SANFORD AIRPORT AUTHORITY

Financial Statements

Years Ended September 30, 2014 and 2013

INTRODUCTORY SECTION

SANFORD AIRPORT AUTHORITY

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SANFORD AIRPORT AUTHORITY

FINANCIAL SECTION

MOORE STEPHENS LOVELACE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Sanford Airport Authority
Sanford, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Sanford Airport Authority (the Authority) as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

The Board of Directors
Sanford Airport Authority

Opinion

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

Prior Period Financial Statements

The financial statements of the Authority as of September 30, 2013 were audited by other auditors whose report dated January 31, 2014, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

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

Other 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 introductory section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, state financial assistance, and passenger facility charges (the Schedule) is presented for purposes of additional analysis, as required by OMB Circular A-133, Chapter 10.550, *Rules of the Auditor General*, and the *Passenger Facility Charge Audit Guide for Public Agencies*, and is not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Board of Directors
Sanford Airport Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 23, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Sanford Airport Authority (the Authority) is to provide an introduction of the basic financial statements for the fiscal year ended September 30, 2014 with selected comparative information for the year ended September 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statement and notes to the financial statement found in this report. Following this Management Discussion and Analysis (MD&A) are the basic financial statements of the Authority. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

Overview of the Financial Statements

The Authority is structured as an enterprise fund. The financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated, except for land, over their useful lives. See notes to the financial statements for a summary of the Authority's significant accounting policies.

The Balance Sheets presents information on all of the Authority's assets, deferred outflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

The Statements of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Statements of Cash Flows relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation follows this statement to assist in the understanding of the difference between cash flows from operating activities and operating loss.

Airport Activity Highlights

Passenger counts per the Federal Aviation Authority (FAA) are based upon a calendar year, as opposed to the federal fiscal year (October 1 to the following September 30). Air carrier passenger counts at the airport continue to be one of the best indicators of the overall business environment at the airport. Calendar year 2014 recorded a record level of passenger traffic at 2,184,701 passengers. This is the fifth consecutive year of growth and over an 87% **increase** since 2010.

Passenger Counts 2007 to 2013

2007	1,780,495	**2008**	1,837,247	**2009**	1,702,412	**2010**	1,165,435
2011	1,577,771	**2012**	1,815,729	**2013**	2,032,680	**2014**	2,184,701*

* 2014 figure is tentative and will not be confirmed by the FAA until August 2015

Highlights of the Fiscal Year 2013-2014 Budget

This section contains more than just highlights; it also contains major events or trends that affected the FY2013-14 budget. The specific major events are as follows:

Revenues Variances

Overall, total revenues from operations were above budget by $504,709. This variance does not reflect $297,014 of FAA force account revenue (see details below) that was moved as a contra-expense against the Authority's salaries and wages. This fiscal year's revenues of $10,498,084, was a record for the Authority.

Force Account Work -

The term 'force account' is used in conjunction with FAA-funded construction grants where the airport utilizes its own employees to perform the roles usually filled by a contractor or an engineering consulting firm. The FAA requires that each airport employee utilized in these roles must prove, by resume, that they have the required education and experience to competently fill each position where force account work is requested. These positions are generally the project's Construction Manager, Project Coordinator, and Resident Project Representative (RPR), but virtually any position within a project could be requested to be a force account position.

When the airport receives grant payment for the force account work, the full amount must be listed as a project expense, but the FAA only reimburses the airport for 90% of the project expense. During the fiscal year, the grant revenue is shown in the Operating Revenue section of the financial statements, so that actual received revenues may be compared to those revenues that were anticipated in the airport's annual budget. At the end of the fiscal year, this revenue is moved to the salary expenses as contra-expense accounts. As a result, overall labor/personnel expenses may be reduced by several hundred thousands of dollars.

During the fiscal year 2013-2014, the Authority anticipated and budgeted to receive $838,154 of force account revenue. The Authority had expected revenue from two grants. After the FY13 budget had been adopted, the revenue for one of those grants was received and recognized in FY12. Consequently, the Authority only participated in one FAA force account project with a total value to the Authority of $297,014. The force account revenue for fiscal year 2013-14 was entirely from bid package one (first of three) of the rehabilitation of the southwest ramp.

Miscellaneous Revenue and Fees -

This account is for unexpected revenue items, from various sources, and in varying amounts. Obviously, these types of revenue come forth every year, but cannot be accurately estimated or forecasted. The bulk of this type is derived from such items as the sale of fully depreciated assets, recycled scrap or millings. This category was up by 12.34% ($88,757) from FY13 mainly due to the increased sale of millings and recycled materials.

Highlights of the Fiscal Year 2013-2014 Budget (continued)

Aviation Lease Revenue -

The exact categorization of revenue type with many of our properties is dependent upon the specific tenant involved. When a particular property's tenant changes its associated revenue category may change from Commerce Park Revenue to Aviation Building Revenue or vice-versa. This change of category can cause the budgeted amount of one to be under-budget, while the other is over-budget. Although aviation revenue ($3,268,928) declined from FY13 ($3,314,089), combined commerce and aviation lease revenue reached a level not seen since before 2006 ($5,427,193).

Parking Revenue and Customer Facility Charges (CFCs) -

Customer Facility Charges (CFCs) are fees charged by the Authority on the car rental operators renting cars at the airport. The level of these fees is set by the Authority's Board of Directors. The current rate is $2.00 per rental car transaction day, up to a maximum of five days, or $10.00 on any single car rental period, regardless of the duration. This rate was last set at the regularly scheduled meeting of the Authority's Board of Directors in August 2011.

This revenue source generated $1,529,545 in FY 2013-2014, of which $370,900 was remitted to TBI/OSI/OSD. An additional $279,678 was set aside for approved project costs that had not yet been incurred by FY end, but were forthcoming in the following FY.

Parking revenues and CFCs generated record amounts. Each source increased over the previous FY and exceeded budgetary projections. Collectively, the two sources had a surplus of more than $1 million, less the remittance to TBI/OSI/OSD.

Air Carrier Landing Fees & Public Safety Fees -

The Domestic Landing Fees and Public Safety Fees performed above budget. Unfortunately, the International Landing Fees performed below budget, the result of a combined decrease in International flights and corresponding passengers. The increase of domestic fees more than offset the International impact. As a whole, this category generated $896,032 in revenue, an 8.067% decrease from FY2012-2013 levels but 8.03% over FY14 budget.

Unrestricted Interest Earned -

Interest on deposited funds continue to perform below 1%, earning a mere $3,179. Several tenant build-outs constructed at Authority expense are being repaid at various rates. The interest earned on these build-outs totaled $23,400 during FY14, an amount not achieved since 2010.

Highlights of the Fiscal Year 2013-2014 Budget (continued)

Expense Variances

Salaries and Benefits -

Salaries and benefits exceeded budget by $208,815. This negative variance is entirely due to the lack of force account revenue earned during FY 2014. At the end of the year, the force account revenue is transferred from revenue to contra-expense accounts. Force account revenue is funding received from the FAA for work accomplished by Authority employees on grants. This funding is shown as revenue throughout the year but during year-end closing it is converted to contra-expense accounts to offset the salary expenses that those employees generated during the grant activities. During FY2014, the Authority budgeted to earn $838,154 in force account revenues that would create a corresponding offset of salaries. Unfortunately, only $297,014 was earned in the current FY. This shortfall was created when a large portion of force account revenue that was expected in FY14 was earned in FY13.

Legal Expenses -

Legal expenses exceeded the $100,000 budget by $71,407. An ongoing lawsuit regarding inverse condemnation has been in progress for several years. This year it has reached the appeals court level and is generating a substantial amount of expenses. Budgeting for legal expenses is normally difficult since a current situation can escalate into a legal matter at any time, however, a protracted legal conflict only multiplies the impact once court time, expert witnesses and whole legal teams become involved.

Airline Origination Marketing -

The OSD Parking Agreement requires that the Authority receive 20% of the gross revenues from all airport parking. However, the Authority must contribute 50% of its allocation of the first $800,000 in annual gross sales ($80,000) to OSD's Airline Origination Marketing program. This amount is usually due by the end of the Authority's second fiscal quarter.

