

# **Hillsborough County Aviation Authority**

Financial Statements, Other Financial  
Information and Compliance Reports  
Years Ended September 30, 2019 and 2018

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Tampa  
International  
Airport





## Independent Auditors' Report

RSM US LLP

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

We have audited the accompanying financial statements of the Hillsborough County Aviation Authority (the Authority), as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*RSM US LLP*

Tampa, Florida

March 6, 2020

**Hillsborough County Aviation Authority  
Management's Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

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The following management's discussion and analysis (MD&A) of the financial performance and activity of the Hillsborough County Aviation Authority (the Authority) is to provide an introduction and understanding of the financial statements of the Authority for the years ended September 30, 2019 and 2018, with selected comparisons to prior years.

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

**Financial and Activity Highlights – Fiscal Year 2019**

The financial results for 2019 demonstrated the success of Tampa International Airport's focus on continued airline marketing efforts to grow the core business, increasing non-aviation revenues and keeping airline costs competitive. The strong financial performance during 2019 continued a trend of overall financial operational improvements since 2010. A positive net position of \$1.137 billion at current fiscal year end reflected an increase in net position of \$13.7 million, compared to 2018, serving as an indicator of the Authority's financial strength.

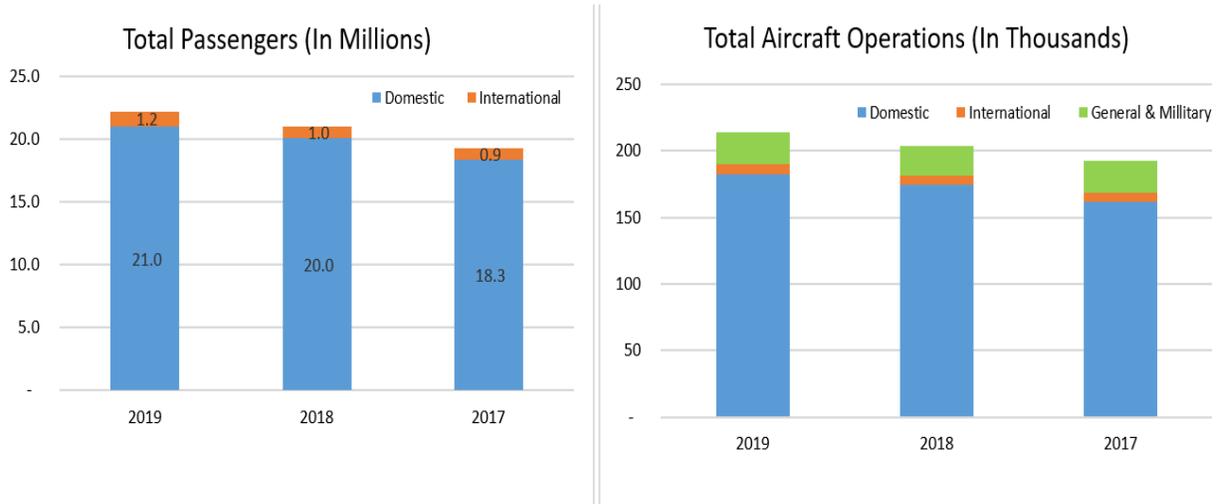
During 2019, more than 22.2 million passengers traveled through the airport, which was a 5.5% increase as compared to 2018. Both domestic and international traffic increased by 4.8% and 19.3% respectively. These increases reflected the continued success of our Air Service Development efforts. Non-stop flights are currently offered to more than 90 destinations across the world. As a result of this success, the Authority's revenue reached historical levels at \$271.7 million, a \$31.1 million increase as compared with 2018. These positive results support the measures the Authority has taken to strengthen the financial viability of the organization.

Passenger enplanements at Tampa International Airport for the fiscal year ended September 30, 2019, totaled 11.1 million, which is an increase of 5.4% from the prior year. In addition to the large increase in non-stop capacity, the domestic load factor increased to 85.6% on average while the international load factor also increased to 80.0%. For 2019, the top three airlines, in terms of passenger enplanement and market share, were Southwest, Delta and American. Southwest remained the highest market share at 31.1%, Delta moved to second at 17.1%, and American was third at 15.8%. During 2018, Southwest maintained the highest market share of 33.5%, Delta was second at 16.7% and American was third at 16.0%.

**Hillsborough County Aviation Authority  
Management’s Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

The following graphs represent total passenger activity and aircraft operations at Tampa International Airport for the three fiscal years ended September 30.



Landed weight in 2019 totaled 13,129,935 thousand pounds, compared to 12,347,359 thousand pounds and 11,031,509 thousand pounds in 2018 and 2017, respectively. The number of landings for domestic and international flights was 87,673 for 2019, compared to 85,492 and 84,279 for 2018 and 2017, respectively. The increases in landed weight and operations in 2019 and 2018 were attributable to the passenger growth, as well as the boom in cargo business with operational increases from all existing cargo carriers and the addition of United Parcel Service in 2018.

**Overview of the Financial Statements**

The Authority operates as a single enterprise fund with multiple cost centers. The financial statements are prepared on the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated, except land, over their useful life. This MD&A is intend to serve as an introduction to the basic financial statements, notes to the financial statements, and required supplementary information of the Authority. These statements and schedules, along with the MD&A, are designed to provide readers with an understanding of the Authority’s finances.

The statements of net position present information on all of the Authority’s assets, deferred outflows of resources, liabilities and deferred inflows of resources as of September 30, 2019 and 2018. Increases or decreases in net position over time are relative indicators of the Authority’s financial position. The statements of revenues, expenses and changes in net position show the results of our operations reflecting both operating and nonoperating activities during the fiscal years ended September 30, 2019 and 2018. Changes in net position reflect the fiscal year’s operating impact upon our overall financial position. These statements summarize the recording of financial transactions when the underlying events occur, not the receipt or disbursement of cash. The statements of cash flows relate to the cash and cash equivalent inflows and outflows as a result of financial transactions during the two fiscal years and also include a reconciliation of operating income to the net cash provided by operating activities. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Hillsborough County Aviation Authority  
Management’s Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

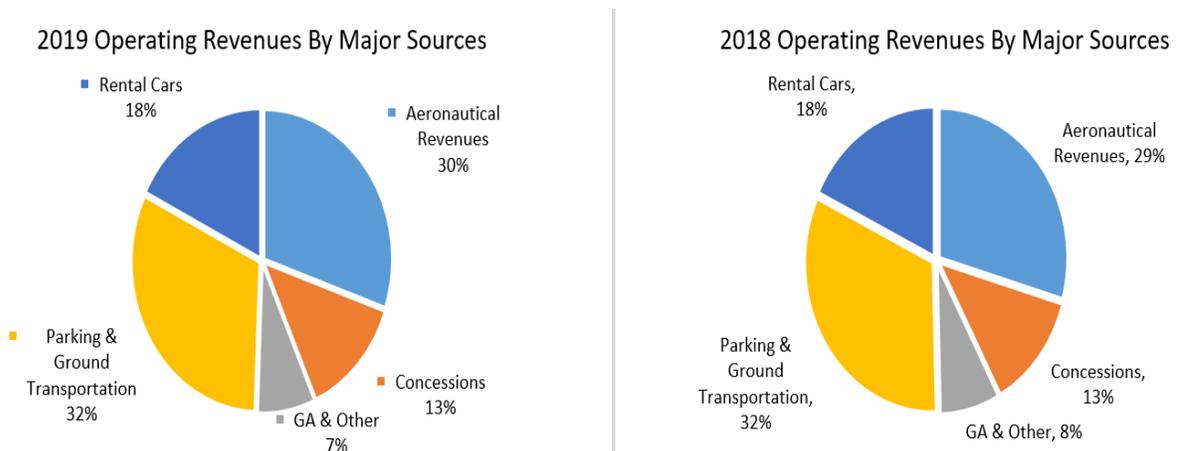
**Financial Analysis**

Operating Revenues

The following table presents the major operating revenue sources for fiscal years 2019, 2018 and 2017:

| Revenue Sources           | Year                  |                       |                       | Percent Change |              |
|---------------------------|-----------------------|-----------------------|-----------------------|----------------|--------------|
|                           | 2019                  | 2018                  | 2017                  | 2018 to 2019   | 2017 to 2018 |
| Aeronautical Space Rental | \$ 55,668,436         | \$ 51,508,846         | \$ 45,817,385         | 8.1%           | 12.4%        |
| Landing Fees              | 21,063,357            | 17,608,710            | 18,131,506            | 19.6           | (2.9)        |
| Parking                   | 74,132,140            | 72,361,560            | 67,472,121            | 2.4            | 7.2          |
| Rental Cars               | 44,919,284            | 42,135,811            | 36,017,915            | 6.6            | 17.0         |
| Concessions               | 33,137,335            | 29,685,143            | 24,434,765            | 11.6           | 21.5         |
| General Aviation          | 4,283,433             | 4,086,308             | 3,803,022             | 4.8            | 7.4          |
| Ground Transportation     | 6,176,506             | 3,773,383             | 1,468,696             | 63.7           | 156.9        |
| Other                     | 14,081,916            | 13,522,124            | 15,005,012            | 4.1            | (9.9)        |
| <b>Total</b>              | <b>\$ 253,462,407</b> | <b>\$ 234,681,885</b> | <b>\$ 212,150,422</b> | <b>8.0%</b>    | <b>10.6%</b> |

The following chart illustrates that approximately 30% of revenue sources were generated from aeronautical services, and 70% of revenues were non-aeronautical revenues, derived from parking and ground transportation, rental cars, concessions, general aviation and other revenues in fiscal year 2019 and 2018.



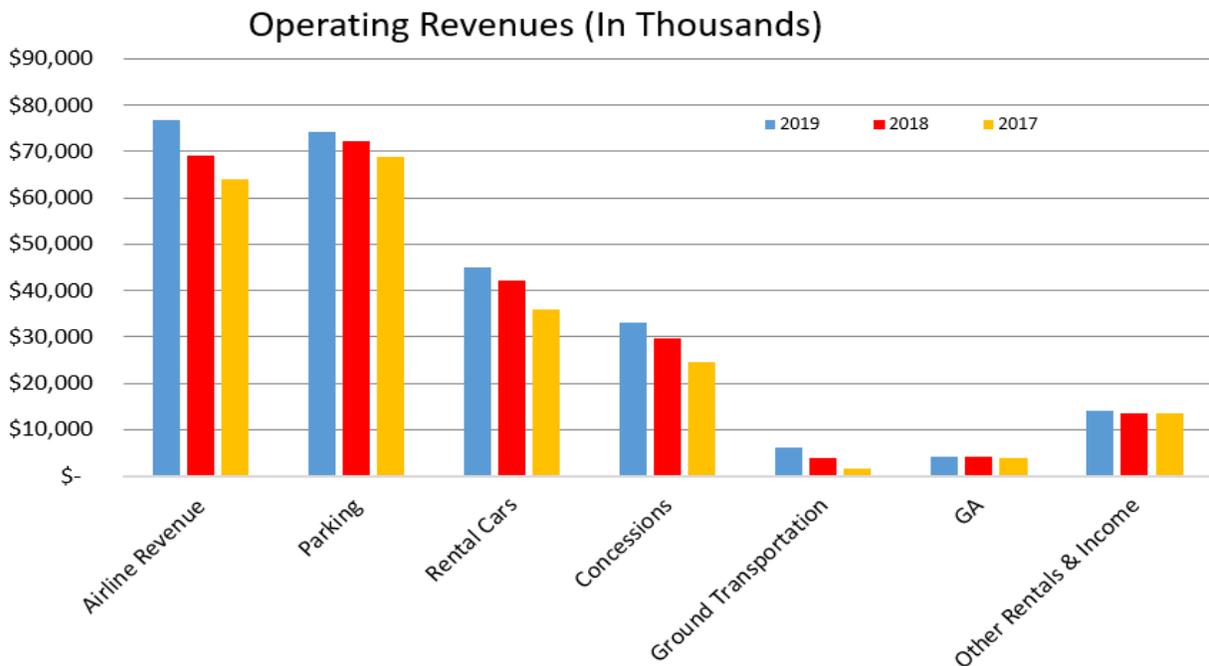
**Hillsborough County Aviation Authority  
Management’s Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

Overall the total operating revenues of the Authority increased \$18.8 million in fiscal year 2019, or 8.0%, compared with the previous year, primarily attributable to record increases in passenger traffic coupled with growth in concessions and parking revenues. Net airline revenues in airfield and terminal building have gone up \$7.6 million, or 11.0%, as compared with 2018, due to higher passenger enplanements, resulting in an increase of 6.3% in landed weight and 2.6% in aircraft operations. As a direct impact, airfield operating expenses increased more than 23.4% to reflect the airline fees collected for the use of services and facilities of the airport. A full year’s operation of the Rental Car Center (RCC) and greater passenger traffic generated \$2.8 million, or 6.6% more Rental Car Concession revenues, and \$4.2 million additional parking and ground transportation revenues in commercial landside in fiscal year 2019. The completion of the airport’s concessions redevelopment program in fiscal year 2019 further improved food and beverage, and general merchandise concession revenue growth by \$3.1 million, or 12.7% in terminal building and airside, as compared with fiscal year 2018.

Overall the total operating revenues increased \$22.5 million in fiscal year 2018, or 10.6%, from the previous year primarily due to greater airline, concessions and parking revenues. Airline revenues increased \$5.2 million, or 8.1%, as a result of an average increase of rental rate in terminal and airside buildings. Concession revenues increased \$5.7 million compared to the prior year, attributable to the ongoing concession re-development program neared its completion. With the opening of the RCC on February 14, 2018, the continued implementation of per-trip fees for all operators, and the strong passenger traffic growth, commercial landside revenues increased by \$14.5 million during 2018. Rental car revenue increased by \$6.1 million or 17.0%, due to the RCC, which accounted for 17.5% of the Authority’s revenue. As mentioned before, passenger growth helped drive parking revenue up year-over-year by \$4.9 million or 7.2%. In addition to the Transportation Network Companies (TNCs) and Taxicabs, per-trip fee for the remaining ground-transportation operators began in August 2018 and accounted for \$3.8 million in revenue or 156.9% more than 2017.

The growth trends of major revenue sources in the three fiscal years ended September 30 are presented in the following chart:



**Hillsborough County Aviation Authority  
Management’s Discussion and Analysis (Unaudited)**

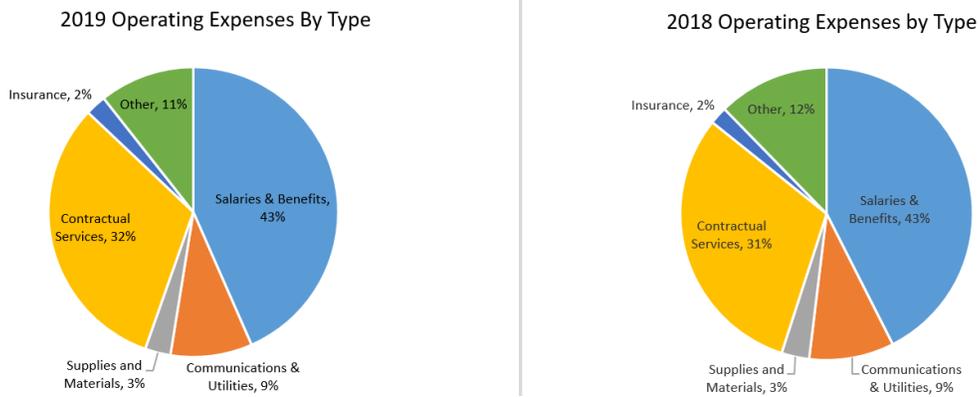
**Years Ended September 30, 2019 and 2018**

Operating Expenses

The following table presents the major expense classifications for fiscal years 2019, 2018, and 2017:

| Expense Classification     | Year                  |                       |                       | Percent Change |              |
|----------------------------|-----------------------|-----------------------|-----------------------|----------------|--------------|
|                            | 2019                  | 2018                  | 2017 RESTATED         | 2018 to 2019   | 2017 to 2018 |
| Airfield                   | \$ 16,802,798         | \$ 13,621,493         | \$ 13,301,269         | 23.4%          | 5.8%         |
| Terminal Complex           | 74,153,689            | 69,306,312            | 62,454,422            | 7.0            | 11.0         |
| Commercial Landside        | 35,752,673            | 32,964,771            | 28,102,155            | 8.5            | 17.3         |
| Cargo and General Aviation | 4,394,710             | 4,349,359             | 3,820,706             | 1.0            | 13.8         |
| Roads and Grounds          | 11,659,593            | 11,417,370            | 10,474,881            | 2.1            | 7.0          |
| Other                      | 11,252,736            | 14,000,063            | 6,858,743             | (19.6)         | 20.0         |
| <b>Total</b>               | <b>\$ 154,016,199</b> | <b>\$ 145,659,368</b> | <b>\$ 125,012,176</b> | <b>5.7%</b>    | <b>16.5%</b> |

The following chart shows the major expense categories and their percentages to the total operating expenses in fiscal year 2019 and 2018:



**Hillsborough County Aviation Authority  
Management's Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

Total operating expenses of \$154.0 million for fiscal year 2019 were \$8.4 million higher than 2018. Expenses excluding environmental costs, GASB 68 Pension and GASB 75 OPEB expenses, increased by \$11.2 million compared with fiscal year 2018. With an average of 4% cost of living and merit increase in salaries, 16.5% increase in contributions to Florida Retirement Services and 8% up in medical insurance rates, personnel expenses increased by \$3.3 million in 2019. As mentioned in the revenues section, the greater airline revenues in 2019, resulted in \$3.2 million higher airfield operating expenses, including increases in personnel costs of \$1.5 million, allocated administration expenses of \$1.2 million, and engineering costs of \$.4 million to accommodate the busy air traffic needs. In addition, increases of \$4.8 million in repairs and maintenance expenses in terminal and airside buildings reflected the strong passenger traffic flows necessitating additional maintenance costs. As a result, Janitorial and Engineering costs increased \$1.1 million; elevator and escalators maintenance costs increased \$.3 million and allocated personnel and administration costs were \$3 million higher than last fiscal year. With a full year's operation of the SkyConnect trains (Automated People Mover) and RCC, there was a \$2.8 million increase in contractual maintenance expenses in commercial landside in fiscal year 2019, of which \$1.45 million were attributable to SkyConnect train maintenance and RCC baggage service expenses. In addition, other maintenance and administrative costs were increased more than \$1.3 million in commercial landside. In compliance with the Governmental Accounting Standards Board (GASB) requirements, the Authority reported pension and post employment benefits other than pension (OPEB) expenses totaling \$8.1 million in 2019, which was an increase of \$4.0 million over the last fiscal year. A reduction of \$7.1 million environmental remediation expenses in 2019 offset the higher pension expenses.

