------------------------------|--------------|
| Public Officials & Employment Practices Liability Coverage: | |
| Aggregate | \$ 5,000,000 |
| Deductible | \$ 50,000 |

Global Aerospace, Inc.

| | |
|-------------------------------------|---------------|
| Airport General Liability Insurance | \$300,000,000 |
| War/Terrorism | \$ 50,000,000 |
| Deductible | \$ -0- |

XL Specialty Insurance Company

Inland Marine:

| | |
|--------------------------------------------|---------------|
| Contractors Equipment | \$ 5,164,205 |
| Deductible (All Other Perils) | \$ 5,000 |
| Deductible Misc. Equipment | \$ 1,000 |
| EDP Equipment | \$ 10,326,268 |
| Deductible: (All Other Perils) | \$ 5,000 |
| Windstorm greater of 2% of damaged item or | \$ 25,000 |
| Deductible Flood | \$ 25,000 |
| Fine Arts | \$ 5,223,191 |
| Deductible: (All Other Perils) | \$ 1,000 |
| Windstorm greater of 2% of damaged item or | \$ 1,000 |

Allied World Surplus Lines Insurance Company

| | |
|----------------------------|--------------|
| Law Enforcement Liability: | |
| Each Occurrence | \$ 1,000,000 |
| Aggregate | \$ 2,000,000 |
| Deductible | \$ 25,000 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SUMMARY SCHEDULE OF INSURANCE POLICIES
SEPTEMBER 30, 2017 (UNAUDITED)**

Gerber Life Insurance Company

Travel:

| | |
|----------------------|--------------------------------------------------|
| Members of the Board | \$ 400,000 |
| Fulltime Employees | 3 Times Base Earnings subject to a \$500,000 Max |

National Union Fire Insurance Company of Pittsburgh, PA

Blanket Accident Insurance:

Coverage:

| | |
|--------------------------------------------------------------------------------------------|---------------|
| While Engaged in Performance of Duties is Accidentally Killed or Receives Bodily Injury | \$ 71,407 Max |
|--------------------------------------------------------------------------------------------|---------------|

Coverage:

| | |
|--------------------------------------------------------------------------------------------------------------|---------------|
| Accidentally Killed or Dismembered While Responding to an Emergency / Perceived Emergency (additional) | \$ 71,407 Max |
|--------------------------------------------------------------------------------------------------------------|---------------|

Coverage:

| | |
|-------------------------------------------------------------------------------------------------------------|----------------|
| Individual Unlawfully or Intentionally Dismembered, Killed, or Injured by Another Person (additional) | \$ 201,980 Max |
|-------------------------------------------------------------------------------------------------------------|----------------|

The Insurance Company of the State of Pennsylvania

Foreign Travel Policy:

| | |
|---------------------------|-------------|
| General Aggregate | \$2,000,000 |
| Foreign General Liability | \$1,000,000 |
| Foreign Business Auto | \$1,000,000 |
| Ransom / Extortion | \$1,000,000 |

American Bankers Insurance Company of Florida

Flood Insurance:

| | | |
|-------------------|------------|-----------|
| 815 Severn Avenue | Building | \$404,100 |
| | Deductible | \$ 2,000 |
| 825 Severn Avenue | Building | \$500,000 |
| | Deductible | \$ 2,000 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SUMMARY SCHEDULE OF INSURANCE POLICIES
SEPTEMBER 30, 2017 (UNAUDITED)**

PROJECT INSURANCE PROGRAM

Primary Liability and Workers' Compensation

| | |
|----------------------------------|--------------|
| XL Specialty Insurance Company | |
| Workers' Compensation: | Statutory |
| Deductible | \$ 250,000 |
| XL - Greenwich Insurance Company | |
| General Liability: | |
| Each Occurrence | \$ 2,000,000 |
| Aggregate | \$ 4,000,000 |
| Deductible | \$ 250,000 |
| Clash Deductible | \$ 375,000 |

Excess Liability

| | |
|---------------------|----------------------|
| Westchester | \$15M excess Primary |
| AWAC/Westchester | \$35M excess \$17M |
| Endurance Berkshire | \$50M excess \$52M |

Builders' Risk

| | |
|-----------------------|---------------|
| Limits: | |
| Total Project Value | \$592,284,657 |
| Delay In Completion | \$40,400,000 |
| Named Windstorm Limit | \$50,000,000 |
| Flood Limit | \$50,000,000 |
| Earth Movement Limit | \$50,000,000 |

| | |
|---------------------------------------------|-----|
| ACE American Insurance Company | 25% |
| Beazley | 25% |
| Travelers | 20% |
| Allianz | 20% |
| Berkshire Hathaway – National Fire & Marine | 10% |

| | |
|---------------------|---------------|
| Deductible | |
| All Other Perils | \$50,000 |
| Delay In Completion | 30 days |
| Named Windstorm | 3%/\$100K min |
| Flood | 3%/\$100K min |
| Earth Movement | \$100,000 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SUMMARY SCHEDULE OF INSURANCE POLICIES
SEPTEMBER 30, 2017 (UNAUDITED)**