Debt Service – Interest Paid -

A loan was taken out in June 2012 in the amount of $2,890,360 for the purpose of acquiring the ADESA Insurance Auto Auction property that is needed for the extension of Runway 9L-27R to 11,000 feet. This loan was interest only until the Authority received an FAA grant to reimburse the Authority for this purchase. The grant was received in August and the loan was paid off at the same time.

In April 2014, four loans were renegotiated. Various terms were modified to lower rates, reduce maturity dates and/or secure fixed rates. The purpose was to secure more advantageous borrowing for the Authority. As a result, the interest paid during this FY amounted to $252,064 a 39.96% reduction from the budgeted figure of $386,263.

Non-operating Revenues – Tenant Funded Projects -

Under FAA rules, the Authority cannot, except under rare circumstances, sell property to tenants to build upon. When Authority tenants pay for the improvements on airport-owned land, the tenant pays only for the land lease for the duration of the lease. The duration of the lease is usually the standard depreciation period for the type of improvement. Upon conclusion of the lease, ownership of the improvements is given to the Authority.

Overview of the Financial Statements

Balance Sheets

A summarized comparison of the Authority's total assets, deferred outflows, liabilities and net position at September 30, 2014 and 2013 is as follows:

	2014	2013	Change
Assets:			
Current and other assets	$ 7,130,598	$ 5,228,872	$ 1,901,726
Capital assets, net	194,587,496	186,013,602	8,573,894
Total assets	201,718,094	191,242,474	10,475,620
Deferred swap outflow	210,441	256,675	(46,234)
Total assets and deferred outflows	$ 201,928,535	$ 191,499,149	$ 10,429,386
Liabilities:			
Current liabilities	$ 5,672,410	$ 5,642,147	$ 30,263
Noncurrent liabilities	6,304,677	7,212,327	(907,650)
Total liabilities	11,977,087	12,854,474	(877,387)
Net position:			
Net investment in capital assets	184,871,726	175,568,423	9,303,303
Restricted	32,772	37,171	(4,399)
Unrestricted	5,046,950	3,039,081	2,007,869
Total net position	189,951,448	178,644,675	11,306,773
Total liabilities and net position	$ 201,928,535	$ 191,499,149	$ 10,429,386

Changes in Net Position

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

	2014	2013	Change
Operating revenues	$ 10,498,084	$ 9,869,845	$ 628,239
Operating expenses	7,616,412	7,049,402	567,010
Operating income before depreciation	2,881,672	2,820,443	61,229
Depreciation	(10,492,492)	(8,906,970)	(1,585,522)
Operating loss	(7,610,820)	(6,086,527)	(1,524,293)
Non-operating revenues (expenses), net	18,917,593	19,294,477	(376,884)
Increase in net position	$ 11,306,773	$ 13,207,950	$ (1,901,177)

Overview of Financial Statements (Continued)

Changes in Net Position (Continued)

Authority Operating Income before depreciation decreased by $2,542 due to the fact that although income increased by $564,421, operating expenses increased by $566,963.

Non-operating revenues decreased by $376,884, because a federal grant expected to be received in FY14 was actually received in FY13 and an expected grant was funded by FDOT rather than the FAA.

Capital Planning and Financing

Typically, airports in the United States develop Master Plans that define the airport's ultimate configuration at full development during 20-year time spans, thereby establishing an airport's complex requirements. Master Plans do not normally provide detailed information to determine funding strategies. The Authority periodically prepares (or updates) a strategic business plan to provide a 10-year detailed funding analysis of operating expenses, revenues, and projected airline charges and establishes development and financial goals, along with measurement criteria.

The plan's overriding objective is to place the Authority in a healthy financial position, without overburdening the air carriers, while still maintaining competitive airline rates and charges. Funding and improvements are brought online when needed, based on established trigger points. Funding is done in a manner that preserves the Authority's competitive cost structure and maintains maximum flexibility under changing circumstances.

The Authority executed a task order in the amount of $998,156 with PBS&J (now Atkins) in July 2009 to update the airport Master Plan. Master Plan updates are multi-year projects normally taking 2-3 years to complete. This update reflects many capital projects that have been completed and serve as a guideline for future projects and endeavors. The FAA accepted the Authority's updated Master Plan in May 2012.

Debt Service

The Authority has two FDOT loans under extremely advantageous terms of 0% interest, with the principal balance due after a 10-year term. One loan of $1,206,250 was used for the acquisition of multiple properties west of Beardall Ave. and between Runway 9L-27R and Runway 9R-27L. This loan will be due and callable in 2022. The project was completed in late June 2012. The Authority has established a "sinking fund" to prepare for the payment of this obligation in 2022.

A second 10 year, 0% FDOT loan currently has a balance of $207,479. One piece of property was acquired during 2014 for the proposed extension of Runway 18-36 to the south. Additional properties are being considered, however, none have been agreed upon at the time of this writing.

Debt Service (continued)

A loan was established in June 2012 in the amount of $2,890,360 for the purchase of land north of Runway 9L-27R. This loan was originally planned to be paid back in FY2012-2013, but if SAA had used FY2012-2013 entitlement grant funds to pay back this loan, the FAA would not have been able to provide over $6 million in discretionary grant funds that were accepted for the Rehabilitation of the Southwest Ramp-Apron area. Grant 73 was awarded on August 5, 2014 in the amount of $2,796,943. This amount was to retire this loan. The amount awarded was less than expected, since the federal sharing was 95% (2012) when the loan was opened but was decreased to 90% in 2013. This shortfall of federal funds was made up from Authority's reserves. The loan was paid-off but not retired in August 2014; the funds were left open and available as a part of the credit facility (with loan 4520) to support future projects, as needed.

Passenger Facility Charges

As part of the Safety and Capacity Act of 1990, the Authority received approval from the FAA to impose a Passenger Facility Charge (PFC) of $1 per enplaned passenger at Orlando Sanford Airport and has imposed the PFC since December 2000. PFCs may be used either to pay for eligible capital improvements or to pay debt service on bonds issued to finance projects eligible for PFC funding. Through December 1, 2004, the Authority was approved to impose PFCs in the amount of **$1,192,352** to fund project costs of various Airport improvements. Projects funded by PFCs can be past eligible projects (constructed after November 1991), current eligible projects, or future eligible projects. To be eligible for PFC funding, the airlines that serve Orlando Sanford Airport must be consulted with, the project must be included and approved by the FAA in an approved PFC application, and the eligible project must improve or enhance facilities for air carrier passengers.

The Authority also received approval from the FAA for PFC #2 in the amount of $2 per enplaned passenger, with an authorized amount of **$13,312,090**. Additionally, the FAA approved increasing the Authority's PFC from $2 per enplaned passenger to $4 per enplaned passenger in 2011. Total PFC collections as of September 30, 2013 (including investment earnings) are $23,598,749. The Authority collected $4,329,332 for FY 2014. On July 12, 2012, the Authority received approval from the FAA for PFC #3 in the amount of $4 per enplaned passenger, with an authorized amount of **$29,837,167**.

It must be understood that 100% of each year's PFC collections should be available to be returned to the Authority's financial reserves, whenever we are collecting for past already "paid-for" projects. This ensures that the Authority is not using the PFCs to supplement or subsidize day-to-day operations.

If these funds are not available to be moved to reserves, the concern is that these funds are being used as operating revenues. These PFC funds are not operating revenues. They appear to be operating revenues, but once the Authority is fully reimbursed for all eligible past projects, all PFC revenue has to go to the funding of future eligible projects and they are not available for any type of discretionary use, such as subsidizing normal operating activities. PFC funds are restricted until the end of each quarter. At the conclusion of each quarter, the funds become available on the first day of the subsequent quarter.

A copy of the Authority's FAA-approved PFC #3 Final Agency Decision is available online at http://www.osaa.net/bids_rfqs_rfps.asp.

Passenger Facility Charges (continued)

During FY 2013-2014, the Authority reimbursed operating reserves for $507,914 in past eligible "paid-for" projects and administrative costs and received $3,821,417 for ongoing projects. Two eligible on-going projects (replacement and expansion of the baggage handling system and replacement of all twelve (12) passenger boarding bridges) are utilizing the remaining PFCs received. As of September 30, 2014, the Authority has spent $5,666,238 on the Passenger Boarding Bridges replacement project and $1,462,881 on the baggage system replacement and expansion project.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Sanford Airport Authority, 1200 Red Cleveland Blvd., Sanford, FL 32773.