Total operating expenses increased \$20.6 million in fiscal year 2018, compared to the prior year, primarily due to the operation of the new RCC and SkyConnect Automated People Mover (APM) in the spring of 2018, driving up non-personnel expenses by \$7.6 million, or 6.5%, compared to the prior year. The Authority also reported \$7.6 million of environmental expenses in compliance with GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations, and GASB 68 pension and GASB 75 OPEB expenses totaling \$4.2 million.

Revenues, Expenses, and Changes in Net Position

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

|                                                          | Year           |                |                  | Change<br>2018 to 2019 | Change<br>2017 to 2018 |
|----------------------------------------------------------|----------------|----------------|------------------|------------------------|------------------------|
|                                                          | 2019           | 2018           | 2017<br>RESTATED |                        |                        |
| Operating Revenues                                       | \$ 253,462,407 | \$ 234,681,885 | \$ 212,150,422   | \$ 18,780,522          | \$ 22,531,463          |
| Operating Expenses                                       | 154,016,199    | 145,659,368    | 125,012,176      | 8,356,831              | 20,647,192             |
| Signatory Airline Revenue<br>Sharing                     | 16,253,182     | 12,503,019     | 8,840,961        | 3,750,163              | 3,662,058              |
| Operating Income before<br>Depreciation and Amortization | 83,193,026     | 76,519,498     | 78,297,285       | 6,673,528              | (1,777,787)            |
| Depreciation and Amortization                            | 150,438,152    | 103,281,914    | 81,539,090       | 47,156,238             | 21,742,824             |
| Operating Loss                                           | (67,245,126)   | (26,762,416)   | (3,241,805)      | (40,482,710)           | (23,520,611)           |
| Net Nonoperating Expense                                 | (35,528,924)   | (51,167,905)   | (31,197,215)     | 15,638,981             | (19,970,690)           |
| Capital Contributions                                    | 116,450,426    | 122,022,539    | 177,180,384      | (5,572,113)            | (55,157,845)           |
| Increase in Net Position                                 | \$ 13,676,376  | \$ 44,092,218  | \$ 142,741,364   | \$ (30,415,842)        | \$ (98,649,146)        |

**Hillsborough County Aviation Authority  
Management's Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

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In fiscal year 2019, operating income before depreciation and amortization was \$83.2 million, an increase of \$6.7 million compared to the prior year, as a result of strong passenger traffic throughout the year.

Depreciation and amortization expenses were \$150.4 million, an increase of \$47.2 million, compared with 2018, due to a full year of depreciation of the RCC and APM and other assets additions.

Net non-operating expenses in fiscal year 2019 decreased \$15.6 million, primarily attributable to greater investment earnings with larger amounts of the unspent proceeds from new debt issuance and higher short-term interest rate in the market. Overall interest income and unrealized investment gains increased more than \$28 million, offsetting an increase of the debt service interest payments of \$12.5 million.

In fiscal year 2018, operating income before depreciation and amortization was \$76.5 million, a decrease of \$1.8 million compared to the prior year.

Depreciation and amortization expenses were \$103 million, an increase of \$21.7 million in fiscal year 2018, compared with the prior year. The increase is primarily due to the completion of the RCC and APM to increase the depreciable capital assets.

Non-operating expenses in fiscal year 2018 decreased \$20 million, compared with the prior year, primarily due to the early adoption of GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, which excludes capitalized interest in the financial statements.

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

In fiscal year 2019, total capital contributions decreased by \$5.6 million compared with fiscal year 2018, primarily due to a reduction of federal grants of \$5.8 million.

In fiscal year 2018, capital contributions decreased \$55 million, primarily attributable to the completion of multi-year master plan projects funded by the Florida Department of Transportation. PFC revenues were \$41.7 million, an increase of \$4.4 million over the prior year, due to an increase of enplaned passengers of .9 million. In addition, the Authority received Federal Reimbursements of \$18 million for the baggage screening system in 2018, the majority of which reimburses a 2003 baggage project of roughly \$16 million.

CFC are collected at \$5.95 per transaction day for current on-airport companies. In fiscal year 2019, the gross CFC collections were \$44.7 million, which was comparable to the prior year collections. Due to a full year of the applicable operating and maintenance expenses of the RCC and SkyConnect trains, the net CFC collections were \$31.8 million.

In fiscal year 2018, the gross CFS's collected were \$44.4 million, an increase of \$8.6 million from the prior year. This was offset by CFC reimbursements to related projects in the amount of \$10.4 million, resulting in net collections of \$34 million.

**Hillsborough County Aviation Authority  
Management's Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

Statements of Net Position

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

|                                              | Year             |                  |                  | Change        | Change          |
|----------------------------------------------|------------------|------------------|------------------|---------------|-----------------|
|                                              | 2019             | 2018             | 2017 RESTATED    | 2018 to 2019  | 2017 to 2018    |
| <b>ASSETS</b>                                |                  |                  |                  |               |                 |
| Current Assets                               | \$ 268,600,839   | \$ 238,930,004   | \$ 287,744,093   | \$ 29,670,835 | \$ (48,814,089) |
| Capital Assets, Net                          | 1,967,171,830    | 1,957,723,350    | 1,921,351,116    | 9,448,480     | 36,372,234      |
| Other Non-Current Assets                     | 566,431,540      | 193,674,953      | 168,577,998      | 372,756,587   | 25,096,955      |
| Total Assets                                 | 2,802,204,209    | 2,390,328,307    | 2,377,673,207    | 411,875,902   | 12,655,100      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>        |                  |                  |                  |               |                 |
| Deferred Loss on Refunding of Debt           | 1,323,037        | 2,241,476        | 1,790,591        | (918,439)     | 450,885         |
| Deferred Outflows on Pension Related Amounts | 21,869,747       | 20,471,098       | 20,021,450       | 1,398,649     | 449,648         |
| Deferred Outflows on OPEB Related Amounts    | 1,092,452        | -                | -                | 1,092,452     | -               |
| Total Deferred Outflows of Resources         | 24,285,236       | 22,712,574       | 21,812,041       | 1,572,662     | 900,533         |
| <b>LIABILITIES</b>                           |                  |                  |                  |               |                 |
| Current Liabilities                          | 125,538,032      | 119,872,451      | 143,364,589      | 5,665,581     | (23,492,138)    |
| Non-Current Liabilities                      | 1,558,808,431    | 1,163,332,938    | 1,172,826,428    | 395,475,493   | (9,493,490)     |
| Total Liabilities                            | 1,684,346,463    | 1,283,205,389    | 1,316,191,017    | 401,141,074   | (32,985,628)    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>         |                  |                  |                  |               |                 |
| Deferred Gain on Refunding of Debt           | 620,870          | 904,173          | 1,324,026        | (283,303)     | (419,853)       |
| Deferred Inflows on Pension Related Amounts  | 3,903,664        | 4,528,735        | 2,362,520        | (625,071)     | 2,166,215       |
| Deferred Inflows on OPEB Related Amounts     | 636,473          | 1,096,985        | 394,304          | (460,512)     | 702,681         |
| Total Deferred Inflows of Resources          | 5,161,007        | 6,529,893        | 4,080,850        | (1,368,886)   | 2,449,043       |
| <b>NET POSITION</b>                          |                  |                  |                  |               |                 |
| Net Investment in Capital Assets             | 907,319,339      | 900,088,598      | 907,382,140      | 7,230,741     | (7,293,542)     |
| Restricted                                   | 138,916,423      | 146,530,019      | 94,080,706       | (7,613,596)   | 52,449,313      |
| Unrestricted                                 | 90,746,213       | 76,686,982       | 77,750,535       | 14,059,231    | (1,063,553)     |
| Total Net Position                           | \$ 1,136,981,975 | \$ 1,123,305,599 | \$ 1,079,213,381 | \$ 13,676,376 | \$ 44,092,218   |

Assets

Current assets at September 30, 2019 totaled \$268.6 million, an increase of \$29.7 million from the prior year. The increase was primarily due to an increase of \$66 million in total current investments as a result of the Authority's revised investment strategy to increase the movement of surplus cash into short-term investments, partially offset by a reduction in Cash and Cash Equivalents of \$26 million and a reduction in government grants receivable of \$12 million.

Current assets at September 30, 2018, totaled \$238.9 million, a reduction of \$48.8 million. The major contributing factor was the pay down of accounts payables pertaining to construction related to the completion of phase one of the master plan improvements during 2018.

**Hillsborough County Aviation Authority  
Management's Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

Capital Assets, Net of Depreciation and Amortization

|                                   | Year                    |                         |                         | Change<br>2018 to 2019 |             | Change<br>2017 to 2018 |             |
|-----------------------------------|-------------------------|-------------------------|-------------------------|------------------------|-------------|------------------------|-------------|
|                                   | 2019                    | 2018                    | 2017                    | \$                     | %           | \$                     | %           |
| Land                              | \$ 213,147,159          | \$ 203,778,777          | \$ 203,818,436          | \$ 9,368,382           | 4.6%        | \$ (39,659)            | 0.0%        |
| Construction in Progress          | 132,140,627             | 97,037,763              | 927,289,986             | 35,102,864             | 36.2        | (830,252,223)          | (89.5)      |
| Equipment - Net                   | 27,567,039              | 18,661,620              | 8,552,051               | 8,905,419              | 47.7        | 10,109,569             | 118.2       |
| Buildings and Improvements - Net  | 1,594,317,005           | 1,638,245,190           | 781,690,643             | (43,928,185)           | (2.7)       | 856,554,547            | 109.6       |
| <b>Total Capital Assets - Net</b> | <b>\$ 1,967,171,830</b> | <b>\$ 1,957,723,350</b> | <b>\$ 1,921,351,116</b> | <b>\$ 9,448,480</b>    | <b>0.5%</b> | <b>\$ 36,372,234</b>   | <b>1.9%</b> |

The increase in total capital assets from fiscal year 2018 to 2019 is primarily attributable to the continuation of Master Plan II projects and other on going airport improvement projects, with an increase in construction expenditures of \$35.1 million, including Airfield Improvements, Taxiway W from W-1 to W-5 and Taxiway J Reconstruction of \$39.7 million, and Red Side Garage demolition of \$8 million, parking garages rehabilitation projects of \$19.5 million, and \$10.8 million additions in business analytics equipment, offsetting the capital assets depreciation and retirements.

The increase in total capital assets from fiscal year 2017 to 2018 is primarily attributable to the completion of the two major Master Plan projects, RCC and APM, resulting in a net increase of \$36.4 million in capital assets.

At September 30, 2019, non-current cash and investments increased \$372.6 million, primarily due to the proceeds of 2018 series E and series F Senior Revenue Bonds, and 2018A Subordinated Bonds invested in government securities.

Deferred outflows of resources increased by \$1.6 million, and deferred inflows of resources decreased by \$1.4 million at September 30, 2019. These changes were primarily due to pension and OPEB reporting requirements, resulted in an increase of deferred outflows of \$2.5 million to offset the reduction of \$0.9 million in deferred loss of refunding of debt.

At September 30, 2018, the net deferred outflows of resources increased by \$0.9 million, and the deferred inflows of resources increased by \$2.5 million, primarily attributable to the Authority's participation in the Florida Retirement System and the adoption of GASB 75, *Post Retirement Benefits other than Pension*. In addition, deferred loss of \$1.6 million on refunding of 2008 Series A, C, and D Bonds in 2018 less amortized amount also increased the deferred outflows of resources.

Liabilities

Current liabilities, with a balance of \$125.5 million at September 30, 2019, were \$5.7 million higher than the balance of the prior fiscal year. The increases were primarily due to the timing of the year end construction payments.

At September 30, 2019, non-current liabilities totaled \$1.6 billion, an increase of \$395.5 million compared with the balance at the end of fiscal year 2018. The major contributing factor was the issuance of three new bonds with a total principal amounts of \$403 million, reduced by current year debt service principal payments on existing bonds.

**Hillsborough County Aviation Authority  
Management’s Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

Current liabilities, with a balance of \$119.9 million at September 30, 2018, were \$23.5 million lower than the prior year. The reductions were primarily due to completions of the Master Plan projects with up to date expenditures to be paid during the current fiscal year, decreasing net construction related payable and accrued expenses of \$46.9 million, paid off bank notes of \$4.2 million, offsetting increases in current revenue bonds payable of \$19.1 million, airline revenue sharing and other liabilities and accounts payable of \$8.3 million.

At September 30, 2018, non-current liabilities totaled \$1.2 billion, representing a reduction of \$9.3 million compared with the balance at the end of fiscal year 2017. The major contributing factor was the decrease in bonds payable of \$11.5 million, as a result of several bond refundings completed during the year to reduce long-term bonds liabilities.

**Net Position**

The increase in net position over the three years was primarily attributable to positive annual financial operating results. The authority continues to invest in capital assets funded through its operating revenues, PFC and CFC collections. Even though the Authority’s investment in capital assets is reported net of related debt, it should be noted that the Authority’s revenues, including PFC revenues and CFC revenues are utilized to repay the debt in accordance with the Trust Agreement.

A portion of the net position represents resources subject to bond covenants or other restrictions. Such funds are held to meet bond sinking fund and debt service reserve requirements. (See Note 8 – Debt and Other Non-Current Liabilities)

**Airline Rates and Charges**

Effective October 1, 1999, the Authority entered into an airline-airport use and lease agreement (Agreement) with the signatory airlines, which had a seven-year term and incorporated the lease and use of the terminal complex and the airfield at the Airport. The Agreement establishes a “compensatory” rate-making methodology where the signatory airlines pay fees and charges based on the Authority’s cost of providing facilities and services to the airlines. In 2014, the current agreement was extended once more through September 30, 2020.

Rates and charges are calculated on an annual basis and reviewed and adjusted, if necessary, throughout each fiscal year to ensure that sufficient revenues are generated to satisfy all requirements of the Authority’s Trust Agreement.

The following table summarizes passenger airline rents, landing fees, net revenue sharing and cost per enplaned (departing) passenger for fiscal years ended September 30,

| Passenger Airline Costs        | 2019                 | 2018                 | 2017                 |
|--------------------------------|----------------------|----------------------|----------------------|
| Airline Landing Fees           | \$ 18,960,442        | \$ 15,936,258        | \$ 16,931,331        |
| Landside Terminal Rentals      | 27,552,590           | 25,599,296           | 22,923,075           |
| Airside Building Rentals       | 24,487,667           | 22,388,644           | 20,182,515           |
| Total Airline Fees and Charges | 71,000,699           | 63,924,198           | 60,036,921           |
| Less: Airline Revenue Sharing  | (16,253,182)         | (12,503,019)         | (8,840,961)          |
| Net Airline Fees and Charges   | <u>\$ 54,747,517</u> | <u>\$ 51,421,179</u> | <u>\$ 51,195,960</u> |
| Enplaned Passengers            | 11,085,290           | 10,519,247           | 9,641,228            |
| Airline Cost per Passenger     | <u>\$ 4.94</u>       | <u>\$ 4.89</u>       | <u>\$ 5.31</u>       |

**Hillsborough County Aviation Authority  
Management's Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

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**Capital Improvement Program**

During fiscal year 2019, the Authority received Board approval for \$159.2 million of capital projects. Projects in the fiscal year 2019 budget include on-going annual capital needs, such as the replacement or upgrade of various systems, rehabilitation of structures as well as various initiatives at the general aviation facilities. Major approved projects are listed as follows:

| Approved Projects (In Millions)               | <u>2019</u>     |
|-----------------------------------------------|-----------------|
| Air Cargo Expansion                           | \$ 57.6         |
| Airside F Remain Over Night Parking           | 18.5            |
| Airport Security System Replacement           | 15.9            |
| General Aviation projects                     | 14.6            |
| Purchase Additional SkyConnect Trains         | 13.0            |
| Main Terminal Drive Lanes Ceiling Replacement | 11.3            |
| Ticket Level Modernization                    | 6.6             |
| Other Projects                                | <u>21.7</u>     |
| Total                                         | <u>\$ 159.2</u> |

These projects are funded through a variety of sources including Federal and State Grants, Bond Proceeds, Passenger Facility Charges, Customer Facility Charges and Authority funds.

During fiscal year 2019, the Authority substantially completed the following projects:

| Completed Projects (In Millions)                            | <u>2019</u>    |
|-------------------------------------------------------------|----------------|
| Airfield Pavement Rehabilitation                            | \$ 25.8        |
| Parking Garage Reclaim Rental Car Levels and Rehabilitation | 19.5           |
| Taxiway W From W1 To W5 Reconstruction                      | 13.9           |
| Enterprise Resource Planning and Business Analytics         | 10.8           |
| Demolition Red Rental Car Center and Airside D Guide        | 8.0            |
| Other Projects                                              | <u>14.3</u>    |
| Total                                                       | <u>\$ 92.3</u> |

**Hillsborough County Aviation Authority  
Management's Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

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During fiscal year 2018, the Authority received the Board approval for \$457.7 million of capital projects. Projects in the FY2018 Budget include Master Plan Phase 2 projects and on-going annual capital needs. Major approved projects are listed as follows:

| Approved Projects (In Millions)                                         | <u>2018</u>     |
|-------------------------------------------------------------------------|-----------------|
| Central Utility Plant (CUP) and Related Projects                        | \$ 119.9        |
| The Main Terminal Curb Expansion                                        | 183.3           |
| New Taxiway A and Bridge                                                | 57.8            |
| Widen and Rehabilitation George Bean Parkway & New Economy Parking road | 49.8            |
| North Cargo Facility Redevelopment                                      | 8.9             |
| Other Projects                                                          | <u>38.0</u>     |
| Total                                                                   | <u>\$ 457.7</u> |

These projects were funded with Federal and State Grants, Bond Proceeds, Passenger Facility Charges and Authority funds.