Ironshore Specialty Insurance Company

Environmental/Pollution:

| | |
|-----------------------|---------------|
| Site Pollution | \$ 25,000,000 |
| Contractor Protective | \$ 25,000,000 |

Catlin Specialty Insurance Company

| | |
|--------------------------------------------------|---------------|
| Owners Protective Professional Liability: | \$ 15,000,000 |
| Excess Owners Protective Professional Liability: | \$ 5,000,000 |

COMPLIANCE REPORTS

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hillsborough County Aviation Authority
Tampa, Florida

We have audited, 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, the financial statements of Hillsborough County Aviation Authority (the Authority), which comprise the statement of net position as of September 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

RSM US LLP

Tampa, Florida
February 27, 2018

**REPORT ON COMPLIANCE FOR THE MAJOR
FEDERAL PROGRAM, AND THE MAJOR STATE PROJECT; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; REQUIRED BY THE UNIFORM
GUIDANCE, AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hillsborough County Aviation Authority
Tampa, Florida

Report on Compliance for the Major Federal Program, and the Major State Project

We have audited the Hillsborough County Aviation Authority's (the Authority) compliance with the types of compliance requirements in the *OMB Compliance Supplement*, and the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on the Authority's major federal program and the major state project for the year ended September 30, 2017. The Authority's major federal program and major state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program and major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major state project occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program and the Major State Project

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and major state project for the year ended September 30, 2017.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Tampa, Florida
February 27, 2018

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2017**

I – Summary of Independent Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:

| | | Unmodified |
|---------------------------------------------------------------------------------------------|-----------|-----------------------------|
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | _____ Yes | _____ X _____ No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ Yes | _____ X _____ None Reported |
| Noncompliance material to financial statements noted? | _____ Yes | _____ X _____ No |

Federal Awards

Internal control over major program:

| | | |
|------------------------------------------------------------------------------------|-----------|-----------------------------|
| Material weakness(es) identified? | _____ Yes | _____ X _____ No |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | _____ X _____ None Reported |

Type of auditor’s report issued on compliance for major program:

| | | Unmodified |
|------------------------------------------------------------------------------------------------------------|-----------|------------------|
| Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? | _____ Yes | _____ X _____ No |

Identification of major program:

| | |
|---------------------------------|--------------------------------------------------------------------------|
| <u>CFDA Number(s)</u> 20.106 | <u>Name of Federal Program or Cluster</u> Airport Improvement Program |
|---------------------------------|--------------------------------------------------------------------------|

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? _____ X _____ Yes _____ _____ No

State Financial Assistance

Internal control over major project:

| | | |
|------------------------------------------------------------------------------------|-----------|-----------------------------|
| Material weakness(es) identified? | _____ Yes | _____ X _____ No |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | _____ X _____ None Reported |

Type of auditor’s report issued on compliance for major project:

| | | Unmodified |
|--------------------------------------------------------------------------------------------------------------------------------|-----------|------------------|
| Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General? | _____ Yes | _____ X _____ No |

Identification of major project:

| | |
|---------------------------------|------------------------------------------------------------------------|
| <u>CSFA Number(s)</u> 55.004 | <u>Name of State Program or Project</u> Aviation Development Grants |
|---------------------------------|------------------------------------------------------------------------|

Dollar threshold used to distinguish between type A and type B project:

\$ 2,984,612

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017**

II – Financial Statement Findings Section

No matters to report.

III – Federal Award Findings and Questioned Costs

No matters to report.

IV – State Financial Assistance Findings and Questioned Costs

No matters to report.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2017**

The prior year federal and state single audits disclosed no significant findings, and no significant uncorrected or unresolved findings exist from prior single audits.