BASIC FINANCIAL STATEMENTS

SANFORD AIRPORT AUTHORITY
BALANCE SHEETS
September 30, 2014 and 2013

	September 30, 2014	September 30, 2013
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 4,530,238	$ 3,861,951
Accounts receivable, net	788,599	667,542
Federal grants receivable	1,107,542	330,279
State grants receivable	418,440	292,660
Prepaid expenses	285,779	39,269
Total current assets	7,130,598	5,191,701
Noncurrent assets:		
Restricted cash	32,772	37,171
Capital assets, net of accumulated depreciation	194,554,724	186,013,602
Total noncurrent assets	194,587,496	186,050,773
Total assets	201,718,094	191,242,474
Deferred outflows of resources:		
Deferred swap outflow	210,441	256,675
Total assets and deferred outflows of resources	$ 201,928,535	$ 191,499,149
Liabilities and Net Position		
Current liabilities (payable from current assets):		
Current portion of notes payable	$ 1,008,443	$ 3,511,499
Accounts payable and accrued liabilities	3,300,216	961,808
Rent collected in advance and deposits	370,226	366,611
Accrued sick and vacation pay	211,012	237,797
Unearned revenue	782,513	564,432
Total current liabilities	5,672,410	5,642,147
Noncurrent liabilities:		
Notes payable, net of current portion	6,066,771	6,933,680
Other long-term liabilities	237,906	278,647
Total noncurrent liabilities	6,304,677	7,212,327
Total liabilities	11,977,087	12,854,474
Net position:		
Net investment in capital assets	184,871,726	175,568,423
Restricted for:		
Airport memorial fund	32,772	37,171
Unrestricted	5,046,950	3,039,081
Total net position	189,951,448	178,644,675
Total liabilities and net position	$ 201,928,535	$ 191,499,149

The accompanying Notes to the Financial Statements are an integral part of these statements.

SANFORD AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended September 30, 2014	2013
Operating revenues:		
Commerce park revenue	$ 2,158,265	$ 1,905,095
Other leases and revenue	468,929	305,307
Aviation rents	3,268,928	3,314,089
Terminal - domestic	3,178,469	2,786,997
Terminal - international	385,983	444,329
Airfield	680,722	773,912
Ground transportation	141,478	139,369
Public safety fee	215,310	200,747
Total operating revenues	10,498,084	9,869,845
Operating expenses:		
Salaries and fringe benefits	5,215,316	4,415,036
Office and administrative	350,294	353,500
Professional fees and contract services	603,155	901,413
Marketing and advertising	132,784	138,837
Fuel, tools, and supplies	334,066	320,927
Repairs and maintenance	414,718	383,041
Utilities	194,767	201,638
Insurance	371,312	335,010
Total operating expenses	7,616,412	7,049,402
Operating income before depreciation	2,881,672	2,820,443
Depreciation	(10,492,492)	(8,906,970)
Operating loss	(7,610,820)	(6,086,527)
Nonoperating revenues (expenses):		
Investment income	27,547	4,402
Interest expense	(252,064)	(326,537)
Passenger facility charges	4,329,332	3,796,573
Contributions to other governments	-	(2,717,103)
Gain on disposal of capital assets	37,274	121,276
Miscellaneous income (expense)	2,927	(2,988)
Total nonoperating revenues (expenses)	4,145,016	875,623
Loss before capital contributions	(3,465,804)	(5,210,904)
Capital contributions	14,772,577	18,418,854
Change in net position	11,306,773	13,207,950
Net position at beginning of year	178,644,675	165,436,725
Net position at end of year	$ 189,951,448	$ 178,644,675

The accompanying Notes to the Financial Statements are an integral part of these statements.

SANFORD AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS

	Years Ended September 30, 2014	Years Ended September 30, 2013
Cash flows from operating activities:		
Receipts from customers and tenants	$ 10,598,723	$ 9,483,738
Payments to suppliers	(2,916,982)	(3,204,161)
Payments to employees	(5,236,608)	(4,390,421)
Net cash provided by operating activities	2,445,133	1,889,156
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(16,427,325)	(22,204,901)
Proceeds from sale of capital assets	41,696	121,790
Proceeds from notes payable	387,479	830,418
Principal paid on notes payables	(3,757,444)	(587,651)
Grants and contributions received	13,869,534	19,072,976
Contributions to other governments	-	(2,717,103)
Interest expense	(252,064)	(326,537)
Passenger facility charges received	4,329,332	3,796,573
Net cash used in capital and related financing activities	(1,808,792)	(2,014,435)
Cash flows from investing activities:		
Interest income	27,547	4,402
Net increase (decrease) in cash and cash equivalents	663,888	(120,877)
Cash and cash equivalents at beginning of year	3,899,122	4,019,999
Cash and cash equivalents at end of year*	$ 4,563,010	$ 3,899,122

*Classified as:		
Cash and cash equivalents - current assets	$ 4,530,238	$ 3,861,951
Cash and cash equivalents - restricted assets	32,772	37,171
	$ 4,563,010	$ 3,899,122

The accompanying Notes to the Financial Statements are an integral part of these statements.

SANFORD AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended September 30,	
	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	$ (7,610,820)	$ (6,086,527)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,492,492	8,906,970
Changes in assets and liabilities:		
Allowance for doubtful accounts	(124,888)	(49,294)
Accounts receivable	3,831	(205,615)
Prepaid expenses	(246,510)	(3,785)
Accounts payable and accrued liabilities	(269,376)	(566,010)
Rents collected in advance	3,615	(11,615)
Accrued sick and vacation pay	(26,785)	19,122
Unearned revenue	218,081	(119,583)
Other long-term liabilities	5,493	5,493
Net cash provided by operating activities	$ 2,445,133	$ 1,889,156
Noncash investing and financing activities:		
Increase in fair value of derivative financial instrument	$ 46,234	$ 113,518

The accompanying Notes to the Financial Statements are an integral part of these statements.

Note 1 - Summary of Significant Accounting Policies:

The Sanford Airport Authority (the Authority) was established as a special district by Chapter 71-924 of the laws of the State of Florida and operates the Orlando Sanford Airport. For reporting purposes, this airport is reported as an enterprise fund.

A. Reporting entity

The Authority is a discretely presented component unit of the City of Sanford, Florida (the City). The City's governing board appoints all members of the Board of Directors of the Authority and approves the Authority's annual operating budget, as well as any budget adjustments or amendments.

In defining the Authority for financial reporting purposes, management applied the requirements as set forth by the Governmental Accounting Standard Board (GASB). These requirements establish the basis for defining the reporting entity and whether it is considered a component unit of another entity and whether other entities are component units. Based on these criteria, the reporting includes only the accounts of the Authority in the reporting entity. The Authority identified no potential component units to include in these statements.

B. Basis of presentation, measurement focus, and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's financial statements are prepared using the flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred.

The principal operating revenues of the Authority are from sources, such as airlines, concessions, rental cars, customer facility charges, parking and the commerce park. Investment income, passenger facility charges, federal and state operating grants and other revenues not related to the operations of the airport are considered non-operating revenues. Operating expenses include the cost of airport and related facilities maintenance, administrative expenses and depreciation on capital assets. Interest expenses and financial costs are reported as non-operating expenses.

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

C. Assets, liabilities, deferred outflows/inflows of resources, and net position

1. Cash and cash equivalents

The Authority's cash and cash equivalents are considered to be demand deposits, certificates of deposit, cash on hand and repurchase agreements, with original maturities of three months or less from the date of acquisition.

2. Accounts receivable

Receivables are reported at their gross value when earned and reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts is based on an analysis of past due amounts. The provision for uncollectible accounts at September 30, 2014 and 2013 was $0 and $124,888, respectively.

3. Prepaid expense and inventory

Prepaid expenses consist primarily of expenditures expected to benefit future periods. Inventory primarily consists of fuel held for consumption and is valued using the average cost method.