During fiscal year 2018, the Authority substantially completed the following projects:

| Completed Projects (In Millions)                         | <u>2018</u>     |
|----------------------------------------------------------|-----------------|
| Automated People Mover                                   | \$ 378.2        |
| Consolidated Rental Car Center                           | 301.9           |
| Main Terminal Expansion and the Concession Redevelopment | 141.1           |
| Short-Term Roadway Improvements                          | 22.9            |
| Parking Revenue Control System                           | 20.0            |
| Other Projects                                           | <u>14.0</u>     |
| Total                                                    | <u>\$ 878.1</u> |

In August 2018, PFC Application #11, authorizing PFC collections in the amount of \$858.3 million was approved by the Federal Aviation Administration, bringing the total collection authority for all PFC applications to \$1.7 billion. Through September 30, 2019, \$784.6 million has been collected under these approved applications. Expenditures under the PFC applications through September 30, 2019 totaled over \$1.06 billion. Expenditures in excess of collections are funded from the issuance of PFC-backed revenue bonds, and bank notes or from Authority funds that will be reimbursed from PFCs.

Debt Management

At the end of the current fiscal year, the Authority had general airport revenue bonds outstanding in the total amount of \$1.47 billion. Of this total, \$57.2 million is reported as the current liability.

**Hillsborough County Aviation Authority  
Management's Discussion and Analysis (Unaudited)**

**Years Ended September 30, 2019 and 2018**

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During fiscal year 2019, the Authority issued the Tampa International Airport Senior Revenue Bonds 2018 Series E and Series F, in the principal amount of \$301 million, and 2018 Subordinated Revenue Bonds Series A, in the principal amount of \$102.5 million. The proceeds from 2018 Bonds were used to fund the portion of the Master Plan II projects, as well as certain capital improvement projects. (See Note 8. Debt and other Non-Current Liabilities.)

The Authority's bond covenants require that revenues available to pay debt service, as defined in the Trust Agreement, exceed 1.25 times the annual debt service amount. The debt service coverage ratio for 2019 and 2018 was 2.28 and 2.08, respectively.

**Economic Outlook**

As mentioned previously, the Authority demonstrated the strong financial performance during 2019, which continued a trend of overall financial operational improvements since 2010. The Airport, as a major driver in the economic growth of the Tampa Bay region, continued on its mission to bring more international and domestic air services to Tampa Bay for 2019 and beyond. Additional revenue initiatives and programs continue to grow the core business, increase non-aviation revenues, maintain competitive airline costs and ensure the overall robust financial performance.

Fiscal year 2020 budgeted revenues will be more than sufficient to meet obligations for debt service, operating and maintenance costs, as well as airline revenue sharing and incentives. The remaining revenues after the aforementioned costs will be utilized to fund the capital improvement program.

**Request for Information**

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

## **FINANCIAL STATEMENTS**

**Hillsborough County Aviation Authority**  
**Statements of Net Position**  
**September 30, 2019 and 2018**

|                                                   | 2019                 | 2018                 |
|---------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                     |                      |                      |
| <b>CURRENT ASSETS</b>                             |                      |                      |
| Unrestricted:                                     |                      |                      |
| Cash and Cash Equivalents                         | \$ 100,572,958       | \$ 102,894,675       |
| Investments                                       | 70,661,156           | 20,953,736           |
| Accounts Receivable, Net                          | 8,806,581            | 7,487,322            |
| Accrued Interest Receivable                       | 1,701,589            | 1,124,681            |
| Other Assets                                      | 2,314,371            | 2,095,035            |
| Prepays                                           | 3,245,693            | 3,197,519            |
| Government Grants Receivable                      | 14,448,079           | 26,626,837           |
| Total Unrestricted Assets                         | <u>201,750,427</u>   | <u>164,379,805</u>   |
| Restricted:                                       |                      |                      |
| Cash and Cash Equivalents                         | 42,471,357           | 66,431,675           |
| Investments                                       | 24,379,055           | 8,118,524            |
| Total Restricted Assets                           | <u>66,850,412</u>    | <u>74,550,199</u>    |
| Total Current Assets                              | <u>268,600,839</u>   | <u>238,930,004</u>   |
| <b>NONCURRENT ASSETS</b>                          |                      |                      |
| Capital Assets:                                   |                      |                      |
| Land                                              | 213,147,159          | 203,778,777          |
| Construction in Progress                          | 132,140,627          | 97,037,763           |
| Building, Equipment and Improvements              | 3,113,905,844        | 3,067,424,869        |
| Total Capital Assets                              | <u>3,459,193,630</u> | <u>3,368,241,409</u> |
| Less: Accumulated Depreciation                    | (1,492,021,800)      | (1,410,518,059)      |
| Total Capital Assets, Net                         | <u>1,967,171,830</u> | <u>1,957,723,350</u> |
| Cash and Cash Equivalents, Restricted             | 24,743,195           | 92,459,305           |
| Investments, Restricted                           | 536,239,764          | 95,908,935           |
| Passenger Facility Charges Receivable, Restricted | 5,448,581            | 5,306,713            |
| Total Noncurrent Assets                           | <u>2,533,603,370</u> | <u>2,151,398,303</u> |
| Total Assets                                      | <u>2,802,204,209</u> | <u>2,390,328,307</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                      |                      |
| Deferred Loss on Refunding of Debt                | 1,323,037            | 2,241,476            |
| Deferred Outflows on Pension Related Amounts      | 21,869,747           | 20,471,098           |
| Deferred Outflows on OPEB Related Amounts         | 1,092,452            | -                    |
| Total Deferred Outflows of Resources              | <u>24,285,236</u>    | <u>22,712,574</u>    |

(Continued)

Hillsborough County Aviation Authority

Statements of Net Position (Continued)

September 30, 2019 and 2018

|                                                            | 2019                    | 2018                    |
|------------------------------------------------------------|-------------------------|-------------------------|
| <b>LIABILITIES</b>                                         |                         |                         |
| <b>CURRENT LIABILITIES</b>                                 |                         |                         |
| Payable from Unrestricted Assets:                          |                         |                         |
| Accounts Payable – Construction                            | \$ 1,534,241            | \$ 3,109,722            |
| Accrued Airline Revenue Sharing                            | 16,253,182              | 12,503,019              |
| Accounts Payable – Trade                                   | 8,271,452               | 8,342,195               |
| Accrued Expenses                                           | 15,338,340              | 10,438,903              |
| Accrued Project Expenditures                               | 12,115,737              | 3,018,472               |
| Net Pension Liability, Due Within One Year                 | 276,706                 | 351,782                 |
| Other Liabilities                                          | 4,897,962               | 7,558,159               |
| Total Current Liabilities Payable from Unrestricted Assets | <u>58,687,620</u>       | <u>45,322,252</u>       |
| Payable from Restricted Assets:                            |                         |                         |
| Accounts Payable – Construction                            | 9,590,412               | 17,227,469              |
| Accrued Interest Payable                                   | 25,000                  | 27,730                  |
| Current Maturities of Revenue Bonds Payable                | 57,235,000              | 57,295,000              |
| Total Current Liabilities Payable from Restricted Assets   | <u>66,850,412</u>       | <u>74,550,199</u>       |
| Total Current Liabilities                                  | <u>125,538,032</u>      | <u>119,872,451</u>      |
| <b>NONCURRENT LIABILITIES</b>                              |                         |                         |
| Revenue Bonds Payable, Net of Current Maturities           | 1,486,535,535           | 1,103,007,266           |
| Net Pension Liability                                      | 60,928,157              | 50,545,175              |
| Net OPEB Liability                                         | 6,656,189               | 5,267,906               |
| Other Liabilities                                          | 4,688,550               | 4,512,591               |
| Total Noncurrent Liabilities                               | <u>1,558,808,431</u>    | <u>1,163,332,938</u>    |
| Total Liabilities                                          | <u>1,684,346,463</u>    | <u>1,283,205,389</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                       |                         |                         |
| Deferred Gain on Refunding of Debt                         | 620,870                 | 904,173                 |
| Deferred Inflows on Pension Related Amounts                | 3,903,664               | 4,528,735               |
| Deferred Inflows on OPEB Related Amounts                   | 636,473                 | 1,096,985               |
| Total deferred inflows of resources                        | <u>5,161,007</u>        | <u>6,529,893</u>        |
| <b>NET POSITION</b>                                        |                         |                         |
| Net Investment in Capital Assets                           | 907,319,339             | 900,088,598             |
| Restricted for:                                            |                         |                         |
| Passenger Facility Charge Purposes                         | 71,583,312              | 62,263,467              |
| Customer Facility Charge Purposes                          | 63,134,553              | 80,082,877              |
| Other Purposes                                             | 4,198,558               | 4,183,675               |
| Unrestricted                                               | 90,746,213              | 76,686,982              |
| Total Net Position                                         | <u>\$ 1,136,981,975</u> | <u>\$ 1,123,305,599</u> |

See accompanying notes to the financial statements.

**Hillsborough County Aviation Authority**  
**Statements of Revenues, Expenses, and Changes In Net Position**  
**Years Ended September 30, 2019 and 2018**

|                                                              | <b>2019</b>   | <b>2018</b>   |
|--------------------------------------------------------------|---------------|---------------|
| <b>OPERATING REVENUES</b>                                    |               |               |
| Airfield                                                     | \$ 22,365,196 | \$ 18,807,935 |
| Terminal Building                                            | 58,377,898    | 54,115,030    |
| Airside Buildings                                            | 25,528,491    | 23,425,132    |
| Commercial Landside                                          | 129,563,124   | 120,972,484   |
| Cargo                                                        | 3,376,090     | 3,192,064     |
| General Aviation                                             | 4,283,433     | 4,086,308     |
| Federal Reimbursements                                       | 859,000       | 776,331       |
| Other                                                        | 9,109,175     | 9,306,601     |
| Total Operating Revenues                                     | 253,462,407   | 234,681,885   |
| <b>OPERATING EXPENSES</b>                                    |               |               |
| Airfield                                                     | 16,802,798    | 13,621,493    |
| Terminal Building                                            | 36,645,993    | 34,580,255    |
| Airside Buildings                                            | 32,464,508    | 30,030,853    |
| Commercial Landside                                          | 35,752,673    | 32,964,771    |
| Cargo                                                        | 832,600       | 869,718       |
| Auxiliary Airports                                           | 2,068,360     | 2,114,346     |
| General Aviation                                             | 1,493,750     | 1,365,295     |
| Passenger Transfer System                                    | 5,043,188     | 4,695,204     |
| Roads and Grounds                                            | 11,659,593    | 11,417,370    |
| Other                                                        | 11,252,736    | 14,000,063    |
| Total Operating Expenses                                     | 154,016,199   | 145,659,368   |
| Signatory Airline Net Revenue Sharing                        | 16,253,182    | 12,503,019    |
| <b>Operating Income before Depreciation and Amortization</b> | 83,193,026    | 76,519,498    |
| Depreciation and Amortization                                | 150,438,152   | 103,281,914   |
| <b>OPERATING LOSS</b>                                        | (67,245,126)  | (26,762,416)  |
| <b>NONOPERATING REVENUES AND EXPENSES</b>                    |               |               |
| Interest Income                                              | 17,578,837    | 3,863,882     |
| Net Realized and Unrealized Investment Gain (Loss)           | 10,548,668    | (3,826,623)   |
| Interest Expense                                             | (63,656,429)  | (51,205,164)  |
| Total Nonoperating Expenses                                  | (35,528,924)  | (51,167,905)  |
| <b>CHANGE IN NET POSITION BEFORE CONTRIBUTIONS</b>           | (102,774,050) | (77,930,321)  |

(Continued)

**Hillsborough County Aviation Authority**  
**Statements of Revenues, Expenses, and Changes In Net Position (Continued)**  
**Years Ended September 30, 2019 and 2018**

|                                         | <b>2019</b>                    | <b>2018</b>                    |
|-----------------------------------------|--------------------------------|--------------------------------|
| <b>CAPITAL CONTRIBUTIONS</b>            |                                |                                |
| Passenger Facility Charges              | \$ 43,211,581                  | \$ 41,766,767                  |
| Federal and State Grants                | 20,473,350                     | 28,046,091                     |
| Federal Reimbursements                  | 20,958,853                     | 18,242,621                     |
| Customer Facility Charges               | 31,806,642                     | 33,967,060                     |
| <b>Total Capital Contributions</b>      | <u>116,450,426</u>             | <u>122,022,539</u>             |
| <b>CHANGE IN NET POSITION</b>           | 13,676,376                     | 44,092,218                     |
| Total Net Position – Beginning of Year  | <u>1,123,305,599</u>           | <u>1,079,213,381</u>           |
| <b>TOTAL NET POSITION – END OF YEAR</b> | <u><u>\$ 1,136,981,975</u></u> | <u><u>\$ 1,123,305,599</u></u> |

See accompanying notes to the financial statements.

**Hillsborough County Aviation Authority**

**Statements of Cash Flows**

**Years Ended September 30, 2019 and 2018**

|                                                                      | <b>2019</b>                  | <b>2018</b>                  |
|----------------------------------------------------------------------|------------------------------|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                              |                              |
| Operating Cash Receipts from Customers                               | \$ 248,804,910               | \$ 236,876,925               |
| Cash Payments to Suppliers for Goods and Services                    | (104,718,756)                | (116,320,548)                |
| Cash Payments to Employees for Services                              | (49,284,453)                 | (44,714,230)                 |
| Cash Receipts from Federal Reimbursements                            | 859,000                      | 595,781                      |
| Net Cash Provided by Operating Activities                            | <u>95,660,701</u>            | <u>76,437,928</u>            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |                              |                              |
| Proceeds from Issuance of Revenue Refunding Bonds                    | -                            | 138,903,338                  |
| Proceeds from Issuance of Revenue Bonds                              | 443,711,883                  | 54,665,000                   |
| Payment to Escrow for Bond Refunding                                 | -                            | (145,735,000)                |
| Redemption of Bank Notes                                             | -                            | (4,203,527)                  |
| Payments of Bonds Issue Costs                                        | (2,721,359)                  | (646,144)                    |
| Principal Paid on Revenue Bond Maturities                            | (57,295,000)                 | (38,135,000)                 |
| Interest Paid on Revenue Bonds and Bank Notes                        | (65,972,637)                 | (52,589,708)                 |
| Acquisition and Construction of Capital Assets                       | (160,152,232)                | (174,806,533)                |
| Rental Car Customer Facility Charges                                 | 31,806,642                   | 33,967,060                   |
| Federal and State Grants                                             | 62,792,656                   | 25,322,260                   |
| Passenger Facility Charges                                           | 43,069,713                   | 40,852,241                   |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>295,239,666</u>           | <u>(122,406,013)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                              |                              |
| Purchases of Investment Securities                                   | (696,117,337)                | (146,706,376)                |
| Proceeds from Maturities of Investment Securities                    | 194,216,896                  | 130,988,172                  |
| Income Received on Investments                                       | 17,001,929                   | 3,535,988                    |
| Net Cash Used by Investing Activities                                | <u>(484,898,512)</u>         | <u>(12,182,216)</u>          |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                       | <b>(93,998,145)</b>          | <b>(58,150,301)</b>          |
| Cash and Cash Equivalents – Beginning of year                        | <u>261,785,655</u>           | <u>319,935,956</u>           |
| <b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>                       | <b><u>\$ 167,787,510</u></b> | <b><u>\$ 261,785,655</u></b> |

(Continued)

**Hillsborough County Aviation Authority**  
**Statements of Cash Flows (Continued)**  
**Years Ended September 30, 2019 and 2018**

|                                                                                      | <b>2019</b>            | <b>2018</b>            |
|--------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                        |                        |
| Operating loss                                                                       | \$ (67,245,126)        | \$ (26,762,416)        |
| Adjustments to Reconcile Operating Loss to Net Cash                                  |                        |                        |
| Provided by Operating Activities:                                                    |                        |                        |
| Depreciation and Amortization                                                        | 150,438,152            | 103,281,914            |
| (Increase) in Accounts Receivable                                                    | (1,314,259)            | (821,473)              |
| (Increase) in Prepaid Insurance and Other Assets                                     | (267,510)              | (1,516,220)            |
| (Decrease) Increase in Accounts Payable – Trade                                      | (70,743)               | 1,262,190              |
| Increase (Decrease) in Accrued Expenses and Other Liabilities                        | 8,660,879              | (6,679,925)            |
| (Decrease) Increase in Unearned Revenue                                              | (2,660,197)            | 3,508,976              |
| Increase in Pension Related Liabilities                                              | 8,284,186              | 3,609,951              |
| (Decrease) Increase in OPEB Related Liabilities                                      | (164,681)              | 554,931                |
| Net Cash Provided by Operating Activities                                            | <u>\$ 95,660,701</u>   | <u>\$ 76,437,928</u>   |
| Noncash Investing, Capital and Financing Activities:                                 |                        |                        |
| Unrealized Gain (Loss) on Investments                                                | <u>\$ 10,548,668</u>   | <u>\$ (3,826,623)</u>  |
| Amortization of Bond Premium – Net                                                   | <u>\$ 2,948,614</u>    | <u>\$ 1,837,314</u>    |
| Amortization of Deferred Gain on Bond Refundings                                     | <u>\$ 283,303</u>      | <u>\$ 419,853</u>      |
| Amortization of Deferred Loss on Bond Refundings                                     | <u>\$ (918,438)</u>    | <u>\$ (1,149,396)</u>  |
| Accounts Payable – Construction                                                      | <u>\$ (11,124,653)</u> | <u>\$ (20,337,191)</u> |
| Accrued Project Expenditures                                                         | <u>\$ (12,115,737)</u> | <u>\$ (3,018,472)</u>  |
| Government Grant Receivable                                                          | <u>\$ 14,448,079</u>   | <u>\$ 26,626,837</u>   |

See accompanying notes to financial statements.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 1. General

##### Description

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

##### Basis of Presentation

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

#### Note 2. Summary of Significant Accounting Policies

**Basis of accounting:** The Authority's financial statements are presented in accordance with accounting principles generally accepted in the United States (GAAP) for governmental entities as promulgated by the Governmental Accounting Standards Board (GASB). The accompanying financial statements are reported on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred.

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

**Investments:** The Authority's investments are reported at fair value using quoted market price or other fair value techniques as required by GASB Statement No. 72, *Fair Value Measurements*. Interest and dividends are recognized when earned, realized gains and losses when sales occur and unrealized gain or loss based on the change in fair value between reporting periods.

**Restricted assets and liabilities:** The Trust Agreement requires the segregation of certain assets into restricted accounts and limits their use to specific items as defined by the document. Current liabilities payable from restricted assets are the liabilities that are to be retired by the use of restricted assets. Unliquidated cash balances resulting from collections of passenger facility charges (PFC) and rental car facility charges (CFC) are also reported as restricted assets as their use is legally restricted.