**REPORT ON COMPLIANCE FOR PASSENGER FACILITY CHARGE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE
WITH PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hillsborough County Aviation Authority
Tampa, Florida

Compliance

We have audited the compliance of the Hillsborough County Aviation Authority's (the Authority) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2017. Compliance with the requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Passenger Facility Charge Audit Guide for Public Agencies*. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2017.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on its passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Restriction on Use

This report is intended solely for the information and use of management of the Authority, the Authority Board members, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

RSM US LLP

Tampa, Florida
February 27, 2018

Hillsborough County Aviation Authority

**Schedule of Passenger Facility Charges (PFC) Collected and Expended
Year Ended September 30, 2017**

| <u>Quarter Ended</u> | <u>Beginning Balance Unliquidated PFCs</u> | <u>PFC Collections</u> | <u>Interest Earned</u> | <u>Expenditures</u> | <u>Ending Balance Unliquidated PFCs</u> |
|----------------------|--------------------------------------------------------|----------------------------|----------------------------|---------------------|-------------------------------------------------|
| December 31, 2016 | \$ (161,328,966) | \$ 8,066,862 | \$ 4,730 | \$ (33,689,574) | \$ (186,946,948) |
| March 31, 2017 | (186,946,948) | 9,580,376 | 5,131 | (15,734,501) | (193,095,942) |
| June 30, 2017 | (193,095,942) | 9,945,829 | 5,926 | (10,839,667) | (193,983,854) |
| September 30, 2017 | (193,983,854) | 9,033,666 | 6,474 | (28,147,863) | (213,091,577) |

See accompanying notes to schedule

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES (PFC)
COLLECTED AND EXPENDED
YEAR ENDED SEPTEMBER 30, 2017**

Note 1. General

The accompanying Schedule of Passenger Facility Charges Collected and Expended (the schedule) presents the activity of the passenger facility charge program of the Hillsborough County Aviation Authority (the Authority) for the year ended September 30, 2017. All passenger facility charges collected and expended are included in the accompanying schedule. Because the schedule presents only a select portion of the operations of the Authority, it is not intended to and does not present the financial position, change in net position or cash flows of the Authority.

Note 2. Basis of Accounting

The Schedule of Passenger Facility Charges (PFC) Collected and Expended is prepared on the cash basis of accounting. Under the cash basis, expenditures are recognized when paid rather than when the obligation is incurred and receipts are recorded when cash is received rather than when earned. However, the Authority's financial statements are prepared on the accrual basis of accounting and such transactions are recorded in the financial statements when revenue is earned or expenses are incurred. The information in this schedule is presented in accordance with the requirements of the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration in September 2000. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. To date, the Authority has expended more than it has collected for PFC and has an ending unliquidated balance which will be funded with future PFC collections.

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 PASSENGER FACILITY CHARGES (PFC) COLLECTED AND EXPENDED
 YEAR ENDED SEPTEMBER 30, 2017**

I – Summary of Independent Auditor’s Results

Schedule of Passenger Facility Charges (PFC) Collected and Expended

| | | |
|------------------------------------------------------------------------------------------------|-----------|------------------------------|
| Type of auditor’s report issued: | | Unmodified |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | _____ Yes | _____ <u>X</u> No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ Yes | _____ <u>X</u> None Reported |
| Noncompliance material to financial statements noted? | _____ Yes | _____ <u>X</u> No |

Passenger Facility Charge Program

| | | |
|------------------------------------------------------------------------------------------------|-----------|------------------------------|
| Internal control over the program: | | |
| Material weakness(es) identified? | _____ Yes | _____ <u>X</u> No |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ Yes | _____ <u>X</u> None Reported |

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------|
| Type of auditor’s report issued on compliance for the program: | | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Passenger Facility Charges Audit Guide for Public Agencies? | _____ Yes | _____ <u>X</u> No |

II – Financial Statements Findings

No matters to report

III – Findings and Questioned Costs for the Program

No matters to report

**HILLSBOROUGH COUNTY AVIATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
PASSENGER FACILITIES CHARGE PROGRAM
YEAR ENDED SEPTEMBER 30, 2017**

The prior year program specific audit disclosed no significant findings, and no significant uncorrected or unresolved findings exist from prior program specific audits.

**MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550 OF THE RULES OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA**

Board of Directors
Hillsborough County Aviation Authority
Tampa, Florida

Report on the Financial Statements

We have audited the financial statements of the Hillsborough County Aviation Authority (the Authority) as of and for the year ended September 30, 2017, and issued our report thereon dated February 27, 2018.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financing Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance For Each Major Federal Program and State Project; Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 27, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In that regard, there were no recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4, Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The specific legal authority that established the Authority is disclosed in Note 1 of the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of This Letter

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

RSM US LLP

Tampa, Florida
February 27, 2018



RSM US LLP

**INDEPENDENT ACCOUNTANTS' REPORT
ON COMPLIANCE WITH CHAPTER 218.415 FLORIDA STATUTES**

To the Board of Directors
Hillsborough County Aviation Authority
Tampa, Florida

We have examined the Hillsborough County Aviation Authority's (the Authority) compliance with Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2017. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

RSM US LLP

Tampa, Florida
February 27, 2018

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