4. Lease and concession agreements

The Authority's operations consist of agreements for the use of land, buildings, terminal space and privileges to airlines and concessionaires. The T-Hangar leases are primarily month-to-month, cancelable leases. The building, office, residential and land leases are generally non-cancelable leases, with terms ranging one to fifty years. The Authority accounts for revenue from these agreements under the operating method and reports over the terms of the agreements.

5. Capital assets

Capital assets are recorded at cost when purchased or constructed and at fair market value when donated. Capital assets are defined by the Authority as assets with an initial cost of more than $1,000 and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Capitalized interest consists of interest expense on certain borrowings in excess of interest earned on related investments acquired with the proceeds of borrowings.

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

C. Assets, liabilities, deferred outflows/inflows of resources, and net position (Continued)

5. Capital assets (continued)

Land and construction in progress are not depreciated. The other capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, improvements, water and sewer system	12 - 50 years
T-Hangars	30 years
Streets	20 - 40 years
Equipment and vehicles	3 - 20 years

6. Deferred outflows/inflows of resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority only has one item that qualifies for reporting in this category for the years ended September 30, 2014 and 2013. It is the fair value of the interest swap agreement (see Note 10). The Authority's swap agreement contains scheduled reductions to the outstanding notional amount that approximates scheduled or anticipated reductions in the outstanding principal amount from debt repayment.

In addition to liabilities, the statements of net position will sometimes report 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 Authority does not have any type of item that qualifies for reporting in this category for the years ended September 30, 2014 and 2013.

7. Net position flow assumption

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

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

D. Revenues and expenditures/expenses

1. Passenger facility charges

The Federal Aviation Administration (FAA) approved the collection of passenger facility charges (PFCs). The Authority uses PFCs for pre-approved airport projects that meet at least one of the following criteria: preserve or enhance safety, security or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers. The airlines collect and remit this revenue to the Authority and the Authority records this as non-operating revenue.

2. Customer Facility Charges

The Authority approved the collection of customer facility charges (CFCs) on August 2, 2011. All rental car companies (RACs) agreed to assess and collect CFCs to pay the costs and expenses of financing, designing, constructing and relocating the rental automobile-related facilities. The RACs collect and remit this revenue to the Authority and the Authority records this as operating revenue.

3. Capital contributions

Capital contributions consist primarily of grants and contributions from federal and state governmental agencies, airlines and tenants. The Authority recognizes contributions as earned as related project costs are incurred. The Authority recognizes donated property at fair value when received.

4. Compensated Absences

The Authority recognizes expenses relating to compensated absences as incurred and includes those liabilities in accrued expenses.

E. Other significant accounting policies

1. Fair value of financial instruments

The Authority has accounted for all investments, regardless of time to maturity or their acquisition date, at fair value on the balance sheets, with unrealized gains and losses charged or credited to investment income. The Authority uses available market information to determine these fair values.

2. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

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

E. Other significant accounting policies (continued)

3. Reclassifications

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

Note 2 - Cash Deposits and Investments:

The Authority's cash and cash equivalents balances include amounts deposited with commercial banks in interest-bearing and non-interest bearing demand deposit accounts, as well as the Florida State Board of Administration's Local Government Surplus Investment Pool (LGIP). The commercial bank balances are entirely insured by federal depository insurance or by collateral pursuant to the Florida Security for Public Deposits Act of the State of Florida (the Act).

The Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the Authority's deposits in qualified public depositories are considered totally insured. The qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125% may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State of Florida's Chief Financial Officer (State's CFO) or, with the approval of the State's CFO, to a bank, savings association, or trust company, provided that a power of attorney is delivered to the State's CFO.

The Authority follows GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying values of investments to fair value to be presented as a component of investment income. Investments are presented at fair value, which is based on available market values. The LGIP operated by the State of Florida State Board of Administration is a "2a-7-like" pool in accordance with GASB 31; therefore, it is not presented at fair value but at its actual pooled share price which approximates fair value.

The LGIP is not a registrant with the Securities and Exchange Commission (SEC); however, the state of Florida does provide regulatory oversight. Fund B is accounted for as a fluctuating NAVPOOL, not a "2a-7-like" money market fund.

Note 2 - Cash Deposits and Investments (Continued):

Following are the components of the Authority's cash and investments at September 30:

	2014	2013
Cash and cash equivalents - current assets	$ 4,530,238	$ 3,861,951
Cash and cash equivalents - restricted assets	32,772	37,171
	$ 4,563,010	$ 3,899,122

A. Cash deposits with financial institutions

At September 30, 2014 and 2013, the carrying amounts of deposits were $3,005,373 and $2,849,205, respectively. The bank balance was $3,057,966 and $3,953,532 respectively, at September 30, 2014 and 2013.

B. Investments

Investment income is recognized as earned and is allocated to the participating funds based on their equity participation. At September 30, 2014, the Authority's investments were held in interest-bearing time deposits in qualified public depositories.

Florida Statutes authorize the Authority to invest in direct obligations of or obligations guaranteed by the United States of America, LGIP, SEC-registered money market funds, and interest-bearing time deposits or savings accounts in qualified public depositories.

The Authority does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The Authority's policy requires that bank deposits be secured, as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the State's CFO, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred.

Note 2 - Cash Deposits and Investments (Continued):

B. Investments (Continued):

At September 30, 2014 and 2013, the Authority had the following investments:

	2014 Fair Value	2013 Fair Value	Credit Rating	Weighted Average Maturity
Local government investment pool:				
Florida Prime	$ 1,557,497	$ 1,049,415	AAAm	40 days
Fund B	-	502	Not Rated	4.08 years
	$ 1,557,497	$ 1,049,917		

Note 3 - Restricted Assets:

At September 30, 2014 and 2013, the Authority has a restricted cash balance of $32,772 and $37,171, respectively, for the Airport Memorial Fund.

Note 4 – Capital Assets:

A summary of capital assets activity for the years ended September 30, 2014 and 2013 follows:

	Balance October 1, 2013	Additions and Reclass-ifications	Deductions	Balance September 30, 2014
Capital assets, not being depreciated				
Land	$ 51,411,060	$ 1,490,191	$ -	$ 52,901,251
Construction in progress	6,741,888	17,861,418	(12,221,687)	12,381,619
Total capital assets, not being depreciated	58,152,948	19,351,609	(12,221,687)	65,282,870
Capital assets, being depreciated				
Buildings & improvements	193,249,852	2,475,122	(21,379)	195,703,595
T-Hangars	1,358,497	-	-	1,358,497
Street construction	9,651,527	-	-	9,651,527
Equipment & vehicles	16,248,059	9,432,992	(325,993)	25,355,058
Total capital assets, being depreciated	220,507,935	11,908,114	(347,372)	232,068,677
Less accumulated deprecation				
Buildings & improvements	(77,039,162)	(8,749,760)	21,379	(85,767,543)
T-Hangars	(1,623,176)	(58,920)	-	(1,682,096)
Street construction	(2,802,134)	(315,250)	-	(3,117,384)
Equipment & vehicles	(11,182,809)	(1,368,562)	321,571	(12,229,800)
Total accumulated depreciation	(92,647,281)	(10,492,492)	342,950	(102,796,823)
Total capital assets, being depreciated, net	127,860,654	1,415,622	(4,422)	129,271,854
Capital assets, net	$ 186,013,602	$ 20,767,231	$ (12,226,109)	$ 194,554,724

Note 4 - Capital Assets (Continued):

	Balance October 1, 2012	Additions and Reclass-ifications	Deductions	Balance September 30, 2013
Capital assets, not being depreciated				
Land	$ 51,279,995	$ 131,065	$ -	$ 51,411,060
Construction in progress	6,052,632	23,727,437	(23,038,181)	6,741,888
Total capital assets, not being depreciated	57,332,627	23,858,502	(23,038,181)	58,152,948
Capital assets, being depreciated				
Buildings & improvements	173,101,243	20,148,609	-	193,249,852
T-Hangars	1,253,463	105,034	-	1,358,497
Street construction	9,093,019	558,508	-	9,651,527
Equipment & vehicles	16,895,965	569,441	(1,217,347)	16,248,059
Total capital assets, being depreciated	200,343,690	21,381,592	(1,217,347)	220,507,935
Less accumulated deprecation				
Buildings & improvements	(69,908,129)	(7,131,033)	-	(77,039,162)
T-Hangars	(1,304,690)	(318,486)	-	(1,623,176)
Street construction	(2,758,345)	(43,789)	-	(2,802,134)
Equipment & vehicles	(10,985,980)	(1,413,662)	1,216,833	(11,182,809)
Total accumulated depreciation	(84,957,144)	(8,906,970)	1,216,833	(92,647,281)
Total capital assets, being depreciated, net	115,386,546	12,474,622	(514)	127,860,654
Capital assets, net	$ 172,719,173	$ 36,333,124	$ (23,038,695)	$ 186,013,602