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

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

**Accounts receivable:** Management considers the need for an allowance for doubtful accounts based on the expected collectability of outstanding balances. No allowance has been made for fiscal years 2019 and 2018.

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

**Passenger Facility Charges (PFCs):** PFCs are imposed at \$4.50 per enplaned passenger, of which the Authority receives \$4.39. The remitting airline retains \$0.11 for administrative processing costs. PFCs are restricted for use on projects pre-approved by the FAA. PFCs are reported as Capital Contributions in the accompanying statements of revenues, expenses and changes in net position.

**Rental Car Facility Charges (CFCs):** The CFCs are collected at \$5.95 per transaction day for current on-airport companies. In accordance with the CFC trust agreement, funds collected from the CFC trust agreement are to be used to: (1) fund a sinking fund for the payment of CFC revenue bonds, (2) fund a reserve fund for CFC revenue bonds, (3) pay other costs associated with the administration of the CFC revenue bonds, (4) to reimburse the Authority for its share of the operating and maintenance expenses of the automated people mover (APM), the debt service for bonds previously issued by the Authority, recovery of the Authority's costs of self funded projects that were part of the Consolidated Rental Car Center (ConRac), and (5) to fund a renewals and replacement fund for modifications, repairs and replacement of the ConRac and APM.

If unliquidated CFC funds remain after the funding of the above eligible items, remaining funds shall be used to (1) reimburse concessionaires up to 50% of the common area maintenance costs of the ConRac, (2) reimburse the Authority for rental revenue recovery, and (3) held in surplus and used at the Authority's sole discretion for expansion and improvements of the ConRac and other related capital projects.

**Debt insurance costs, bond discounts and premiums:** Debt insurance costs and bonds refunding deferred gain or loss are amortized using the declining balance method over the life of the issue. Bonds premiums and discounts are amortized using effective interest method in accordance with the GASB requirements. Debt issue costs other than insurance costs are expensed.

**Interest costs:** The Authority has expensed construction related interest costs as incurred. All interest cost incurred is reported as nonoperating expense.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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

|                                   | <u>Years</u> |
|-----------------------------------|--------------|
| Structures and improvements       | 10-40        |
| Runways, taxiways and aprons      | 10-30        |
| Equipment, furniture and fixtures | 3-15         |

On an annual basis, the Authority evaluates the useful lives of capital assets, and writes off net capitalized costs of assets with no future value in depreciation and amortization in the accompanying statements of revenues, expenses and changes in net position.

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

**Other post-employment benefits (OPEB):** The Authority obtains actuarial valuation reports for its postemployment benefit plan (other than pensions) and records the OPEB liability as required under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Disclosure information required by GASB Statement No. 75 is found in Note 12 – Other Post-Employment Benefits.

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

**Deferred outflows/inflows of resources:** This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Authority reports amounts related to deferred losses on refunding of debt, pension and OPEB in this section.

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 reports amounts related to deferred gains on refunding of debt, pension and OPEB in this section.

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

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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

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

**Capital contributions:** Capital contributions consist primarily of grants and contributions from federal and state governmental agencies, PFCs and rental CFCs. Capital contributions resulting from grants are recognized as related project costs are incurred.

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

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

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

*Airside Buildings* – Rentals of facilities space at airside for airline offices, passengers' checkpoints, gates, aircraft apron parking and other miscellaneous fees at the airside buildings.

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

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

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

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

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

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

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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

|                           | 2019                  | 2018                  |
|---------------------------|-----------------------|-----------------------|
| Aeronautical Space Rental | \$ 55,668,436         | \$ 51,508,846         |
| Concessions               | 33,137,335            | 29,685,143            |
| General Aviation          | 4,283,433             | 4,086,308             |
| Ground Transportation     | 6,176,506             | 3,773,383             |
| Landing Fees              | 21,063,357            | 17,608,710            |
| Parking                   | 74,132,140            | 72,361,560            |
| Rental Cars               | 44,919,284            | 42,135,811            |
| Other                     | 14,081,916            | 13,522,124            |
|                           | <u>\$ 253,462,407</u> | <u>\$ 234,681,885</u> |

#### Recent accounting pronouncements:

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

#### Note 3. Rate Making Policy

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

The Trust Agreements incorporates the lease and use of the terminal building, Airsides A, C, E, F, any future airside buildings and the airfield at the Tampa International Airport. The Agreements establish a "compensatory" rate-making methodology where the airlines pay the Authority fees and charges based on the Authority's cost of providing facilities and services. The costs to be allocated to the Signatory Airlines include operating and maintenance expenditures, debt service, debt service coverage of 25%, Trust Fund minimum deposit requirements, and a return on investment for Authority funds used for capital projects. They also provide the signatory airlines with a net revenue sharing provision. The amounts due to the signatory airlines under this provision for the years ended September 30, 2019 and 2018 were \$16,253,182 and \$12,503,019, respectively. The net revenue sharing is presented as a separate item after operating expenses on the statements of revenues, expenses and changes in net position. Depreciation and amortization is excluded from the rate making process.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 4. Cash and Investments

Included in the Authority's cash balances are amounts deposited with commercial banks in interest bearing demand accounts. The State of Florida collateral pool is a multiple financial institution pool with the ability to assess its members for collateral shortfalls if a member institution fails. Required collateral is defined under Chapter 280 of the Florida Statutes, Security for Public Deposits Act (the Public Deposit Act). Under the Public Deposit Act, the Authority's deposits in qualified public depositories are considered fully insured. The qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125%, may be required, if deemed necessary under the conditions set forth in the Public Deposit Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association or trust company, provided a power of attorney is delivered to the State Treasurer.

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

|                                              | 2019                  | 2018                  |
|----------------------------------------------|-----------------------|-----------------------|
| U.S. Treasury Securities                     | \$ 627,384,592        | \$ 121,106,374        |
| Certificate Deposit                          | 3,895,383             | 3,874,821             |
| Investments Subtotal                         | <u>631,279,975</u>    | <u>124,981,195</u>    |
| Cash in Deposit Accounts                     | 167,787,510           | 261,785,655           |
| Total Cash and Investments                   | <u>\$ 799,067,485</u> | <u>\$ 386,766,850</u> |
| Reconciliation to Statement of Net Position: |                       |                       |
| Cash and Cash Equivalents – Unrestricted     | \$ 100,572,958        | \$ 102,894,675        |
| Cash and Cash Equivalents – Restricted       | 67,214,552            | 158,890,980           |
| Investments – Unrestricted                   | 70,661,156            | 20,953,736            |
| Investments – Restricted                     | 560,618,819           | 104,027,459           |
| Total Cash and Investments                   | <u>\$ 799,067,485</u> | <u>\$ 386,766,850</u> |

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 4. Cash and Investments (Continued)

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

|                 |  | Investment Maturities – 2019 |                |               |                |                |
|-----------------|--|------------------------------|----------------|---------------|----------------|----------------|
|                 |  | Less Than                    |                |               |                |                |
|                 |  | 1 Year                       | 1 to 5 Years   | 6 to 10 Years | 11 to 15 Years | Total          |
| Investment Type |  |                              |                |               |                |                |
| U.S. Treasury   |  | \$ 452,226,669               | \$ 103,490,233 | \$ 37,679,488 | \$ 33,988,202  | \$ 627,384,592 |
| Total           |  | \$ 452,226,669               | \$ 103,490,233 | \$ 37,679,488 | \$ 33,988,202  | \$ 627,384,592 |

|                 |  | Investment Maturities – 2018 |               |               |                |                |
|-----------------|--|------------------------------|---------------|---------------|----------------|----------------|
|                 |  | Less Than                    |               |               |                |                |
|                 |  | 1 Year                       | 1 to 5 Years  | 6 to 10 Years | 11 to 15 Years | Total          |
| Investment Type |  |                              |               |               |                |                |
| U.S. Treasury   |  | \$ 50,216,927                | \$ 21,530,875 | \$ 19,208,645 | \$ 30,149,927  | \$ 121,106,374 |
| Total           |  | \$ 50,216,927                | \$ 21,530,875 | \$ 19,208,645 | \$ 30,149,927  | \$ 121,106,374 |

#### Interest Rate Risk

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

#### Credit Risk

Credit risk is the risk that a security or portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of rating by a nationally recognized statistical rating organization. The Authority's banking and investment policy is to apply the prudent-person rule: investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would make, not for speculation, but for investment, considering the probable safety of the principal as well as the probable income to be derived.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 4. Cash and Investments (Continued)

##### Custodial Credit Risk

The Authority's funds are held in U.S. Treasuries, investments collateralized by U.S. Treasuries, Certificates of Deposit. The Authority's banking and investment policy states that assets will be diversified to control the risk of loss.

##### Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of September 30, 2019 and 2018:

- U.S. Treasury securities of \$627,384,592 and \$121,106,374, respectively, are valued using Treasury Direct quoted market prices (Level 1 and Level 2 inputs).

#### Note 5. Restricted Assets

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

|                                                      | 2019                  | 2018                  |
|------------------------------------------------------|-----------------------|-----------------------|
| Restricted for Debt Service:                         |                       |                       |
| Bond Principal, Interest and Redemption              |                       |                       |
| Sinking Fund                                         | \$ 17,040,976         | \$ 2,994,322          |
| Bond Reserve Fund                                    | 107,277,175           | 81,269,556            |
| Restricted to Acquisition of Property and Equipment: |                       |                       |
| Construction and Equipment Funds                     | 367,305,012           | 37,403,524            |
|                                                      | <u>491,623,163</u>    | <u>121,667,402</u>    |
| Other Restricted Funds:                              |                       |                       |
| Escrow and Forfeiture Deposits                       | 303,174               | 308,856               |
| Certificate Deposit for OCIP Collateral              | 3,895,384             | 3,874,820             |
| Passenger Facility Future Development                | 74,325,678            | 62,291,197            |
| Rental Car Facility Future Development               | 63,134,553            | 80,082,877            |
|                                                      | <u>141,658,789</u>    | <u>146,557,750</u>    |
| Total Restricted Assets                              | <u>\$ 633,281,952</u> | <u>\$ 268,225,152</u> |

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 6. Leases

The Authority has entered into various leases with the tenants for the use of property, space and facilities at Tampa International Airport. Among these properties are the concession areas, restaurants and lounges, terminal areas, airside and rental car areas. Certain leases provide for minimum rentals plus a contingency portion specified as a percentage of the tenant's gross revenues. Contingent rental revenue under such arrangements amounted to approximately \$21,363,917 and \$24,763,678 for the years ended September 30, 2019 and 2018, respectively.

The following is a schedule by years of minimum future revenues for each of the next five years and thereafter on non-cancelable agreements as of September 30, 2019:

| Years Ending September 30: | Amount         |
|----------------------------|----------------|
| 2020                       | \$ 108,350,099 |
| 2021                       | 67,855,289     |
| 2022                       | 66,538,469     |
| 2023                       | 65,764,576     |
| 2024                       | 63,966,110     |
| 2025-2029                  | 248,067,112    |
| 2030-2034                  | 30,208,500     |
| 2035-2039                  | 16,125,476     |
| 2040-2044                  | 14,746,250     |
| 2045-2049                  | 10,864,678     |
| 2050-2054                  | 10,046,526     |
| 2055-2059                  | 10,496,191     |
| 2060-2064                  | 11,007,346     |
| 2065-2069                  | 11,502,407     |
| 2070-2074                  | 12,063,180     |
| 2075-2079                  | 12,608,256     |
| 2080                       | 3,193,422      |

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

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

#### Note 7. Capital Assets

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

|                                   | Balance<br>October 1,<br>2018 | Additions and<br>Reclasses | Deletions and<br>Reclasses | Balance<br>September 30,<br>2019 |
|-----------------------------------|-------------------------------|----------------------------|----------------------------|----------------------------------|
| Land                              | \$ 203,778,777                | \$ 9,368,382               | \$ -                       | \$ 213,147,159                   |
| Construction in progress          | 97,037,763                    | 129,433,746                | (94,330,882)               | 132,140,627                      |
| Equipment                         | 62,381,397                    | 15,242,316                 | (4,250,941)                | 73,372,772                       |
| Buildings and improvements        | 3,005,043,472                 | 97,451,711                 | (61,962,111)               | 3,040,533,072                    |
|                                   | <u>3,368,241,409</u>          | <u>251,496,155</u>         | <u>(160,543,934)</u>       | <u>3,459,193,630</u>             |
| Less accumulated depreciation:    |                               |                            |                            |                                  |
| Equipment                         | (43,719,777)                  | (6,322,187)                | 4,236,227                  | (45,805,737)                     |
| Buildings and improvements        | (1,366,798,282)               | (141,276,109)              | 61,858,328                 | (1,446,216,063)                  |
|                                   | <u>(1,410,518,059)</u>        | <u>(147,598,296)</u>       | <u>66,094,555</u>          | <u>(1,492,021,800)</u>           |
| <b>Total capital assets – net</b> | <b>\$ 1,957,723,350</b>       | <b>\$ 103,897,859</b>      | <b>\$ (94,449,379)</b>     | <b>\$ 1,967,171,830</b>          |

|                                   | Balance<br>October 1,<br>2017 | Additions and<br>Reclasses | Deletions and<br>Reclasses | Balance<br>September 30,<br>2018 |
|-----------------------------------|-------------------------------|----------------------------|----------------------------|----------------------------------|
| Land                              | \$ 203,818,436                | \$ 74,030                  | \$ (113,689)               | \$ 203,778,777                   |
| Construction in progress          | 927,289,986                   | 90,477,057                 | (920,729,280)              | 97,037,763                       |
| Equipment                         | 49,693,402                    | 15,611,137                 | (2,923,142)                | 62,381,397                       |
| Buildings and improvements        | 2,068,959,498                 | 953,524,829                | (17,440,855)               | 3,005,043,472                    |
|                                   | <u>3,249,761,322</u>          | <u>1,059,687,053</u>       | <u>(941,206,966)</u>       | <u>3,368,241,409</u>             |
| Less accumulated depreciation:    |                               |                            |                            |                                  |
| Equipment                         | (41,141,351)                  | (5,461,480)                | 2,883,054                  | (43,719,777)                     |
| Buildings and improvements        | (1,287,268,855)               | (94,854,366)               | 15,324,939                 | (1,366,798,282)                  |
|                                   | <u>(1,328,410,206)</u>        | <u>(100,315,846)</u>       | <u>18,207,993</u>          | <u>(1,410,518,059)</u>           |
| <b>Total capital assets – net</b> | <b>\$ 1,921,351,116</b>       | <b>\$ 959,371,207</b>      | <b>\$ (922,998,973)</b>    | <b>\$ 1,957,723,350</b>          |

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 8. Debt and Other Non-Current Liabilities

##### Revenue Bonds

All senior revenue bonds issued by the Authority under the terms of the Senior Trust Agreement and supplements thereto are on parity with all outstanding senior revenue bonds. Senior revenue bonds are payable solely from revenues, as defined in the Senior Trust Agreement, after the payment of the cost of operation and maintenance expenses.

Subordinated bonds are issued by the Authority under Subordinated Trust agreement and feature a pledge of PFC revenues backed by general airport revenues. Subordinated bonds are issued on equal parity with outstanding subordinated bonds. CFC bonds are issued under the CFC Trust Agreement with an exclusive pledge of CFC revenues derived from rental car transaction fees.

During the years ended September 30, 2019 and 2018, serial revenue bonds in the amounts of \$57,295,000 and \$38,135,000, respectively, were redeemed. Total interest costs incurred on outstanding bonds during the years ended September 30, 2019 and 2018, were \$65,844,908 and \$52,084,341, respectively. A total of \$2,721,359 of new bonds issuance costs during 2019 was expensed.

On November 7, 2018, the Authority issued the Tampa International Airport Senior Revenue Bonds 2018 Series E and Series F, in the principal amount of \$140,120,000 and \$160,855,000, at a rate of 5.0%, and maturities from 2022 to 2048.

The 2018 E and F Senior Bonds issue proceeds, plus the premium of \$32,056,797, less deposited to Common Reserve amount of \$22,111,514, and issuance costs of \$2,039,309 were primarily used to fund Master Plan Phase II Projects, including Central Energy Plant, Main Terminal Curbside Expansion, SkyCenter Development, and George Bean Parkway Widening and Rehabilitation.

On November 7, 2018, the Authority issued the Tampa International Airport Subordinated Revenue Bonds 2018 Series A, in the principal amount of \$102,500,000, at a rate of 5.0%, and maturities from 2031 to 2048.

The 2018A Subordinated Bonds issue proceeds, plus the premium of \$8,180,086, less deposited to Common Reserve amount of \$5,125,000, and issuance costs of \$682,050 were used to fund the Capital Improvement Projects: Central Energy Plant, Checked Baggage System Upgrades and Optimization, Design and Construction of East Airfield Improvements, as well as Taxiway W from W-1 to W-5 and TW J Pavement Reconstruction.

On December 22, 2017, the Authority issued the Tampa International Airport Senior Revenue Bonds 2017 Series A, in the principal amount of \$54,665,000, at a rate of 2.560%, and maturities from 2028 to 2031.

The 2017A Senior Bonds issue proceeds of \$54,665,000 were primarily used to fund the construction projects relating to the Long-Term Parking Garage Reclaim Rental Car levels, Main Terminal Curbside Expansion, Federal Aviation Administration Parking Lot and Energy Plant and Loading Dock.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### **Note 8. Debt and Other Non-Current Liabilities (Continued)**

On August 23, 2018, the Authority issued the Tampa International Airport Senior Revenue Refunding Senior bonds 2018 Series A, Series B, Series C and Series D, in the amounts of \$48,810,000, \$32,175,000, \$26,665,000 and \$31,320,000, respectively. The Series A Senior Bonds were issued at a rate of 1.92% with maturities from 2019 to 2023. The Series B Senior Bonds were issued at a rate of 2.57% with maturities from 2024 to 2028. The Series C Senior Bonds were issued at a rate of 3.25% with maturities from 2029 to 2033. The Series D Senior Bonds were issued at a rate of 3.40% with maturities from 2034 to 2038.

The 2018 Series A Bonds were used to refund portion of the 2008 Series A Bonds, maturing October 1, 2024 to October 1, 2038, the 2008 Series C Bonds, maturing October 1, 2021 to October 1, 2026, and the 2008 Series D Bonds maturing October 1, 2021 to October 1, 2026. The issue proceeds of \$48,810,000, and debt service fund of \$3,980,384 attributable to the refunding, less issuance costs of \$137,681 were used to refund a portion of the 2008 Series A Bonds in the amount of \$38,500,000, the 2008 Series C Bonds in the amount of \$9,625,000, 2008 Series D Bonds in the amount of \$3,110,000. In addition, the accrued interest expenses of 1,417,703 for the 2008 Series A, C and D Bonds were paid at the refunding.