Note 4 - Capital Assets (Continued):

Total interest incurred and capitalized for the years ended September 30, 2014 and 2013 are presented as follows:

	2014	2013
Interest incurred	$ 338,062	$ 414,467
Interest capitalized	(85,998)	(87,930)
Interest expense, net	$ 252,064	$ 326,537

Note 5 - Lease Agreements:

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30:

Year Ending September 30,	
2015	$ 4,384,964
2016	3,170,417
2017	2,850,685
2018	2,551,227
2019	2,010,524
Thereafter	21,131,458
	$ 36,099,275

Total income on non-cancellable operating leases for the years ended September 30, 2014 and 2013 was $4,719,412 and $4,587,458, respectively.

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

	2014	2013
Buildings and improvements	$ 82,693,319	$ 81,004,583
Accumulated depreciation	(38,945,107)	(36,196,587)
Capital assets held for lease, net	$ 43,748,212	$ 44,807,996

Note 6 - Retirement Plans

Florida Retirement System

The Authority's authorized permanent full- and part-time employees participate in the Florida Retirement System (FRS), a cost-sharing, multiple-employer defined-benefit public retirement plan. Effective December 1, 2000, the City of Sanford, Florida (the City) and, consequently, the Authority, terminated its single-employer, defined-benefit pension plan and re-entered the FRS.

The FRS provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan participants and beneficiaries. Florida Statutes establish benefit provisions. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Retirement System, Division of Retirement, Post Office Box 9000, Tallahassee, Florida 32315-9000, or by calling (877) 377-1737.

FRS members are eligible for retirement after vesting, which occurs at six or eight years of creditable service for regular members, depending upon the employee's hire date. Normal retirement age is attained at the earlier of 30 years of creditable service, regardless of age, or retirement at age 62, with at least 10 years of creditable service. Early retirement may be taken anytime: however, there is a five per cent benefit reduction for each year prior to normal retirement age. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation and service credit.

The FRS has six classes of membership. Only three apply to the Authority's eligible employees. These three classes, with descriptions and contribution rates in effect during the two-year period ended September 30, 2014 are as follows:

Regular Class – Members not qualifying for other classes (8.18% from 10/1/12 to 6/30/13; 9.95% from 07/01/13 to 6/30/14, 10.37% from 7/1/14 to 9/30/14).

Senior Management Class – Members of senior management (9.30% from 10/1/12 to 6/30/13; 21.31 % from 07/01/13 to 6/30/14, 24.14% from 7/1/14 to 9/30/14).

Special Risk Class – Members employed as law enforcement officers, fire fighters, or correctional officers and meeting the criteria set to qualify for this class (17.90% from 10/1/12 to 6/30/13; 22.06% from 07/01/13 to 6/30/14, 22.82% from 7/1/14 to 9/30/14).

The contribution requirements of the Authority are established and may be amended by FRS. Effective July 1, 2011, all FRS employees, with the exception of DROP participants and re-employed retirees who are initially re-employed under covered employment on or after July 1, 2010, are required to make pretax retirement contributions of 3% of their gross salary to the plan. The Authority's contributions to the FRS for the years ended September 30, 2014 and 2013 were $482,185 and $419,148, respectively, equal to the required contributions for each year.

Note 6 - Retirement Plans (Continued):

Deferred Compensation

The Authority has a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code 457, in which all employees may voluntarily elect to participate. The Plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. Because the Plan assets are held in trust for the exclusive benefit of Plan participants and their beneficiaries, the Plan is not accounted for in the Authority's financial statements.

Note 7 - Postemployment Benefits Other Than Pension Benefits:

In accordance with Florida Statutes, Section 112.0801, the Authority makes continuation of group health insurance through the Authority's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the Authority other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree. The Authority has chosen pay-as-you-go funding, but is recording the liability in the financial statements. This plan does not issue stand alone financial statements.

Plan Description - The Authority provides a defined-benefit healthcare plan (the Retiree Health Plan). The Retiree Health Plan provides healthcare insurance for eligible retirees and their spouses, which covers both active and qualified retired members and their spouses until the retiree retires. Benefit provisions are established by the Board of Directors. The Florida Health Insurance Coverage Continuation Act provides that retirees may elect within 60 days after the effective date of retirement to participate in the coverage and at the option of the retiree, the spouse and any unmarried children under 18 years of age.

Funding Policy - The Authority's Board of Directors will not be funding the plan in the current year. The Board will review the funding requirements and policy annually.

Annual OPEB Cost and Net OPEB Obligation - All Retiree Health Plan participants are on a group plan rate. The difference between the group plan rate that the retiree must pay and the actual or estimated individually rated premium is the implicit rate subsidy (because the employee continues to participate in the group plan, an implicit rate subsidy exists on the part of the employer). The subsidy amount would be calculated under the *Default Factors for Calculating Age-Adjusted Premiums for Ages 65 or older*. The Authority's annual OPEB cost (expense) is calculated on the annual contribution of the employer (ARC). The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members.

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

Annual OPEB Cost and Net OPEB Obligation (Continued) – 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 the remaining period of 26 years. The following table shows the components of the Authority's OPEB cost for the year, the amount actually contributed to the Retiree Health Plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual required contribution	$ 5,493
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	5,493
Contributions made	-
Increase in net OPEB obligation	5,493
Net OPEB obligation - beginning of year	21,972
Net OPEB obligation - end of year	$ 27,465

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Retiree Health Plan, and the net OPEB obligation for the year ended September 30, 2014 follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2014	$ 5,493	0.00%	$ 27,465
9/30/2013	5,493	0.00%	21,972
9/30/2012	5,493	0.00%	16,479

Funding Status and Funding Progress – The first actuarial report was prepared as of October 1, 2009. At that point in time, the unfunded actuarial accrued liability (UAAL) for benefits was $33,734, all of which was unfunded. The covered payroll was $2,849,573 and the ratio of UAAL to covered payroll was 1.2 percent. The projection of future benefit payments for an ongoing plan involves estimates of the value of the reported amounts and assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

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

Funding Status and Funding Progress (Continued) – The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress includes only one year, so multi-year comparison is not available for this period.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Authority and plan members) and includes the types of benefits provided at the time of each evaluation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age of active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 59, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement. It was also assumed that those who provided coverage for their spouse or had single coverage as an employee would continue the same coverage in retirement.

Mortality – Life expectations at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age, as displayed in the mortality tables.

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific, age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition, the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums is based on the most recent projections made by the Office of Actuary at the Centers for Medicare and Medicaid Services, as published in National Health Care Expenditures Projections: 2006 – 2021. The 2011 trend rate is 3.90%. For 2011 and beyond, the initial trend rate is 4.20%, fluctuating over the next eight years until the ultimate rate of 6.5% is reached.

Healthcare premiums - 2010 – 2011 healthcare insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid.

Medicare - When employees become eligible for Medicare benefits at age 65, they are no longer eligible to participate in the Authority's Retiree Health Plan.

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

Payroll increases - Changes in the payroll for current employees are expected to increase at a rate of approximately 2.80% annually.

Discount rate - The calculation uses an annual discount rate of 2%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method - The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2014 was twenty-six years.

Note 8 – Notes Payable – Bank:

Effective July 2012, the Authority entered into a $3,500,000 million revolving working capital line of credit that bears interest at 80% of *The Wall Street Journal* published prime rate, with a floor of 3% (3.0% at September 30, 2014). Interest is payable monthly in arrears on the principal balance outstanding on the first day of each month, commencing on August 1, 2012 and continuing thereafter until maturity on September 30, 2014, at which time all unpaid principal and accrued interest shall be due. Borrowings under this line of credit were collateralized by a Federal Aviation Administration Airport Improvement Program Grant. This grant was awarded on August 5, 2014. The line of credit was paid in full on September 23, 2014. The credit facility will remain intact to support future projects should the need arise.

Effective February 2010, the Authority established a $1,000,000 revolving working capital line of credit that is due on demand, evaluated annually, and bore interest at *The Wall Street Journal* published prime rate, with a floor of 4.00%. Borrowings under this line of credit are collateralized by substantially all CFCs. In April 2014, a renegotiation of the rates associated with this line of credit was executed to reduce its floor of 4.00% to a floor of 3.00%. There were no outstanding borrowings under this line of credit at September 30, 2014. The note contains various restrictive financial covenants, including the maintenance of certain liquidity ratios. All covenants have been met through September 30, 2014.

The Authority has a $425,000 line of credit that is due on demand and bears interest at the prime rate, with Orlando Sanford Domestic, Inc. under the management agreement discussed in Note 13. There is an outstanding borrowing in the amount of $180,000 as of September 30, 2014.

Note 9 - Non-Current Liabilities:

A summary of non-current liability activity for the years ended September 30, 2014 and 2013 is as follows:

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014	Amounts Due Within One Year	Amounts Due After One Year
Notes payable:						
Revenue notes:						
Series 2003	$ 2,151,349	$ -	$ 172,879	$ 1,978,470	$ 181,134	$ 1,797,336
Series 2011A	1,059,558	-	384,367	675,191	422,702	252,489
Series 2013A	830,418	-	187,158	643,260	35,921	607,339
Line of Credit	2,890,360	-	2,890,360	-	-	-
OSD Line of Credit	-	180,000	-	180,000	180,000	-
Construction Note	2,307,244	-	122,680	2,184,564	188,686	1,995,878
Florida Department of Transportation	1,206,250	207,479	-	1,413,729	-	1,413,729
Total notes payable	10,445,179	387,479	3,757,444	7,075,214	1,008,443	6,066,771
Other long-term liabilities						
Derivative instrument - interest rate swap	256,675	-	46,234	210,441	-	210,441
Other postemployment benefits	21,972	5,493	-	27,465	-	27,465
Total other long-term liabilities	278,647	5,493	46,234	237,906	-	237,906
Total non-current liabilities	$ 10,723,826	$ 392,972	$ 3,803,678	$ 7,313,120	$ 1,008,443	$ 6,304,677

Note 9 - Non-Current Liabilities (Continued):

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013	Amounts Due Within One Year	Amounts Due After One Year
Notes payable:						
Revenue notes:						
Series 2003	$ 2,316,348	$ -	$ 164,999	$ 2,151,349	$ 172,879	$ 1,978,470
Series 2011A	1,407,883	-	348,325	1,059,558	367,425	692,133
Series 2013A	-	830,418	-	830,418	-	830,418
Line of Credit	2,890,360	-	-	2,890,360	2,890,360	-
Construction Note	2,381,571	-	74,327	2,307,244	80,835	2,226,409
Florida Department of Transportation	1,206,250	-	-	1,206,250	-	1,206,250
Total notes payable	10,202,412	830,418	587,651	10,445,179	3,511,499	6,933,680
Other long-term liabilities						
Derivative instrument - interest rate swap	370,193	-	113,518	256,675	-	256,675
Other postemployment benefits	16,479	5,493	-	21,972	-	21,972
Total other long-term liabilities	386,672	5,493	113,518	278,647	-	278,647
Total non-current liabilities	$ 10,589,084	$ 835,911	$ 701,169	$ 10,723,826	$ 3,511,499	$ 7,212,327

Minimum principal and interest payments required, not including swap payments, on the notes payable in years subsequent to September 30, 2014 are as follows:

Year Ending September 30,	Principal	Interest
2015	$ 1,008,443	$ 143,347
2016	1,245,254	113,775
2017	404,235	74,403
2018	422,632	80,275
2019	441,868	68,235
2020 - 2024	3,552,782	143,780
	$ 7,075,214	$ 623,815

Note 9 - Non-Current Liabilities (Continued):

Notes payable at September 30, 2014 and 2013 are summarized as follows:

	2014	2013
Revenue note payable Series 2003 - bank collateralized by pledged revenues; variable interest rate, calculated at 63.7% of the 30-day LIBOR plus 115 basis (1.825% at September 30, 2014): principal and interest payable monthly through 2023	$ 1,978,470	$ 2,151,349
Revenue note payable Series 2011A - bank; collateralized by pledged revenues; fixed interest rate at 3.00%: principal and interest payable monthly through 2016	675,191	1,059,558
Revenue note payable Series 2013A - bank; collateralized by pledged revenues; variable rate, 75% WSJ Prime Rate (2.50% at September 30, 2014)	643,260	830,418
Note payable - bank; collateralized by pledged revenues; fixed interest rate at 4.25%; principal and interest payable monthly through 2024	2,184,564	2,307,244
Note payable - Florida Department of Transportation for land acquisition for 9L-27R runway extension; no interest; due 2020; unsecured	1,206,250	1,206,250
Note payable - Florida Department of Transportation for land acquisition for 18/36 runway; due 2024	207,479	-
	$ 6,895,214	$ 7,554,819

The Authority's notes payable contain various restrictive covenants, including the maintenance of certain liquidity ratios. All covenants have been met through September 30, 2014.

Note 9 - Non-Current Liabilities (Continued):

During 2011, the Authority entered into a $1.8 million Revenue Note, Series 2011A with a bank to repay the principal balance of the Revenue Note, Series 2001A. The note is payable solely from the ground lease rental revenue and the minimum domestic terminal revenues and is payable through 2016. The Authority has agreed to maintain rates and charges each year to provide net revenues. As defined in the applicable note agreement, equal to at least 1.10 times the sum of the aggregate debt service. Total principal and interest remaining on the Revenue Note, Series 2011A as of September 30, 2014 is $692,107, with annual requirements of $437,178 through the final year. For the twelve-month period ended September 30, 2014, principal and interest paid was $422,403 and total airport net revenues pledged for the year was $515,781.

During 2010, the Authority entered into a $2.5 million construction note payable with a bank to provide financing for the North Ramp Commercial Aviation Hangar. The Authority pledged airport CFCs and if this revenue stream is not at least 110% of the debt service, then the Authority must pledge additional revenues. Total principal and interest remaining on the North Ramp Commercial Aviation Hangar Note as of September 30, 2014 is $2,662,843, with annual requirements of $277,870 through the final year. For the twelve-month period ended September 30, 2014, principal and interest paid was $237,806 and total airport net revenues pledged for the year were $1,795,233.

The Authority has pledged future airport revenues, net of specific operating expense, to repay, approximately $3.5 million in Revenue Note, Series 2003. Proceeds from the Revenue Note, 2003 provided financing for various capital projects. The note is payable solely from the airport system revenues and is payable through the year 2023. The Authority has agreed to maintain rates and charges each year to provide net revenues, as defined in the applicable note agreement, equal to at least 1.10 times the sum of the aggregate debt service. Total principal and interest remaining on the Revenue Note, Series 2003 as of September 30, 2014 is $2,102,080 with annual requirements of $268,441 through the final year. For the twelve-month period ended September 30, 2014, principal and interest paid, including swap, was $269,877, and total airport net revenues pledged for the year were $1,109,834.

During 2011, the Authority entered into a $1.21 million note payable with the Florida Department of Transportation (FDOT) for the acquisition of multiple properties west of Beardall Avenue and between Runway 9L-27R and Runway 9R-29L. The note is a non-interest bearing obligation that will mature ten years after the grant is closed.

During 2013, the Authority entered into a Revenue Note, Series 2013-A with a bank to finance capital acquisitions and improvements. The note is payable solely from the PFCs. Total principal and interest remaining as of September 30, 2014 is $817,854, with annual interest payments of $24,082 through the final year, when the principal is due. For the twelve-month period ended September 30, 2014, interest paid was $15,333 and total pledged revenues for the year were $4,329,332.