The 2018 Series B Bonds were used to refund portion of the 2008 Series A Bonds, maturing October 1, 2024 to October 1, 2038. The issue proceeds of \$33,175,000, and debt service fund of \$2,624,827 attributable to the refunding, less issuance costs of \$153,064 were used to refund a portion of the 2008 Series A Bonds in the amount of \$33,740,000. In addition, the accrued interest expenses of \$906,763 for the 2008 Series A Bonds were paid at the refunding.

The 2018 Series C Bonds were used to refund portion of the 2008 Series A Bonds, maturing October 1, 2024 to October 1, 2038. The issue proceeds of \$26,665,000, less a discount of \$66,663 and issuance cost of \$94,046, plus debt service fund of \$2,175,681 attributable to the refunding, were used to refund a portion of the 2008 Series A Bonds in the amount of \$27,915,000. In addition, the accrued interest expenses of \$764,972 for the 2008 Series A Bonds were paid at the refunding.

The 2018 Series D Bonds were used to refund portion of the 2008 Series A Bonds, maturing October 1, 2024 to October 1, 2038. The issue proceeds of \$31,320,000, and debt service fund of \$2,554,077 attributable to the refunding, less issuance costs of \$125,852 were used to refund a portion of the 2008 Series A Bonds in the amount of \$32,845,000. In addition, the accrued interest expenses of \$903,225 for the 2008 Series A Bonds were paid at the refunding.

The refunding of 2008A, C and D Series Bonds in fiscal year 2018 resulted in an estimated net present value savings of \$36.9 million and a debt services cash flow savings of \$72.5 million.

**Hillsborough County Aviation Authority**

**Notes to the Financial Statements**

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**Note 8. Debt and Other Non-Current Liabilities (Continued)**

The total principal maturities and debt service requirements for all revenue bonds through the year 2048, as of September 30, 2019, are as follows:

| Years Ending September 30: | Principal               | Interest                | Total<br>Debt Service   |
|----------------------------|-------------------------|-------------------------|-------------------------|
| 2020                       | \$ 57,235,000           | \$ 66,569,868           | \$ 123,804,868          |
| 2021                       | 48,980,000              | 65,147,036              | 114,127,036             |
| 2022                       | 46,435,000              | 63,829,688              | 110,264,688             |
| 2023                       | 45,695,000              | 62,077,360              | 107,772,360             |
| 2024                       | 39,925,000              | 60,345,658              | 100,270,658             |
| 2025-2029                  | 199,305,000             | 278,087,753             | 477,392,753             |
| 2030-2034                  | 225,500,000             | 230,453,092             | 455,953,092             |
| 2035-2039                  | 252,400,000             | 176,517,493             | 428,917,493             |
| 2040-2044                  | 321,990,000             | 106,941,875             | 428,931,875             |
| 2045-2048                  | 227,955,000             | 29,188,500              | 257,143,500             |
|                            | <u>\$ 1,465,420,000</u> | <u>\$ 1,139,158,323</u> | <u>\$ 2,604,578,323</u> |

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

#### Note 8. Debt and Other Non-Current Liabilities (Continued)

Revenue bond information and activity as of and for the years ended September 30, 2019 and 2018 is presented below. All principal payments are due October 1, while interest on the fixed rate bonds is due semiannually on April 1 and October 1. Since all debt service payments required under the Trust Agreement are deposited with the Trustee as of September 1, it is the Authority's policy to record the October 1 principal and interest payments as of the close of business on September 30.

|                                       | Issuance<br>Amount      | Interest<br>Rates | Bonds Payable<br>at September 30, 2019 |                            | Bonds Payable<br>at September 30, 2018 |
|---------------------------------------|-------------------------|-------------------|----------------------------------------|----------------------------|----------------------------------------|
|                                       |                         |                   | Serial<br>Bonds                        | Maturing<br>in Fiscal Year | Serial<br>Bonds                        |
| Revenue and Revenue Refunding Bonds:  |                         |                   |                                        |                            |                                        |
| 2013A Senior                          | \$ 38,635,000           | 1.87%             | \$ 24,425,000                          | 2020 - 2021                | \$ 32,680,000                          |
| 2013B Senior                          | 35,235,000              | 2.00%             | 17,480,000                             | 2020 - 2023                | 22,975,000                             |
| 2013C Senior                          | 34,095,000              | 1.00%             | -                                      | 2019                       | 6,025,000                              |
| 2015A Senior                          | 148,210,000             | 5.00%             | 148,210,000                            | 2027 - 2044                | 148,210,000                            |
| 2015C Senior                          | 18,710,000              | 1.80%             | 15,100,000                             | 2020 - 2023                | 18,710,000                             |
| 2016A Senior                          | 16,425,000              | 1.38%             | 1,845,000                              | 2020                       | 11,425,000                             |
| 2017A Senior                          | 54,665,000              | 2.56%             | 54,665,000                             | 2028 - 2031                | 54,665,000                             |
| 2018A Senior                          | 48,810,000              | 1.92%             | 40,910,000                             | 2020 - 2023                | 48,810,000                             |
| 2018B Senior                          | 32,175,000              | 2.57%             | 32,175,000                             | 2024 - 2028                | 32,175,000                             |
| 2018C Senior                          | 26,665,000              | 3.25%             | 26,665,000                             | 2029 - 2033                | 26,665,000                             |
| 2018D Senior                          | 31,320,000              | 3.40%             | 31,320,000                             | 2034 - 2038                | 31,320,000                             |
| 2018E Senior                          | 140,120,000             | 5.00%             | 140,120,000                            | 2022 - 2048                | -                                      |
| 2018F Senior                          | 160,855,000             | 5.00%             | 160,855,000                            | 2022 - 2048                | -                                      |
| Subtotal Senior Bonds                 | <u>785,920,000</u>      |                   | <u>693,770,000</u>                     |                            | <u>433,660,000</u>                     |
| 2013A PFC Subordinated                | 168,865,000             | 4.913% - 5.50%    | 120,690,000                            | 2020 - 2030                | 128,750,000                            |
| 2015A PFC Subordinated                | 19,590,000              | 5.00%             | 19,590,000                             | 2031 - 2044                | 19,590,000                             |
| 2015B PFC Subordinated                | 153,915,000             | 5.00%             | 153,915,000                            | 2031 - 2044                | 153,915,000                            |
| 2018A PFC Subordinated                | 102,500,000             | 5.00%             | 102,500,000                            | 2031 - 2048                | -                                      |
| Subtotal PFC Subordinated Bonds       | <u>444,870,000</u>      |                   | <u>396,695,000</u>                     |                            | <u>302,255,000</u>                     |
| 2015A CFC                             | 88,975,000              | 5.00%             | 88,975,000                             | 2041 - 2044                | 88,975,000                             |
| 2015B CFC                             | 294,350,000             | 2.89% - 5.25%     | 285,980,000                            | 2020 - 2041                | 294,350,000                            |
| Subtotal CFC Bonds                    | <u>383,325,000</u>      |                   | <u>374,955,000</u>                     |                            | <u>383,325,000</u>                     |
| Total Bonds                           | <u>\$ 1,614,115,000</u> |                   | <u>1,465,420,000</u>                   |                            | <u>1,119,240,000</u>                   |
| Unamortized Bond Premium – Net        |                         |                   | 78,350,535                             |                            | 41,062,266                             |
| Total Revenue Bonds Payable           |                         |                   | <u>1,543,770,535</u>                   |                            | <u>1,160,302,266</u>                   |
| Less Current Portion of Bonds Payable |                         |                   | <u>(57,235,000)</u>                    |                            | <u>(57,295,000)</u>                    |
| Long-Term Portion of Bonds Payable    |                         |                   | <u>\$ 1,486,535,535</u>                |                            | <u>\$ 1,103,007,266</u>                |

Authority rate covenants under the Trust Agreement require that revenues in each fiscal year will be sufficient to pay all amounts required to be deposited in Reserve Fund, the Operation and Maintenance Fund and the Operating Reserve Fund and 125% of the annual debt service requirement for the senior lien bonds. The debt coverage is calculated at the end of fiscal year to determine the ratio, which must exceed a 1.25 times coverage requirement. The senior debt service coverage ratio was 2.28 and 2.08 in 2019 and 2018, respectively.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### **Note 8. Debt and Other Non-Current Liabilities (Continued)**

Rate covenants under the Subordinated Trust Agreement are a two part test. First, net revenues after the payment of senior lien debt plus pledged PFCs must equal at least 125% of the of the annual debt service on the subordinated lien debt. Secondly, overall combined net revenues and pledged PFCs must equal at least 115% of the combined annual debt service of the senior and subordinated lien bonds. The subordinated debt coverage ratios must exceed 1.25 and 1.15, respectively under these two tests. The subordinated debt coverage ratio under the first test was 4.15 and 6.06 in 2019 and 2018, respectively. The subordinated debt coverage ratio under the second test was 2.06 and 2.09 in 2019 and 2018, respectively.

The rate covenant under the CFC Trust Agreement requires that CFC collections must exceed 125% of the annual debt service requirement on the CFC lien bonds. Therefore, the CFC debt coverage ratio calculation must exceed 1.25 under this covenant. If CFC collections in a fiscal year do not result in meeting the rate covenant, the rental car companies operating at the rental car center are obligated to pay the Authority the incremental amount required to satisfy the covenant. The CFC debt coverage ratio was 1.68 and 2.43 in 2019 and 2018, respectively.

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

Operating revenues less operating and maintenance expenses (net revenues) have been pledged as collateral for the senior revenue bonds. The total amount of the pledge is equal to the remaining principal and interest payments of \$1,194,621,322. The Authority recognized \$125,890,097 in net revenues during 2019, and made principal and interest payments on senior revenue bonds of \$55,193,571.

PFC revenues have been pledged as collateral for the subordinated revenue bonds. The total amount of the pledge is equal to the remaining principal and interest payments of \$744,992,800. The Authority recognized \$43,211,581 of PFC revenues during 2019 and made principal and interest payments on subordinated revenue bonds of \$28,000,631.

CFC revenues have been pledged as collateral for the CFC revenue bonds. The total amount of the pledge is equal to the remaining principal and interest payments of \$664,964,199. The Authority recognized \$44,654,759 in gross CFC revenues during 2019 and made principal and interest payments on CFC revenue bonds of \$26,599,624.

#### **Bank Notes**

The Authority has a variable rate bank loan, subject to a revolving credit agreement not to exceed \$100,000,000. As of September 30, 2019 and 2018 the outstanding balance of this loan was \$0.

As of September 30, 2019 and 2018, there was no outstanding bank note balance.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

#### Note 8. Debt and Other Non-Current Liabilities (Continued)

Bonds, bank notes and other non-current liability information and activity for the years ended September 30, are summarized as follows:

|                                      | Balance<br>September 30, |                      |             |                       | Balance<br>September 30, |                     | Amount Due      |
|--------------------------------------|--------------------------|----------------------|-------------|-----------------------|--------------------------|---------------------|-----------------|
|                                      | 2018                     | Additions            | Refunding   | Paydowns              | 2019                     |                     | within One Year |
| Senior Bonds                         | \$ 433,660,000           | \$ 300,975,000       | \$ -        | \$ (40,865,000)       | \$ 693,770,000           | \$ 40,185,000       |                 |
| PFC Subordinated Bonds               | 302,255,000              | 102,500,000          | -           | (8,060,000)           | 396,695,000              | 8,465,000           |                 |
| CFC Bonds                            | 383,325,000              | -                    | -           | (8,370,000)           | 374,955,000              | 8,585,000           |                 |
| <b>Total Bonds and Notes Payable</b> | <b>1,119,240,000</b>     | <b>403,475,000</b>   | <b>-</b>    | <b>(57,295,000)</b>   | <b>1,465,420,000</b>     | <b>57,235,000</b>   |                 |
| Compensated Absences                 | 5,217,645                | 78,620               | -           | (517,267)             | 4,778,998                | 881,521             |                 |
| Environmental Liabilities            | 2,628,547                | 693,226              | -           | (1,780,699)           | 1,541,074                | 750,001             |                 |
| Pension Liabilities                  | 50,896,957               | 10,307,906           | -           | -                     | 61,204,863               | 276,706             |                 |
| Other Post-Employment Benefits       | 5,267,906                | 1,388,283            | -           | -                     | 6,656,189                | -                   |                 |
| <b>Total Other Liabilities</b>       | <b>\$ 64,011,055</b>     | <b>\$ 12,468,035</b> | <b>\$ -</b> | <b>\$ (2,297,966)</b> | <b>\$ 74,181,124</b>     | <b>\$ 1,908,228</b> |                 |

|                                      | Balance<br>September 30, |                     |                      |                     | Balance<br>September 30, |                     | Amount Due      |
|--------------------------------------|--------------------------|---------------------|----------------------|---------------------|--------------------------|---------------------|-----------------|
|                                      | 2017                     | Additions           | Refunding            | Paydowns            | 2018                     |                     | within One Year |
| Senior Bonds                         | \$ 416,860,000           | \$ 193,635,000      | \$ (145,735,000)     | \$ (31,100,000)     | \$ 433,660,000           | \$ 40,865,000       |                 |
| PFC Subordinated Bonds               | 309,290,000              | -                   | -                    | (7,035,000)         | 302,255,000              | 8,060,000           |                 |
| CFC Bonds                            | 383,325,000              | -                   | -                    | -                   | 383,325,000              | 8,370,000           |                 |
| Bank Notes                           | 4,203,527                | -                   | -                    | (4,203,527)         | -                        | -                   |                 |
| <b>Total Bonds and Notes Payable</b> | <b>1,113,678,527</b>     | <b>193,635,000</b>  | <b>(145,735,000)</b> | <b>(42,338,527)</b> | <b>1,119,240,000</b>     | <b>57,295,000</b>   |                 |
| Compensated Absences                 | 4,950,431                | 889,572             | -                    | (622,358)           | 5,217,645                | 802,901             |                 |
| Environmental Liabilities            | 263,815                  | 2,364,732           | -                    | -                   | 2,628,547                | 2,530,700           |                 |
| Pension Liabilities                  | 49,003,573               | 1,893,384           | -                    | -                   | 50,896,957               | 351,782             |                 |
| Other Post-Employment Benefits       | 5,415,657                | -                   | -                    | (147,751)           | 5,267,906                | -                   |                 |
| <b>Total Other Liabilities</b>       | <b>\$ 59,633,476</b>     | <b>\$ 5,147,688</b> | <b>\$ -</b>          | <b>\$ (770,109)</b> | <b>\$ 64,011,055</b>     | <b>\$ 3,685,383</b> |                 |

#### Other Non-Current Liabilities

This line item consists of compensated absences, pollution remediation obligations, and OPEB as listed in the above activity table.

As required by GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the Authority recognizes certain remediation obligations in its financial statements. There are several sites on airport property requiring the establishment of liabilities under GASB Statement No. 49. The Authority's Planning and Development staff, working in conjunction with outside environmental specialists and the Florida Department of Environmental Protection and other government agencies, developed detailed plans and cost estimates of the pollution remediation liabilities associated with these sites. The total estimated and recorded liabilities for the sites at September 30, 2019 and 2018 are \$1,541,074 and \$2,628,547, respectively.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 8. Debt and Other Non-Current Liabilities (Continued)

##### Compensated Absences

The Authority provides for compensated absences to its employees through employee benefit programs. Under the programs, employees are provided compensated absences for sick and vacation time, as well as related retirement amounts. Expected amounts that will be paid out in the subsequent fiscal year are recorded as accrued expenses in the statement of net position. Amounts expected to be paid out past the subsequent fiscal year are included with other non-current liabilities in the statement of net position.

#### Note 9. Contributions

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

|                                 | 2019                  | 2018                  |
|---------------------------------|-----------------------|-----------------------|
| Passenger Facility Charges      | \$ 43,211,581         | \$ 41,766,767         |
| Federal Grants                  | 5,809,131             | 11,585,930            |
| State Grants                    | 14,664,219            | 16,460,161            |
| Federal Reimbursement           | 20,958,853            | 18,242,621            |
| Customer Facility Charges (Net) | 31,806,642            | 33,967,060            |
| Total Capital Contributions     | <u>\$ 116,450,426</u> | <u>\$ 122,022,539</u> |

CFC collections prior to revenue recognition and applicable operating and maintenance expense offsets were \$44,654,759, in 2019 representing a 1% increase from the 2018 collections of \$44,381,069.

#### Note 10. Defined Benefit Pension Plans

##### **Background**

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

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 10. Defined Benefit Pension Plans (Continued)

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

The Authority's pension expense totaled \$13,297,204 and \$7,957,979 for both the FRS Pension Plan and HIS Plan for the fiscal years ended September 30, 2019 and 2018, respectively.

#### Florida Retirement System Pension Plan

##### Plan Description

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

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

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

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 10. Defined Benefit Pension Plans (Continued)

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

#### Benefits Provided

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

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

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

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 10. Defined Benefit Pension Plans (Continued)

##### Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pre-tax basis. The contribution rates attributable to the Authority, for the periods October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, were applied to employee salaries as follows: Regular 6.60% and 6.81%. Special Risk 22.84% and 23.82%, Senior Management Service 22.40% and 23.75% and DROP participants 12.37% and 12.94%. The Authority's contributions to the FRS Plan were \$4,186,312 and \$3,580,886 for the fiscal years ended September 30, 2019 and 2018, respectively. These allocations are in addition to a required employee contribution of 3% of gross compensation for each member class (excluding DROP participants).

##### Pension Costs

At September 30, 2019 and 2018, the Authority reported a liability of \$44,896,519 and \$36,524,969, respectively, for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of July 1. The Authority's proportion of the net pension liability was based on the Authority's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2019, the Authority's proportion was 0.1304%, which was an increase of 0.0091% from its proportion measured as of June 30, 2018. At June 30, 2018, the Authority's proportion was 0.1213%, which was an increase of 0.0029% from its proportion measured as of June 30, 2017.