During 2014, the Authority entered into a $356,049 note payable with the FDOT for the acquisition of multiple properties near the end of Runway 18. The note is a non-interest bearing obligation that will mature ten years after the grant is closed.

Note 10 - Derivatives and Hedging Activities:

Swap Payments and Associated Debt

Revenue Note, Series 2003: Using interest rates as of September 30, 2014, debt service requirements of the variable rate debt and net swap payments, assuming current rates remain the same for their term, are as follows. As rates vary, variable rate note interest payments and net swap payments will vary.

Calendar Year	Principal	Interest	Interest Rate Swap, Net	Total
2015	$ 181,134	$ 23,641	$ 62,365	$ 267,140
2016	189,559	21,222	56,145	266,926
2017	198,837	17,030	45,246	261,113
2018	208,332	16,028	42,277	266,637
2019	218,281	13,244	34,928	266,453
2020-2023	982,327	22,521	59,430	1,064,278
	$ 1,978,470	$ 113,685	$ 300,391	$ 2,392,547

Pay-Fixed, Receive-Variable Interest Rate Swap

Objective of the swap: The Authority entered into a pay-fixed, receive-variable interest rate swap agreement in order to reduce the impact of fluctuations in interest rates on its variable rate debt.

Fair value and classification: Because interest rates have declined and remained so, the 2003 Swap had a negative fair value, as of September 30, 2014. The fair value decreased by $46,234 from the September 30, 2013 amount. The fair values for each period were obtained from the swap counterparty, Bank of America Merrill Lynch. In accordance with GASB Statement No. 53, *Accounting and Reporting for Derivative Instruments*, the fair value is reflected as a liability in the long-term section on the balance sheets, with a corresponding deferred outflow of resources. The fair value of the deferred outflows in connection with the swap was $256,675 and $210,441 for the years ended September 30, 2014 and 2013, respectively.

Note 10 - Derivatives and Hedging Activities (Continued):

Pay-Fixed, Receive-Variable Interest Rate Swap (Continued)

Terms and Risk: The notational amount of the swap matches the principal amount of the associated debt. The Authority's swap agreement contains scheduled reductions to the outstanding notional amount that approximates scheduled or anticipated reductions in the outstanding principal amount from debt repayment. The terms, fair value and credit rating of the outstanding swap as of September 30, 2014 and 2013 are as follows:

Associated Note Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	September 30, 2014 Fair Value	Swap Termination Date	Counterparty Credit Rating
2003	$2,151,349	Sept. 1, 2003	4.62%	LIBOR*	$(210,441)	Sept. 2023	A+/A-1

Associated Note Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	September 30, 2013 Fair Value	Swap Termination Date	Counterparty Credit Rating
2003	$2,151,349	Sept. 1, 2003	4.62%	LIBOR*	$(256,675)	Sept. 2023	A+/A-1

* London Interbank Offered Rate

Credit Risk: As of September 30, 2014, the Authority was not exposed to credit risk because the pay-fixed, receive-variable swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Authority would be **exposed to credit risk in the amount of the derivatives' fair value.**

Termination risk: An early termination would result in a cash settlement, based upon market conditions at the time of termination.

Note 11 – Grants and Contributions:

Grants and contributions are used primarily for capital assets and are classified as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position. Grants and contributions consisted of the following at September 30, 2014 and 2013:

	2014	2013
Federal grants	$ 13,329,864	$ 16,834,344
State of Florida grants	1,440,391	1,189,147
Local grants and contributions	2,322	395,363
	$ 14,772,577	$ 18,418,854

Note 12 - Related Party Transactions:

Retirement – See Note 6

Airport Lease – The City of Sanford, Florida granted the Authority the exclusive right to occupy, operate, control, maintain and use the Orlando Sanford Airport for a term of 50 years starting in 2009.

> The City hereby grants, transfers and conveys unto the Authority the exclusive right and jurisdiction to occupy, operate, control, maintain and use the Airport, for a term of fifty (50) years, and automatically renewing every ten (10) years unless expressly rejected in writing by the City, for public airport purposes, subject to easements, deed restrictions, grant assurances with the United States, State of Florida, applicable laws and ordinances and other restrictions of record, and matter herein.

Note 13 – Commitments and Contingencies:

Litigation – During the ordinary course of its operations, the Authority is a party to various claims, legal actions, and complaints. Although the outcome of these lawsuits is not determinable at the time of an audit, in the opinion of the Authority's management and legal counsel, these matters are not anticipated to have a material adverse effect on the financial condition of the Authority.

Domestic Terminal Project – During the year ended September 30, 2001, the construction of the Domestic Terminal project was completed. In concert with the design and construction of the Domestic Terminal expansion, the Authority entered into a Memorandum of Understanding with TBI, plc to negotiate a (30) thirty-year management contract for the Domestic Terminal in exchange for their private sector investment into the project of $7,500,000. TBI, plc's United States corporation, known as Orlando Sanford Domestic, Inc. (OSD), will manage all operations involving the Domestic Terminal.

The contractual agreement provides for five (5) fixed annual, lump-sum payments to the Authority, as well as additional minimum operation payments to the Authority years one through thirty (1-30) in exchange for the revenues generated by the operation of the Domestic Terminal. The Authority will also participate in a percentage of gross revenues generated from the operation of the Domestic Terminal should those amounts exceed the agreed-upon revenue thresholds. Additionally, many expenses and liabilities associated with the operation of the Domestic Terminal will be removed from the Authority and transferred to OSD.

Construction Projects – At September 30, 2014, the Authority entered into construction contracts in the amount of approximately $20,346,693 for various projects, including rehabilitation of the Southwest ramp and replacement of twelve passenger boarding bridges.

Note 13 - Commitments and Contingencies (Continued):

Grant Compliance - The Authority receives grants from federal and state assistance programs. Amounts received or receivable under these programs are subject to audit and adjustment. The amount, if any, of disallowed claims, including amounts already collected, cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

Environmental Issues – The Authority has worked with the State of Florida and appropriate Federal agencies to identify, assess, and clean up any contaminated sites on airport property. As of September 30, 2014, the Authority has no known sites requiring mitigation and no ongoing obligation to monitor and test any site.

Construction Disputes – The Authority is not aware of any current dispute from the construction of improvements in which contractors involved may seek additional compensation.

Note 14 – Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past five years.

The Authority uses interest-rate swap agreements to reduce its debt service costs. The Authority has entered into an interest-rate swap agreement to reduce interest costs on the Revenue Note Payable, Series 2003. The differential to be paid or received is accrued as interest expense or income and is recognized over the term of the agreement. The related amount payable to or receivable from the counterparty is included in accrued interest or interest receivable. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the fair value of the swap is recognized in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Sanford Airport Authority Retiree Continuation Health Plan

Schedule of Funding Progress

Actuarial Valuation Date **	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2009	$ -	$ 33,734	$ 33,734	0%	$ 2,849,573	1.2%

** Initial valuation date

Schedule of Contributions from Employers

Fiscal Year Ending	Annual Required Contributions (ARC)	Percentage of ARC Contributed	Net Pension Obligation
9/30/2014	$ 5,493	0%	$ 27,465
9/30/2013	5,493	0%	21,972
9/30/2012	5,493	0%	16,479
9/30/2011	5,493	0%	10,986
9/30/2010	5,493	0%	5,493

COMPLIANCE SECTION

MOORE STEPHENS LOVELACE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

The Authority Board
Sanford Airport Authority
Sanford, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements, as listed in the table of contents, of the Sanford Airport Authority (the Authority) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated February 23, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item FS 2014-001 that we consider to be a significant deficiency.

The Authority Board
Sanford Airport Authority

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*.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain other matters that we reported to management in a separate letter dated February 23, 2015.

Purpose of this Report

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

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 23, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, MAJOR STATE PROJECT AND THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CHAPTER 10.550, RULES OF THE AUDITOR GENERAL, AND PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

The Authority Board
Sanford Airport Authority
Sanford, Florida

Report on Compliance for Each Major Federal Program, Major State Project, and the Passenger Facility Charge Program

We have audited the compliance of the Sanford Airport Authority (the Authority), with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement*, the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, and the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide") that could have a direct and material effect on each of the Authority's major federal programs, major state projects, and the passenger facility charge program for the year ended September 30, 2014. The Authority's major federal programs and major state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs, major state projects, and the passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and Chapter 10.550, *Rules of the Auditor General*; and the Guide.

The Authority Board
Sanford Airport Authority

Those standards, OMB Circular A-133, Chapter 10.550, *Rules of the Auditor General*, and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program, major state project, or the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program, Major State Project, and the Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs, major state projects, and the passenger facility charge program for the fiscal year ended September 30, 2014.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program, major state project, and the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, major state project, and the passenger facility charge program and to test and report on internal control over compliance in accordance with OMB Circular A-133, Chapter 10.550, *Rules of the Auditor General*, and the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program, state project, or the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program, state project, or the passenger facility charge program will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program, state project, or the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Authority Board
Sanford Airport Authority

Report on Internal Control over Compliance (*Cont.*)

Our consideration of internal control over compliance was for the limited purpose described in the 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 OMB Circular A-133, Chapter 10.550, *Rules of the Auditor General*, and the Guide. Accordingly, this report is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 23, 2015

SANFORD AIRPORT AUTHORITY

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

Year Ended September 30, 2014

Grantor Pass-through grantor Federal Program/State Project	CFDA/ CFSA Number	Contract/Grant Number	Expenditures
United States Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program			
	20.106	3-12-0069-6510	$ 300,127
	20.106	3-12-0069-6811	108,659
	20.106	3-12-0069-7012	426,786
	20.106	3-12-0069-7113	9,093,014
	20.106	3-12-0069-7314	2,796,943
Total Federal Awards			$ 12,725,529
Florida Department of Transportation			
Aviation Development Grants			
	55.004	409804	757
	55.004	405201	179,235
	55.004	409808	55,253
	55.004	410098	2,073
	55.004	414454	172,500
	55.004	420846	420,393
	55.004	431599	108,969
	55.004	431600	501,219
Total State Awards			$ 1,440,399

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

SANFORD AIRPORT AUTHORITY

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

Year Ended September 30, 2014

Sanford Airport Authority is approved by the FAA to collect Passenger Facility Charges (PFC's) under PFC #3 Final Agency Decision. As of September 30, 2014, the Authority had collected $23,598,749 in PFC's, of which $4,330,299 was collected in fiscal year 2014. Total expended as of September 30, 2014 amounted to $23,598,749. These amounts were determined on the cash basis of accounting and, therefore, may differ from amounts presented in the basic financial statements. Although administered by the U.S. Department of Transportation, PFC's are not considered federal awards, as defined by OMB Circular A-133 are not included in this schedule.

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

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

Year Ended September 30, 2014

Note 1 – Basis of Presentation:

The accompanying schedule of expenditures of federal awards, state financial assistance, and passenger facility charges (the Schedule) includes the federal and state grant activity of the Sanford Airport Authority (the Authority) under programs of the federal and state government for the year ended September 30, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and in accordance with the requirements of Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 – Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Federal expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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. Pass-through entity identifying numbers are presented where available.

SANFORD AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2014

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued: **Unmodified Opinion**

Internal control over financial reporting:

• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified?	X Yes	____ None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards and State Financial Assistance

Internal control over major programs/projects:

• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified?	____ Yes	X None reported

Type of report issued on compliance for major federal programs and major state projects: **Unmodified Opinion**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 or Chapter 10.557, *Rules of the Auditor General*?	____ Yes	X No

Identification of Major Federal Programs and Major State Projects:

CFDA Number	Name of Federal Program
20.106	FAA: Airport Improvement Program

CSFA Number	Name of State Project
55.004	FDOT: Aviation Development Grants

Dollar threshold used to distinguish between Type A and Type B programs/projects:

Federal	$381,766
State	$300,000

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133?	X Yes	____ No

SECTION II - FINANCIAL STATEMENT FINDINGS

<u>FS 2014-001 Retainage Payable</u>

Significant Deficiency

Observation:
During our audit, we noted that the Authority's closing process for recording liabilities at year end did not include a review of construction invoices for potential retainage payable liabilities.

Criteria:
Proper controls over financial reporting should include a review for retainage payable amounts to ensure all liabilities for services performed by contractors are recorded.

Cause:
It appears the Authority's closing process did not include the review of retainage payable.

Effect:
The Authority runs the risk of understating its liabilities for unrecorded retainage payable.

Context:
While the Authority did not identify the retainage payable at year end, the impact of the unreported liability was not deemed material.

Recommendation:
We recommend that the Authority implement a process to ensure that construction invoices are reviewed for retainage payable amounts that should be recorded at year end.

Management Response:
Accounting for retainage was always performed as a year-end procedure, if necessary. Retainage was only recorded when a large project was not yet completed. If this condition existed, then an entry was made at year end. Although this condition existed at the end of fiscal year 2014, it was overlooked since it was previously regarded as a year ending process step (that was unfortunately missed). Once the condition was noted by the auditor, the appropriate journal entries were made to reconcile our records.

In order to assure this condition never recurs, all vendor invoices that reflect retainage will have the retainage recorded as a liability at the time of the journal entry. In this manner, the retainage will always be reflected in the financial records throughout the year rather than at year end only. The year end process will thereby be relegated to a reconciliation procedure rather than a recognition process.

SECTION III - FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS SECTION

None Reported.

SANFORD AIRPORT AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2014

PRIOR YEAR AUDIT FINDINGS

No matters were reported over federal awards, state financial assistance, or passenger facility charges in the prior year.

MOORE STEPHENS LOVELACE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT

The Authority Board
Sanford Airport Authority
Sanford, Florida

We have examined the compliance of the Sanford Airport Authority (the Authority) with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2014. 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 fiscal year ended September 30, 2014.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 23, 2015

MOORE STEPHENS LOVELACE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

The Authority Board
Sanford Airport Authority
Sanford, Florida

Report on the Financial Statements

We have audited the basic financial statements of the Sanford Airport Authority (the Authority) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated February 23, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; Chapter 10.550, *Rules of the Auditor General*; and the *Passenger Facility Charge Audit Guide for Public Agencies*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance with Requirements for Each Major Federal Program, Major State Project, and the Passenger Facility Charge Program and on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance and Schedule of Passenger Facility Charges in Accordance with OMB Circular A-133, Chapter 10.550, *Rules of the Auditor General*, and the *Passenger Facility Charge Audit Guide for Public Agencies*; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated February 23, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

The Authority Board
Sanford Airport Authority

Financial Condition

Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.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 financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. We have included our current-year recommendation in the attached "Schedule of Observations and Recommendations."

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, the Authority's Board, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 23, 2015

MLO 2014-002 IT Operations and Controls

Observation:
During our audit, we performed an assessment of the Authority's IT operations and controls. During this assessment, we noted several areas for improvement within the Authority's IT processes. The following areas for improvement were noted during our assessment: physical security controls, end-user security controls, network security controls, IT policies and procedures, data backup controls, and business continuity/disaster recovery programs.

Criteria:
To ensure proper financial accounting and reporting, security of financial information, as well as operational effectiveness, appropriate IT controls should be implemented, maintained, and updated, as necessary, to keep pace with the constantly changing technology environment.

Cause:
The inherent nature of a constantly changing technology environment creates challenges for maintaining a secure IT environment.

Effect:
If risks within an IT system are not properly mitigated, the Authority may be left vulnerable to external or internal IT threats that could cause disruption to the Authority's operations or compromise the Authority's electronic data.

Context:
The focus of our assessment was the impact of the IT processes on the financial accounting and reporting processes. However, the IT environment impacts almost every area of an organization so risks should be assessed from an operational perspective as well.

Recommendation:
We recommend that the Authority evaluate the IT issues noted in our assessment and implement cost-effective procedures to ensure the continued security of the Authority's IT environment.

Management Response:
We have activated a password complexity policy and completed centralized antivirus management via antivirus console. Additionally, we are comfortable with our current physical security policy. We replaced our unsupported firewall/remote access device, and gained content filtering and IDS. We are comfortable with IT policies, procedures and training as they stand in our current employee handbook. We anticipate handling disaster recovery in an ad-hoc fashion and are comfortable with our current backup settings.