For the years ended September 30, 2019 and 2018, the Authority recognized pension expense of \$11,577,471 and \$6,563,265, respectively, for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

| Description                                                                                                    | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------|
| Differences Between Expected and Actual Economic Experience                                                    | \$ 2,662,941                   | \$ 27,862                     |
| Changes in Actuarial Assumptions                                                                               | 11,531,358                     | -                             |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments                               | -                              | 2,483,910                     |
| Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions | 2,324,378                      | 39,012                        |
| Authority Contributions Subsequent to the Measurement Date                                                     | 1,170,885                      | -                             |
| Total                                                                                                          | <u>\$ 17,689,562</u>           | <u>\$ 2,550,784</u>           |

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

#### Note 10. Defined Benefit Pension Plans (Continued)

Deferred outflows of \$1,170,885 related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The Deferred Outflows resulting from the change in assumptions pertains to a decrease in the discount rate in the 2018 valuation. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase in pension expense as follows:

| Years Ending June 30: | Amount       |
|-----------------------|--------------|
| 2020                  | \$ 5,065,588 |
| 2021                  | 1,528,132    |
| 2022                  | 3,692,112    |
| 2023                  | 2,785,193    |
| 2024                  | 718,289      |
| Thereafter            | 178,579      |

For the year ended September 30, 2018, the Authority recognized pension expense of \$6,563,265 for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

| Description                                                                                                    | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------|
| Differences Between Expected and Actual Economic Experience                                                    | \$ 3,094,214                   | \$ 112,305                    |
| Changes in Actuarial Assumptions                                                                               | 11,934,584                     | -                             |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments                               | -                              | 2,821,999                     |
| Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions | 1,087,495                      | 50,487                        |
| Authority Contributions Subsequent to the Measurement Date                                                     | 1,026,885                      | -                             |
| Total                                                                                                          | <u>\$ 17,143,178</u>           | <u>\$ 2,984,791</u>           |

Deferred outflows of \$1,026,885 related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended September 30, 2019. The Deferred Outflows resulting from the change in assumptions pertains to a decrease in the discount rate in the 2018 valuation.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 10. Defined Benefit Pension Plans (Continued)

##### Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                                                   |
|---------------------------|-------------------------------------------------------------------|
| Inflation                 | 2.60% per year                                                    |
| Salary Increases          | 3.25% Average, Including Inflation                                |
| Investment Rate of Return | 6.90%, Net of pension plan investment expense including inflation |

The active mortality rates have been updated to use rates mandated by Chapter 2015-157, Laws of Florida, for pension plans. This law mandates the use of the assumption used in either of the two most recent values of the Florida Retirement Systems. The rates are outlined in a report prepared by Milliman dated July 1, 2019, FRS valuation report.

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                                                   |
|---------------------------|-------------------------------------------------------------------|
| Inflation                 | 2.60% per year                                                    |
| Salary Increases          | 3.25% Average, Including Inflation                                |
| Investment Rate of Return | 7.00%, Net of pension plan investment expense including inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class as of June 30, 2019, is summarized in the following table:

| Asset Class            | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|------------------------|-------------------|--------------------------|------------------------------------|--------------------|
| Cash                   | 1%                | 3.3%                     | 3.3%                               | 1.2%               |
| Fixed Income           | 18%               | 4.1%                     | 4.1%                               | 3.5%               |
| Global Equity          | 54%               | 8.0%                     | 6.6%                               | 16.5%              |
| Real Estate (Property) | 10%               | 6.7%                     | 6.1%                               | 11.7%              |
| Private Equity         | 11%               | 11.2%                    | 8.4%                               | 25.8%              |
| Strategic Investments  | 6%                | 5.9%                     | 5.7%                               | 6.7%               |
| Totals                 | <u>100%</u>       |                          |                                    |                    |

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

#### Note 10. Defined Benefit Pension Plans (Continued)

Regarding the prior year, the target allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class as of June 30, 2018, is summarized in the following table:

| Asset Class            | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|------------------------|-------------------|--------------------------|------------------------------------|--------------------|
| Cash                   | 1%                | 2.9%                     | 2.9%                               | 1.8%               |
| Fixed Income           | 18%               | 4.4%                     | 4.3%                               | 4.0%               |
| Global Equity          | 54%               | 7.6%                     | 6.3%                               | 17.0%              |
| Real Estate (Property) | 11%               | 6.6%                     | 6.0%                               | 11.3%              |
| Private Equity         | 10%               | 10.7%                    | 7.8%                               | 26.5%              |
| Strategic Investments  | 6%                | 6.0%                     | 5.7%                               | 8.6%               |
| Totals                 | <u>100%</u>       |                          |                                    |                    |

#### Discount Rate

The long-term expected rate of return assumption of 6.9% consists of two components: A real (in excess of inflation) return of 4.3% and a long-term average annual inflation assumption of 2.6% as adopted in 2019 by the FRS Actuarial Assumption Conference. The 6.9% rate of return assumption used in the June, 2019, calculations was determined by the consulting actuary, Milliman, to be reasonable and appropriate per Actuarial Standard of Practice Number 27 (ASOP 27). The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Pension Liability Sensitivity

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

| Description                                                           | 2019          |               |               |
|-----------------------------------------------------------------------|---------------|---------------|---------------|
|                                                                       | 1% Decrease   | Rate          | Discount Rate |
| FRS Plan Discount Rate                                                | 5.90%         | 6.90%         | 7.90%         |
| Authority's Proportionate Share of the FRS Plan Net Pension Liability | \$ 77,611,132 | \$ 44,896,519 | \$ 17,574,285 |
| Description                                                           | 2018          |               |               |
|                                                                       | 1% Decrease   | Rate          | Discount Rate |
| FRS Plan Discount Rate                                                | 6.00%         | 7.00%         | 8.00%         |
| Authority's Proportionate Share of the FRS Plan Net Pension Liability | \$ 66,659,601 | \$ 36,524,969 | \$ 11,496,376 |

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 10. Defined Benefit Pension Plans (Continued)

##### Pension Plan Fiduciary Net Position

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

##### *Retiree Health Insurance Subsidy Program*

##### Plan Description

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

##### Benefits Provided

For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

##### Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the periods October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The Authority's contributions to the HIS Plan were \$826,705 and \$750,158, respectively, for the years ended September 30, 2019 and 2018, respectively.

##### Pension Costs

At September 30, 2019 and 2018, the Authority reported a liability of \$16,308,344 and \$14,371,988, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by annual actuarial valuations as of July 1, 2019. The Authority's proportion of the net pension liability was based on the Authority's contributions received during the measurement period for employer payroll paid dates from July 1 through June 30, relative to the total employer contributions received from all participating employers. At June 30, 2019, the Authority's proportion was 0.1458%, which was an increase of 0.0100% from its proportion measured as of June 30, 2018. At June 30, 2018, the Authority's proportion was 0.1358%, which was an increase of 0.0049% from its proportion measured as of June 30, 2017.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

#### Note 10. Defined Benefit Pension Plans (Continued)

For the year ended September 30, 2019, the Authority recognized pension expense of \$1,719,733 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

| Description                                                                                                       | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences Between Expected and Actual Economic Experience                                                       | \$ 198,083                        | \$ 19,969                        |
| Changes in Actuarial Assumptions                                                                                  | 1,888,352                         | 1,332,911                        |
| Net Difference Between Projected and Actual Earnings on<br>HIS Program Investments                                | 10,524                            | -                                |
| Changes in Proportion and Differences Between Authority<br>Contributions and Proportionate Share of Contributions | 1,860,865                         | -                                |
| Authority Contributions Subsequent to the Measurement Date                                                        | 222,361                           | -                                |
| Total                                                                                                             | <u>\$ 4,180,185</u>               | <u>\$ 1,352,880</u>              |

Deferred outflows of \$222,361 related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The change in deferred outflows assumptions relates to an increase in the expected rate of return vs. prior year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

| Years Ending June 30: | Amount       |
|-----------------------|--------------|
| 2020                  | \$ 1,110,127 |
| 2021                  | 888,468      |
| 2022                  | 486,345      |
| 2023                  | (353,165)    |
| 2024                  | 64,150       |
| Thereafter            | 409,019      |

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 10. Defined Benefit Pension Plans (Continued)

For the year ended September 30, 2018, the Authority recognized pension expense of \$1,394,714 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

| Description                                                                                                       | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences Between Expected and Actual Economic Experience                                                       | \$ 220,029                        | \$ 24,417                        |
| Changes in Actuarial Assumptions                                                                                  | 1,598,343                         | 1,519,527                        |
| Net Difference Between Projected and Actual Earnings on<br>HIS Program Investments                                | 8,675                             | -                                |
| Changes in Proportion and Differences Between Authority<br>Contributions and Proportionate Share of Contributions | 1,295,863                         | -                                |
| Authority Contributions Subsequent to the Measurement Date                                                        | 205,010                           | -                                |
| Total                                                                                                             | <u>\$ 3,327,920</u>               | <u>\$ 1,543,944</u>              |

\$205,010 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

#### Actuarial Assumptions

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                     |                                    |
|---------------------|------------------------------------|
| Inflation           | 2.60% per year                     |
| Salary Increases    | 3.25% Average, Including Inflation |
| Municipal Bond Rate | 3.50%                              |

Mortality rates were based on the Generational RP-2000 with projection scale BB

The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                     |                                    |
|---------------------|------------------------------------|
| Inflation           | 2.60% per year                     |
| Salary Increases    | 3.25% Average, Including Inflation |
| Municipal Bond Rate | 3.87%                              |

Mortality rates were based on the Generational RP-2000 with projection scale BB. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study of the FRS for the period of July 1, 2008 – June 30, 2013.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 10. Defined Benefit Pension Plans (Continued)

##### Discount Rate

The discount rate used to measure the total HIS Plan pension liability for September 30, 2019 and 2018 was 3.50% and 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rates used at the two dates differ due to changes in the applicable municipal bond index.

##### Pension Liability Sensitivity

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

| 2019                                                                     |               |                       |                              |
|--------------------------------------------------------------------------|---------------|-----------------------|------------------------------|
| Description                                                              | 1% Decrease   | Current Discount Rate | 1% Increase in Discount Rate |
| HIS Plan Discount Rate                                                   | 2.50%         | 3.50%                 | 4.50%                        |
| Authority's Proportionate Share of the<br>HIS Plan Net Pension Liability | \$ 18,616,811 | \$ 16,308,344         | \$ 14,385,652                |

| 2018                                                                     |               |                       |                              |
|--------------------------------------------------------------------------|---------------|-----------------------|------------------------------|
| Description                                                              | 1% Decrease   | Current Discount Rate | 1% Increase in Discount Rate |
| HIS Plan Discount Rate                                                   | 2.87%         | 3.87%                 | 4.87%                        |
| Authority's Proportionate Share of the<br>HIS Plan Net Pension Liability | \$ 16,368,852 | \$ 14,371,988         | \$ 12,707,486                |

##### Pension Plan Fiduciary Net Position

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

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 11. Defined Contribution Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts during the 2018-2019 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, were as follows: Regular class 6.3%, Special Risk class 14.00% and Senior Management class 11.34%. These allocations include a required employee contribution of 3% of gross compensation for each member class.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance.

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

The Authority's Investment Plan pension expense totaled \$763,030 and \$655,184 for the years ended September 30, 2019 and 2018, respectively. Employee contributions to the Investment Plan totaled \$305,856 and \$265,524 for the years ended September 30, 2019 and 2018, respectively.

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 12. Other Postemployment Benefits (OPEB)

On October 1, 2017 the Authority implemented GASB Statement No.75; *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which replaces the requirements of GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. This statement requires governments in all types of OPEB plans to present more extensive note disclosures and Required Supplementary Information (RSI) about their OPEB liabilities, including a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government, new RSI schedules including a schedule of increases and decreases in the OPEB liability, and a schedule comparing a governments actual OPEB contributions to its contributions requirements.

#### (a) Description of OPEB Plan

In addition to pension benefits, the Authority offers other post-employment benefits of health, dental and life insurance. Employees that retire under the FRS have the option to continue to participate in the group insurance plans of the Authority. The retirees and their dependents are offered the same coverage as is provided to current employees. The plan is a single-employer defined benefit healthcare plan self-funded by the Authority through the health care insurance provider. The Authority does not issue a separate financial report for the OPEB Plan.

#### Funding Policy

The Authority does not accumulate assets to pay benefits but rather finances the program on a pay-as-you-go basis. Under the self-funded medical program, retirees are required to pay the same monthly premium cost that is applicable to the active employee, less a subsidy of \$5 times the number of years continuously employed with the Authority at the time of retirement. The maximum amount of the subsidy is \$150 per month. This subsidy totaled \$37,402 and \$31,452 in fiscal years 2019 and 2018, respectively. The retiree and dependents may also participate in the dental and life insurance plans, but must pay the full cost of the premiums associated with these plans. Employees are eligible for a flat \$10,000 life insurance benefit upon retirement, which reduces to \$5,000 at age 70. If a retiree does not participate in these plans upon retirement, he or she is not eligible to participate in the future. Below is a summary of the Health Plan's membership as of September 30, 2019 and 2018:

#### Benefits Provided

| Plan Membership              | September 30, 2019 | September 30, 2018 |
|------------------------------|--------------------|--------------------|
| Active                       | 660                | 622                |
| Inactive, receiving benefits | 175                | 158                |

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 12. Other Postemployment Benefits (OPEB) (Continued)

A summary of monthly required contributions for retirees for the fiscal years ended September 30, 2019 and 2018, is provided as follows:

#### Monthly Required Contributions for Retirees

|                                        | <u>2019</u> | <u>2018</u> |
|----------------------------------------|-------------|-------------|
| <b>HMO Plans</b>                       |             |             |
| Retiree Only                           | \$ 741      | \$ 699      |
| Retiree, 1 Dependent                   | \$ 1,515    | \$ 1,430    |
| Retiree, Family                        | \$ 2,129    | \$ 2,129    |
| <b>PPO Plans</b>                       |             |             |
| Retiree Only (Under 65)                | \$ 1,032    | \$ 973      |
| Retiree, 1 Dependent (Under 65)        | \$ 2,301    | \$ 2,171    |
| Retiree, Family (Under 65)             | \$ 3,321    | \$ 3,133    |
| Retiree only (65+)                     | \$ 837      | \$ 837      |
| Retiree (65+), 1 Dependent (65+)       | \$ 1,674    | \$ 1,674    |
| Retiree (65+), 1 Dependent (Under 65+) | \$ 2,034    | \$ 2,034    |
| Retiree (Under 65), Dependent (65+)    | \$ 3,321    | \$ 2,034    |
| <b>Dental Plans</b>                    |             |             |
| Retiree Only                           | \$ 36       | \$ 35       |
| Dependents                             | \$ 90       | \$ 85       |

#### **Life Insurance Contributions**

\$0.053 per \$1,000 Coverage per Month

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

**Hillsborough County Aviation Authority**

**Notes to the Financial Statements**

**Note 12. Other Postemployment Benefits (Continued)**

**(b) Measurement of Total OPEB Liability**

The Authority's total OPEB liability was determined using the following measurement date and actuarial assumptions as of September 30, 2019 and 2018:

|                              | <u>September 30, 2019</u>                              | <u>September 30, 2018</u>                              |
|------------------------------|--------------------------------------------------------|--------------------------------------------------------|
| Measurement Date             | September 30,2019                                      | September 30,2018                                      |
| Actuarial Valuation Date     | September 30,2018                                      | September 30,2018                                      |
| Salary Increase Rate         | 3.5% per annum                                         | 3.5% per annum                                         |
| Health Care Cost Trend Rate: |                                                        |                                                        |
| Pre-65 years old             | 6.00%                                                  | 6.50%                                                  |
| 65 years and older           | 5.50%                                                  | 6.00%                                                  |
| Discount Rate                | 2.66%                                                  | 3.63%                                                  |
| Mortality Tables used        | Generational RP-2014<br>projected using scale<br>MP-18 | Generational RP-2014<br>projected using scale<br>MP-18 |

The changes in the assumptions during the fiscal year ended September 30, 2019 reflect the changes in the discount rate, which was decreased from 4.18% to 2.66%. The source utilized to establish the discount rates is the Bond Buyer 20-Bond General Obligation index. The health care cost trend assumptions are used to project the cost of health care in future years. The following trends are based on the current HCA Consulting trend study and are applied on a select and ultimate basis. Select trends are reduced 0.5% each year until reaching the ultimate trend.

| Expense Type                 | Select | Ultimate |
|------------------------------|--------|----------|
| Pre-Medicare and Rx Benefits | 6.50%  | 4.50%    |
| Medicare Benefits            | 6.00%  | 4.50%    |
| Stop Loss Fees               | 6.50%  | 4.50%    |
| Administrative Fees          | 4.50%  | 4.50%    |

**(c) Changes in the Total OPEB Liability**

Changes in the total OPEB liability for the fiscal years ended September 30, 2019 and 2018, based on the measurement date, are as follows:

|                                        | <u>2019</u>                | <u>2018</u>                |
|----------------------------------------|----------------------------|----------------------------|
| Balance, beginning of year             | <u>\$ 5,267,906</u>        | <u>\$ 5,415,657</u>        |
| Changes for the year:                  |                            |                            |
| Service Cost                           | 261,137                    | 250,660                    |
| Interest Cost                          | 225,087                    | 201,604                    |
| Changes in assumptions or other inputs | 1,190,452                  | (374,586)                  |
| Benefit payments                       | <u>(288,393)</u>           | <u>(225,429)</u>           |
| Net change                             | <u>1,388,283</u>           | <u>(147,751)</u>           |
| Balance, end of year                   | <u><u>\$ 6,656,189</u></u> | <u><u>\$ 5,267,906</u></u> |

Hillsborough County Aviation Authority

Notes to the Financial Statements

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**Note 12. Other Postemployment Benefits (Continued)**

**(d) OPEB Expenses**

OPEB expense recognized by the Authority for the fiscal years ended September 30, 2019 and 2018 was \$518,016 and \$554,930, respectively.

**(e) OPEB Deferred Outflows and Inflows of Resources**

At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources as follows:

|                               | <u>September 30, 2019</u>            |                                  |
|-------------------------------|--------------------------------------|----------------------------------|
|                               | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
| Changes of assumptions/inputs | \$ 1,092,452                         | \$ (636,473)                     |

|                               | <u>September 30, 2018</u>            |                                  |
|-------------------------------|--------------------------------------|----------------------------------|
|                               | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
| Changes of assumptions/inputs | \$ -                                 | \$ (1,096,985)                   |

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

| <u>Years Ending September 30:</u> | <u>Deferred<br/>Outflows<br/>(Inflows)</u> |
|-----------------------------------|--------------------------------------------|
| 2020                              | \$ 31,792                                  |
| 2021                              | 31,792                                     |
| 2022                              | 31,792                                     |
| 2023                              | 31,792                                     |
| 2024                              | 31,792                                     |
| Thereafter                        | 297,019                                    |
|                                   | <u>\$ 455,979</u>                          |

**(f) Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate**

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

#### Note 12. Other Postemployment Benefits (Continued)

##### Health Care Cost Trend Sensitivity

The following presents the total OPEB liability of the Authority, as well as what the Authority total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

|                          | Total OPEB Liability* |              |              |
|--------------------------|-----------------------|--------------|--------------|
|                          | 1% Decrease           | Current Rate | 1% Increase  |
| As of September 30, 2019 | \$ 5,957,000          | \$ 6,656,000 | \$ 7,544,000 |
| As of September 30, 2018 | \$ 4,715,000          | \$ 5,268,000 | \$ 5,971,000 |

\* Multiple health care trend rates were used to calculate the total OPEB liability. See Page 59 for the rates.

##### Discount Rate Sensitivity

The following presents the total OPEB liability of the Authority, as well as what the Authority total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rates:

|                          | Discount Rate | Total OPEB Liability |              |              |
|--------------------------|---------------|----------------------|--------------|--------------|
|                          |               | 1% Decrease          | Current Rate | 1% Increase  |
| As of September 30, 2019 | 2.66%         | \$ 7,545,000         | \$ 6,656,000 | \$ 5,927,000 |
| As of September 30, 2018 | 3.63%         | \$ 5,972,000         | \$ 5,268,000 | \$ 4,691,000 |

#### Note 13. Risk Management

The Authority has developed risk mitigation strategies for loss prevention to address exposure to various risks. One of those risk mitigation strategies is the purchase of commercial insurance for losses related to torts and other liabilities, theft of, damage to and destruction of assets, natural disasters and workers' compensation. Details regarding insurance coverage and deductibles is presented by the Authority in the Other Information section of the financial statements.

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

|                                              | 2019         | 2018         | 2017         |
|----------------------------------------------|--------------|--------------|--------------|
| Liability, beginning of the fiscal year      | \$ 1,560,579 | \$ 1,558,898 | \$ 1,295,940 |
| Current year claims and changes in estimates | 11,911,269   | 10,860,497   | 9,862,009    |
| Claims paid during the year                  | (11,826,064) | (10,858,816) | (9,599,051)  |
| Liability, end of the fiscal year            | \$ 1,645,784 | \$ 1,560,579 | \$ 1,558,898 |

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

## Hillsborough County Aviation Authority

### Notes to the Financial Statements

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#### Note 14. Commitments and Contingencies

##### Construction and Maintenance Contracts

In connection with the Authority's ongoing maintenance programs and long-term maintenance contracts have been executed for services that are incomplete. These contracts are typically cancelable by either party with advance notice ranging from 30 to 180 days. The Authority also has entered into contracts and agreements totaling approximately \$1.433 billion for construction, engineering services, land acquisition and equipment, approximately \$232 million of which remains unspent.

##### Contingencies

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

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

##### Concentration of Revenues

The Authority leases facilities to the airlines and to other businesses to operate concessions at the Authority. For fiscal years ended September 30, 2019 and 2018, revenues realized from the following sources exceeded 5% of the Authority's total operating revenues:

|                                            | <u>2019</u> | <u>2018</u> |
|--------------------------------------------|-------------|-------------|
| Southwest Airlines Co.                     | 11.8%       | 7.5%        |
| Enterprise Leasing Company of Florida, LLC | 8.1%        | 5.2%        |
| Delta Air Lines Inc.                       | 7.5%        | 5.1%        |
| American Airlines Inc.                     | 7.5%        | 4.4%        |
| Hertz Corporation                          | 6.4%        | 3.7%        |

The three airlines listed above represented 63.6% and 66.0% of the enplanements in 2019 and 2018, respectively.

#### Note 15. Related Party Transactions

The Authority considers the City of Tampa to be a related party because the Mayor of the City of Tampa is a member of governance of both entities. The City of Tampa provides certain services to the Authority including firefighting personnel and utilities. Total expense incurred by the Authority during the years ended September 30, 2019 and 2018 for these services were \$7,845,300 and \$7,029,200, respectively.

**Hillsborough County Aviation Authority  
Required Supplementary Information (Unaudited)**

**Schedule of Changes in Total OPEB Liability  
Last Ten Fiscal Years\***

|                                                            | <b>2019</b>         | <b>2018</b>         | <b>2017</b>         |
|------------------------------------------------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability                                       |                     |                     |                     |
| Service Cost                                               | \$ 261,137          | \$ 250,660          | \$ 326,187          |
| Interest Cost                                              | 225,087             | 201,604             | 183,639             |
| Changes in assumptions                                     | 1,190,452           | (374,586)           | (429,676)           |
| Benefit payments                                           | (288,393)           | (225,429)           | (171,000)           |
| <b>Net Change in total OPEB liability</b>                  | <b>1,388,283</b>    | <b>(147,751)</b>    | <b>(90,850)</b>     |
| Total OPEB liability – beginning                           | 5,267,906           | 5,415,657           | 5,506,507           |
| Total OPEB liability – ending                              | <b>\$ 6,656,189</b> | <b>\$ 5,267,906</b> | <b>\$ 5,415,657</b> |
| Covered employee payroll                                   | \$ 45,141,967       | \$ 43,615,427       | \$ 42,140,509       |
| Total OPEB Liability as a percentage of covered employee p | 15%                 | 12%                 | 13%                 |

\*Note: This schedule is to be built prospectively until it contains ten years of data. However until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

**Hillsborough County Aviation Authority  
Required Supplementary Information (Unaudited)**

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

|                                                                                                                      | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   |
|----------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Authority's Proportion of the Net Pension Liability                                                                  | 0.130366825%  | 0.121262752%  | 0.118370628%  | 0.118844480%  | 0.113335017%  | 0.109354355%  |
| Authority's Proportionate Share of the Net Pension Liability                                                         | \$ 44,896,519 | \$ 36,524,969 | \$ 35,013,237 | \$ 30,008,324 | \$ 14,638,737 | \$ 6,672,224  |
| Authority's Covered-Employee Payroll                                                                                 | \$ 39,415,588 | \$ 35,906,559 | \$ 34,771,683 | \$ 33,815,069 | \$ 31,413,190 | \$ 28,595,685 |
| Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll | 113.91%       | 99.72%        | 100.69%       | 88.74%        | 46.60%        | 23.33%        |
| Plan Fiduciary Net Position as a Percentage of the total Pension Liability                                           | 82.61%        | 84.26%        | 83.89%        | 84.88%        | 92.00%        | 96.09%        |

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

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

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

|                                                                      | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        | <u>2014</u>        |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contribution                                  | \$ 4,423,782       | \$ 3,543,790       | \$ 3,092,919       | \$ 3,121,541       | \$ 2,794,783       | \$ 2,403,034       |
| Contributions in Relation to the Contractually Required Contribution | <u>(4,423,782)</u> | <u>(3,543,790)</u> | <u>(3,092,919)</u> | <u>(3,121,541)</u> | <u>(2,794,783)</u> | <u>(2,403,034)</u> |
| Contribution Deficiency (Excess)                                     | <u>\$ -</u>        |
| Authority's Covered-Employee Payroll                                 | \$ 40,125,904      | \$ 36,628,017      | \$ 35,305,299      | \$ 36,325,660      | \$ 31,966,393      | \$ 28,718,892      |
| Contributions as a Percentage of Covered Employee Payroll            | 11.02%             | 9.68%              | 8.76%              | 8.59%              | 8.74%              | 8.37%              |

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

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

**Hillsborough County Aviation Authority  
Required Supplementary Information (Unaudited)**

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

|                                                                                                                      | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   |
|----------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Authority's Proportion of the Net Pension Liability                                                                  | 0.145753373%  | 0.135788317%  | 0.130842975%  | 0.130355889%  | 0.121545164%  | 0.117391378%  |
| Authority's Proportionate Share of the Net Pension Liability                                                         | \$ 16,308,344 | \$ 14,371,988 | \$ 13,990,335 | \$ 15,192,439 | \$ 12,395,695 | \$ 10,976,380 |
| Authority's Covered-Employee Payroll                                                                                 | \$ 49,424,933 | \$ 44,495,183 | \$ 42,126,831 | \$ 39,633,682 | \$ 37,218,200 | \$ 33,889,301 |
| Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll | 33.00%        | 31.60%        | 33.21%        | 38.33%        | 33.31%        | 32.39%        |
| Plan Fiduciary Net Position as a Percentage of the total Pension Liability                                           | 2.63%         | 2.15%         | 1.64%         | 0.97%         | 0.50%         | 0.99%         |

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

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

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

|                                                                      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution                                  | \$ 826,705       | \$ 750,158       | \$ 706,888       | \$ 698,655       | \$ 508,940       | \$ 403,596       |
| Contributions in Relation to the Contractually Required Contribution | <u>(826,705)</u> | <u>(750,158)</u> | <u>(706,888)</u> | <u>(698,655)</u> | <u>(508,940)</u> | <u>(403,596)</u> |
| Contribution Deficiency (Excess)                                     | <u>\$ -</u>      |
| Authority's Covered-Employee Payroll                                 | \$ 50,321,101    | \$ 45,478,820    | \$ 43,024,674    | \$ 42,985,687    | \$ 37,942,363    | \$ 34,065,788    |
| Contributions as a Percentage of Covered Employee Payroll            | 1.64%            | 1.65%            | 1.64%            | 1.63%            | 1.34%            | 1.18%            |

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

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

**SUPPLEMENTARY INFORMATION**

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
SCHEDULE OF BONDS ISSUED, REDEEMED AND OUTSTANDING  
YEAR ENDED SEPTEMBER 30, 2019 (UNAUDITED)**

| <b>Revenue<br/>Bond Issue</b> | <b>Original<br/>Issuance</b> | <b>Redeemed in<br/>Prior Years</b> | <b>Refunded in<br/>Current Year</b> | <b>Redeemed In<br/>Current Year</b> | <b>Outstanding<br/>September 30,<br/>2019</b> |
|-------------------------------|------------------------------|------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------------------|
| 2013A                         | \$ 38,635,000                | \$ 5,955,000                       | \$ -                                | \$ 8,255,000                        | \$ 24,425,000                                 |
| 2013B                         | 35,235,000                   | 12,260,000                         | -                                   | 5,495,000                           | 17,480,000                                    |
| 2013C                         | 34,095,000                   | 28,070,000                         | -                                   | 6,025,000                           | -                                             |
| 2013A Subordinated            | 168,865,000                  | 40,115,000                         | -                                   | 8,060,000                           | 120,690,000                                   |
| 2015A Senior                  | 148,210,000                  | -                                  | -                                   | -                                   | 148,210,000                                   |
| 2015C Senior                  | 18,710,000                   | -                                  | -                                   | 3,610,000                           | 15,100,000                                    |
| 2016A Senior                  | 16,425,000                   | 5,000,000                          | -                                   | 9,580,000                           | 1,845,000                                     |
| 2017A Senior                  | 54,665,000                   | -                                  | -                                   | -                                   | 54,665,000                                    |
| 2015A Subordinated            | 19,590,000                   | -                                  | -                                   | -                                   | 19,590,000                                    |
| 2015B Subordinated            | 153,915,000                  | -                                  | -                                   | -                                   | 153,915,000                                   |
| 2015A CFC                     | 88,975,000                   | -                                  | -                                   | -                                   | 88,975,000                                    |
| 2015B CFC                     | 294,350,000                  | -                                  | -                                   | 8,370,000                           | 285,980,000                                   |
| 2018A Senior                  | 48,810,000                   | -                                  | -                                   | 7,900,000                           | 40,910,000                                    |
| 2018B Senior                  | 32,175,000                   | -                                  | -                                   | -                                   | 32,175,000                                    |
| 2018C Senior                  | 26,665,000                   | -                                  | -                                   | -                                   | 26,665,000                                    |
| 2018D Senior                  | 31,320,000                   | -                                  | -                                   | -                                   | 31,320,000                                    |
| 2018E Senior                  | 140,120,000                  | -                                  | -                                   | -                                   | 140,120,000                                   |
| 2018F Senior                  | 160,855,000                  | -                                  | -                                   | -                                   | 160,855,000                                   |
| 2018A Subordinated            | 102,500,000                  | -                                  | -                                   | -                                   | 102,500,000                                   |
| <b>Total</b>                  | <b>\$ 1,614,115,000</b>      | <b>\$ 91,400,000</b>               | <b>\$ -</b>                         | <b>\$ 57,295,000</b>                | <b>\$ 1,465,420,000</b>                       |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
REVENUE FUND  
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS  
YEAR ENDED SEPTEMBER 30, 2019 (UNAUDITED)**

|                                        | Depository<br>Account | Operating<br>Reserve<br>Account |
|----------------------------------------|-----------------------|---------------------------------|
| Balance, October 1, 2018               | \$ 19,588,829         | \$ 21,666,337                   |
| Receipts:                              |                       |                                 |
| Interest                               | 111,657               | 516,379                         |
| Revenue                                | 213,815,739           | -                               |
| Canine and LEO Reimbursements          | 837,406               | -                               |
| Parking                                | 69,605,419            | -                               |
| Ground Transportation                  | 305,386               | -                               |
| Transfers from:                        |                       |                                 |
| Debt Reserve Fund                      | 1,748,858             | -                               |
| Revenue Fund                           | -                     | 1,674,992                       |
| PFC Fund                               | 2,981,614             | -                               |
| CFC Fund                               | 5,535,390             | -                               |
| Surplus                                | 3,442,951             | -                               |
| CFC Surplus                            | 1,963,933             | -                               |
| Intrafund Transfers and Other Deposits | 3,212,637             | -                               |
| Total Available                        | <u>323,149,819</u>    | <u>23,857,708</u>               |
| Disbursements:                         |                       |                                 |
| Sales Taxes                            | (7,424,307)           | -                               |
| Transfers to:                          |                       |                                 |
| Operations and Maintenance Fund        | (140,824,206)         | -                               |
| Sinking Fund                           | (54,891,203)          | -                               |
| Surplus Fund                           | (59,578,926)          | -                               |
| Operating Reserve                      | (1,674,992)           | -                               |
| Customer Facility Charges              | (38,100,420)          | -                               |
| Intrafund Transfers and Other Costs    | (13,722)              | -                               |
| Total Disbursements                    | <u>(302,507,776)</u>  | <u>-</u>                        |
| Balance, September 30, 2019            | <u>\$ 20,642,043</u>  | <u>\$ 23,857,708</u>            |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
SINKING FUND  
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS  
YEAR ENDED SEPTEMBER 30, 2019 (UNAUDITED)**

|                                             | Interest<br>Account | Principal<br>Account | Capitalized<br>Interest<br>Account |
|---------------------------------------------|---------------------|----------------------|------------------------------------|
| Balance, October 1, 2018                    | \$ 213,468          | \$ 313,416           | \$ 2,486,726                       |
| Receipts:                                   |                     |                      |                                    |
| Interest                                    | 330,823             | 758,568              | 597,145                            |
| Transfers from:                             |                     |                      |                                    |
| Revenue Fund                                | 14,026,203          | 40,865,000           | -                                  |
| Reserve Fund                                | -                   | -                    | 723,099                            |
| 2018 EF Bonds                               | -                   | -                    | 25,316,250                         |
| PFCs                                        | 19,940,631          | 8,165,223            | -                                  |
| CFCs                                        | 18,229,624          | 8,370,000            | -                                  |
| Other Transfers and Costs                   | 88,797              | -                    | 33,263                             |
| Total Receipts                              | 52,616,078          | 58,158,791           | 26,669,757                         |
| Disbursements:                              |                     |                      |                                    |
| Transfers to:                               |                     |                      |                                    |
| Debt Service Paid from Revenue Fund         | (11,346,957)        | (40,865,000)         | -                                  |
| Debt Service Paid from PFCs                 | (22,922,245)        | (8,060,000)          | -                                  |
| Debt Service Paid from CFCs                 | (18,229,624)        | (8,370,000)          | -                                  |
| Debt Service Paid from Capitalized Interest | -                   | -                    | (13,346,081)                       |
| Other Transfers and Costs                   | -                   | (418,649)            | -                                  |
| Total Disbursements                         | (52,498,826)        | (57,713,649)         | (13,346,081)                       |
| Balance, September 30, 2019                 | \$ 330,720          | \$ 758,558           | \$ 15,810,402                      |
| Investment Details                          |                     |                      |                                    |
|                                             | Due Date            | Amortized Cost       | Fair Value                         |
| Treasury note                               | 3/31/20             | \$ 6,023,492         | \$ 6,049,243                       |
| Treasury note                               | 9/30/20             | 5,853,988            | 5,914,613                          |
| Treasury note                               | 3/31/21             | 3,080,743            | 3,132,840                          |
| Treasury note                               | 9/30/21             | 251,486              | 254,309                            |
|                                             |                     | \$ 15,209,709        | \$ 15,351,005                      |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
OPERATING AND MAINTENANCE FUND  
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS  
YEAR ENDED SEPTEMBER 30, 2019 (UNAUDITED)**

|                                                                     |               |
|---------------------------------------------------------------------|---------------|
| Balance, October 1, 2018                                            | \$ 13,664,278 |
| Receipts:                                                           |               |
| Transfers from:                                                     |               |
| Revenue Fund                                                        | 140,824,206   |
| Capital Improvement Fund                                            | 1,871,094     |
| CFC Surplus                                                         | 4,926,073     |
| Surplus Fund                                                        | 15,641,039    |
| 2017 and 2018 Construction Funds                                    | 889,268       |
| Equipment Fund                                                      | 244,651       |
| 2018 Bonds Proceeds for the Payments of the Issuance Costs          | 1,887,566     |
| Other Interfund Transfers                                           | 581,946       |
| Other Deposits                                                      | 1,683,052     |
| Total Available                                                     | 182,213,173   |
| Disbursements:                                                      |               |
| Disbursements to Payroll                                            | (51,072,840)  |
| Contribution to Florida Retirement System and Other Retirement Plan | (10,708,178)  |
| Payments to Non Personnel Operating Expenses                        | (28,485,093)  |
| Transfer to Imprest Fund                                            | (64,535,234)  |
| Transfer to Self Insurance                                          | (10,646,679)  |
| Payments to Land Acquisition Project                                | (1,800,282)   |
| Other Fund Transfers                                                | (500,555)     |
| Total Disbursements                                                 | (167,748,861) |
| Balance September 30, 2019                                          | \$ 14,464,312 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
RESERVE FUND  
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS  
YEAR ENDED SEPTEMBER 30, 2019 (UNAUDITED)**

|                             |                |
|-----------------------------|----------------|
| Balance, October 1, 2018    | \$ 84,213,317  |
| Receipts:                   |                |
| Interest                    | 2,501,305      |
| 2018E and F Bonds Proceeds  | 27,236,514     |
| Total Available             | 113,951,136    |
| Disbursements:              |                |
| Transfers to:               |                |
| Revenue Fund                | (1,705,566)    |
| Sinking Fund                | (723,099)      |
| Surplus Fund                | (9,574,263)    |
| Total Disbursements         | (12,002,928)   |
| Balance, September 30, 2019 | \$ 101,948,208 |

Investment Detail

|                             | Due Date | Amortized Cost | Fair Value     |
|-----------------------------|----------|----------------|----------------|
| Treasury bill               | 12/19/19 | \$ 8,419,775   | \$ 8,419,775   |
| Treasury note               | 08/15/20 | 3,995,813      | 3,997,681      |
| Treasury note               | 08/15/21 | 3,718,773      | 3,750,652      |
| Treasury note               | 08/15/22 | 5,420,597      | 5,533,770      |
| Treasury note/Treasury bond | 05/15/23 | 4,120,599      | 4,238,709      |
| Treasury note               | 08/15/23 | 3,899,344      | 3,996,393      |
| Treasury note               | 09/30/24 | 5,459,809      | 5,666,091      |
| Treasury note               | 08/15/25 | 5,148,744      | 5,592,890      |
| Treasury note               | 09/30/25 | 12,502,993     | 13,582,348     |
| Treasury note               | 08/15/27 | 2,849,770      | 3,053,034      |
| Treasury note               | 08/15/28 | 13,963,756     | 15,451,216     |
| Treasury note               | 05/15/30 | 31,703,745     | 33,988,202     |
|                             |          | \$ 101,203,718 | \$ 107,270,761 |

**HILLSBOROUGH COUNTY AVIATION AUTHORITY  
SURPLUS FUND  
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS  
YEAR ENDED SEPTEMBER 30, 2019 (UNAUDITED)**

|                                                              |                |
|--------------------------------------------------------------|----------------|
| Cash Balance, October 1, 2018                                | \$ 67,458,890  |
| Certificate Deposit                                          | 3,895,384      |
| Receipts:                                                    |                |
| Interest                                                     | 1,627,147      |
| Transfers from Revenue Fund                                  | 59,578,926     |
| Transfers from Reserve Fund                                  | 9,574,263      |
| Transfer from Capital Improvement Fund                       | 15,948,490     |
| Total Available                                              | 158,083,100    |
| Disbursements:                                               |                |
| Transfer to Revenue Fund                                     | (3,442,951)    |
| Transfer to Capital Improvement Fund                         | (22,038,929)   |
| Transfer to Equipment Fund                                   | (3,344,700)    |
| Transfer to Imprest Fund                                     | (6,667,446)    |
| Transfer to O&M for Airline Revenue Sharing & Other Expenses | (15,641,039)   |
| Other Costs                                                  | (138,763)      |
| Total Disbursements                                          | (51,273,828)   |
| Balance, September 30, 2019                                  | \$ 106,809,272 |

| Investment Detail   | Due Date | Amortized Costs | Fair Value    |
|---------------------|----------|-----------------|---------------|
| Certificate Deposit | 12/2022  | \$ 3,895,384    | \$ 3,895,384  |
| Treasury bills      | 10/2019  | 60,611,193      | 60,611,193    |
| Treasury bills      | 01/2020  | 10,049,964      | 10,049,964    |
|                     |          | \$ 74,556,541   | \$ 74,556,541 |

**Hillsborough County Aviation Authority**

**Schedule of Expenditures of Federal Awards and State Financial Assistance  
Year Ended September 30, 2019**

| <b>Federal/State Agency,<br/>Federal Program/State Project</b>                                                | <b>Contract/<br/>Grant<br/>Number</b> | <b>CFDA/<br/>CSFA<br/>Number</b> | <b>Current Year<br/>Expenditures</b> |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------------|--------------------------------------|
| U.S. Department of Transportation<br>Federal Aviation Administration,<br>Airport Improvement Program (Direct) | 3-12-0065-10                          | 20.106                           | \$ 495,510                           |
|                                                                                                               | 3-12-0078-63                          | 20.106                           | 653,297                              |
|                                                                                                               | 3-12-0078-64                          | 20.106                           | 3,566,930                            |
|                                                                                                               | 3-12-0078-65                          | 20.106                           | 819,982                              |
|                                                                                                               | 3-12-0078-66                          | 20.106                           | 4,943                                |
|                                                                                                               | 3-12-0079-03                          | 20.106                           | 122,217                              |
|                                                                                                               | 3-12-0079-04                          | 20.106                           | 146,250                              |
|                                                                                                               |                                       |                                  | <hr/>                                |
| Total Expenditures of Federal Awards                                                                          |                                       |                                  | <u><u>\$ 5,809,129</u></u>           |

See accompanying notes to schedule.

(Continued)

Hillsborough County Aviation Authority

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)  
 Year Ended September 30, 2019

| Federal/State Agency,<br>Federal Program/State Project                       | Contract/<br>Grant<br>Number | CFDA/<br>CSFA<br>Number | Current Year<br>Expenditures |
|------------------------------------------------------------------------------|------------------------------|-------------------------|------------------------------|
| Florida Department of Transportation,<br>Aviation Development Grant (Direct) |                              |                         |                              |
|                                                                              | AR390/425920-2               | 55.004                  | \$ 1,112,902                 |
|                                                                              | ARO63/428057-2               | 55.004                  | 146,242                      |
|                                                                              | ARO66/428078-1               | 55.004                  | 116,537                      |
|                                                                              | ARO65/428078-2               | 55.004                  | 455,043                      |
|                                                                              | G0927/429607-1               | 55.004                  | 183,224                      |
|                                                                              | G0930/429617-1               | 55.004                  | 7,254                        |
|                                                                              | G0932/429649-1               | 55.004                  | 36,046                       |
|                                                                              | G0J87/431249-1               | 55.004                  | 439,517                      |
|                                                                              | G0J86/431250-1               | 55.004                  | 176,563                      |
|                                                                              | G0J84/431253-1               | 55.004                  | 64,562                       |
|                                                                              | G0J83/431254-1               | 55.004                  | 195,864                      |
|                                                                              | G0H07/431269-1               | 55.004                  | 226,791                      |
|                                                                              | G0H08/431270-1               | 55.004                  | 54,840                       |
|                                                                              | G0G28/431300-1               | 55.004                  | 769,959                      |
|                                                                              | ARQ11/431792-1               | 55.004                  | 136,252                      |
|                                                                              | G0O57/432972-1               | 55.004                  | 420,000                      |
|                                                                              | G0L77/432973-1               | 55.004                  | 1,578,931                    |
|                                                                              | G0V19/432974-1               | 55.004                  | 204,373                      |
|                                                                              | G0S64/432979-1               | 55.004                  | 181,338                      |
|                                                                              | G0S61/432980-1               | 55.004                  | 125,347                      |
|                                                                              | G1711/435233-1               | 55.004                  | 8,485                        |
|                                                                              | G1712/435234-1               | 55.004                  | 26,591                       |
|                                                                              | G1608/435235-1               | 55.004                  | 19,249                       |
|                                                                              | G1610/435236-1               | 55.004                  | 6,221                        |
|                                                                              | G1611/435239-1               | 55.004                  | 6,258                        |
|                                                                              | G0R07/435722-1               | 55.004                  | 6,000,000                    |
|                                                                              | G0897/438694-1               | 55.004                  | 11,931                       |
|                                                                              | G0C59/438695-1               | 55.004                  | 269,830                      |
|                                                                              | G0895/438697-1               | 55.004                  | 11,502                       |
|                                                                              | G0892/438700-1               | 55.004                  | 29,286                       |
|                                                                              | G1449/438833-1               | 55.004                  | 185,389                      |
|                                                                              | G0Z71/440560-1               | 55.004                  | 93,174                       |
|                                                                              | G0V20/442095-1               | 55.004                  | 651,975                      |
|                                                                              | G1685/442112-1               | 55.004                  | 37,002                       |
|                                                                              | G0Z70/442344-1               | 55.004                  | 304,424                      |
|                                                                              | G1851/444181-1               | 55.004                  | 162,970                      |
|                                                                              | G1962/445669-1               | 55.004                  | 212,091                      |
|                                                                              |                              |                         | <hr/>                        |
| Total State Financial Assistance                                             |                              |                         | \$ 14,667,963                |
| Total of Expenditures of Federal Awards and State Financial Assistance       |                              |                         | <hr/> <hr/> \$ 20,477,092    |

(Concluded)

## Hillsborough County Aviation Authority

### Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance and Passenger Facility Charges

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#### **Note 1. Summary of Significant Accounting Policies**

The schedule of expenditures of federal awards and state financial assistance (schedule) is prepared on the accrual basis of accounting. Such expenditures are reported following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and Chapter 10.550, *Rules of the Florida Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The accompanying schedule includes the federal and state award activity of the Authority under programs of the federal and state government for the year ended September 30, 2019. Because the Schedule presents only a selected portion of the operations of the Hillsborough County Aviation Authority (Authority), it is not intended to and does not present the financial position, and changes in net position or cash flows of the Authority.

#### **Note 2. Subrecipients**

The Authority did not make sub-awards of federal awards or state financial assistance during the year ended September 30, 2019.

#### **Note 3. Indirect Cost Recovery**

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

**OTHER INFORMATION**

**Hillsborough County Aviation Authority**

**Summary Schedule of Insurance Policies  
September 30, 2019**

Lexington Insurance Company

Property Coverage:

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

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

Travelers Casualty and Surety Company of America

Crime Coverage:

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

(Continued)

**Hillsborough County Aviation Authority**

**Summary Schedule of Insurance Policies (Continued)**

**September 30, 2019**

Beazley – Syndicate 2623/623 at Lloyd's

Cyber Risk Coverage:

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

Chubb Ace American Insurance Company

Florida Storage Tank Third-Party Liability:

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

American Southern Insurance Company

Automobile Insurance:

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

(Continued)

## Hillsborough County Aviation Authority

### Summary Schedule of Insurance Policies (Continued)

September 30, 2019

#### Florida Municipal Insurance Trust

Workers' Compensation Coverage:

Statutory

Employer's Liability:

|                      |    |           |
|----------------------|----|-----------|
| Each Accident        | \$ | 1,000,000 |
| Each Employee        | \$ | 1,000,000 |
| Policy Limit/Disease | \$ | 1,000,000 |
| Deductible           | \$ | -         |

#### AG – Illinois National Insurance Company

Public Officials & Employment Practices Liability Coverage:

|            |    |           |
|------------|----|-----------|
| Aggregate  | \$ | 5,000,000 |
| Deductible | \$ | 50,000    |

#### Global Aerospace, Inc.

Airport General Liability Insurance

|                        |    |             |
|------------------------|----|-------------|
| Each Occurrence Limit  | \$ | 300,000,000 |
| War/Terrorism sublimit | \$ | 50,000,000  |
| Deductible             | \$ | -           |

#### XL Specialty Insurance Company

Inland Marine:

|                                            |    |            |
|--------------------------------------------|----|------------|
| Contractors Equipment                      | \$ | 5,067,812  |
| Deductible (All Other Perils)              | \$ | 5,000      |
| Deductible Misc. Equipment                 | \$ | 1,000      |
| EDP Equipment                              | \$ | 15,457,272 |
| Deductible (All Other Perils)              | \$ | 5,000      |
| Windstorm greater of 2% of damaged item or | \$ | 25,000     |
| Deductible (Flood)                         | \$ | 25,000     |
| Fine Arts                                  | \$ | 7,519,505  |
| Fine Arts Property of Others               | \$ | 500,000    |
| Deductible (All Other Perils)              | \$ | 1,000      |
| Windstorm greater of 2% of damaged item    | \$ | 1,000      |

#### Indian Harbor Insurance Company

Law Enforcement Liability:

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

(Continued)

**Hillsborough County Aviation Authority**

**Summary Schedule of Insurance Policies (Continued)**

**September 30, 2019**

Gerber Life Insurance Company

Travel Accident - Blanket Accident Insurance

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

National Union Fire Insurance Company of Pittsburgh, PA

Blanket Accident Insurance:

Coverage:

|                                                                                            |               |
|--------------------------------------------------------------------------------------------|---------------|
| While Engaged in Performance of Duties is<br>Accidentally Killed or Receives Bodily Injury | \$ 72,764 Max |
|--------------------------------------------------------------------------------------------|---------------|

Coverage:

|                                                                                                              |               |
|--------------------------------------------------------------------------------------------------------------|---------------|
| Accidentally Killed or Dismembered While<br>Responding to an Emergency / Perceived<br>Emergency (additional) | \$ 72,764 Max |
|--------------------------------------------------------------------------------------------------------------|---------------|

Coverage:

|                                                                                                            |                |
|------------------------------------------------------------------------------------------------------------|----------------|
| Individual Unlawfully or Intentionally<br>Dismembered, Killed or Injured by Another<br>Person (additional) | \$ 205,818 Max |
|------------------------------------------------------------------------------------------------------------|----------------|

The Insurance Company of the State of Pennsylvania

Foreign Travel Policy:

|                           |              |
|---------------------------|--------------|
| General Aggregate         | \$ 2,000,000 |
| Foreign General Liability | \$ 2,000,000 |
| Foreign Business Auto     | \$ 1,000,000 |
| Corporate Kidnap          | \$ 5,000,000 |
| Ransom / Extortion        | \$ 1,000,000 |

American Bankers Insurance Company of Florida

Flood Insurance:

|                             |            |
|-----------------------------|------------|
| 815 Stevern Avenue Building | \$ 444,500 |
| Deductible                  | \$ 2,000   |
| 825 Severn Avenue Building  | \$ 500,000 |
| Deductible                  | \$ 2,000   |

(Continued)

**Hillsborough County Aviation Authority**

**Summary Schedule of Insurance Policies (Continued)  
September 30, 2019**

**PROJECT INSURANCE PROGRAM**

Primary Liability and Workers' Compensation

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

Excess Liability

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

Builders' Risk

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

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

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

(Continued)

**Hillsborough County Aviation Authority**

**Summary Schedule of Insurance Policies (Continued)**  
**September 30, 2019**

Ironshore Specialty Insurance Company

Environmental/Pollution:

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

Catlin Specialty Insurance Company

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

## **COMPLIANCE REPORTS**

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

**Independent Auditor's Report**

The Board of Directors  
Hillsborough County Aviation Authority  
Tampa, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hillsborough County Aviation Authority (the Authority), which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2020.

***Internal Control Over Financial Reporting***

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

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

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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

*RSM US LLP*

Tampa, Florida  
March 6, 2020



RSM US LLP

**Report on Compliance for the Major Federal Program, and  
the Major State Project; Report on Internal Control Over Compliance;  
Required by the Uniform Guidance, and Chapter 10.550,  
Rules of the Auditor General**

**Independent Auditor's Report**

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

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

We have audited the Hillsborough County Aviation Authority's (the Authority) compliance with the types of compliance requirements in the *OMB Compliance Supplement*, and the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on the Authority's major federal program and the major state project for the year ended September 30, 2019. The Authority's major federal program and major state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program and the Major State Project***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and major state project for the year ended September 30, 2019.

### ***Report on Internal Control Over Compliance***

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

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

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

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

*RSM US LLP*

Tampa, Florida  
March 6, 2020

# Hillsborough County Aviation Authority

## Schedule of Findings and Questioned Costs Year Ended September 30, 2019

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### I – Summary of Independent Auditor’s Results

#### Financial Statements

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

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

#### Federal Awards

Internal control over major program:

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

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

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

Identification of major program:

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

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

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ X \_\_\_\_\_ Yes \_\_\_\_\_ No

#### State Financial Assistance

Internal control over major project:

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

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

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

Identification of major project:

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

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

\$ 440,039

### II – Financial Statement Findings Section

No matters to report.

### III – Federal Award Findings and Questioned Costs

No matters to report.

### IV – State Financial Assistance Findings and Questioned Costs

No matters to report.

**Hillsborough County Aviation Authority**

**Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2019**

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

**Report on Compliance for Passenger Facility Charge Program;  
Report on Internal Control over Compliance;  
in Accordance with Passenger Facility Charge Audit Guide for Public Agencies**

**Independent Auditor's Report**

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

**Compliance**

We have audited the compliance of the Hillsborough County Aviation Authority's (the Authority) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2019. Compliance with the requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2019.

**Internal Control Over Compliance**

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

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

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

**Restriction on Use**

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

*RSM US LLP*

Tampa, Florida  
March 6, 2020

**Hillsborough County Aviation Authority**

**Schedule of Passenger Facility Charges (PFC) Collected and Expended  
Year Ended September 30, 2019**

| Quarter Ended      | Beginning<br>Balance<br>Unliquidated<br>PFCs | PFC<br>Collections | Interest<br>Earned | Expenditures    | Ending Balance<br>Unliquidated<br>PFCs |
|--------------------|----------------------------------------------|--------------------|--------------------|-----------------|----------------------------------------|
| December 31, 2018  | \$ (283,023,328)                             | \$ 10,390,744      | \$ 83,164          | \$ (10,253,096) | \$ (282,802,516)                       |
| March 31, 2019     | (282,802,516)                                | 11,623,323         | 342,695            | (6,560,007)     | (277,396,505)                          |
| June 30, 2019      | (277,396,505)                                | 11,161,957         | 350,448            | (8,117,506)     | (274,001,606)                          |
| September 30, 2019 | (274,001,606)                                | 9,893,726          | 382,995            | (10,850,812)    | (274,575,697)                          |

See accompanying notes to schedule.

## Hillsborough County Aviation Authority

### Notes to Schedule of Passenger Facility Charges (PFC) Collected and Expended Year Ended September 30, 2019

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#### **Note 1. General**

The accompanying Schedule of Passenger Facility Charges Collected and Expended (the schedule) presents the activity of the passenger facility charge program of the Hillsborough County Aviation Authority (the Authority) for the year ended September 30, 2019. All passenger facility charges collected and expended are included in the accompanying schedule. Because the schedule presents only a select portion of the operations of the Authority, it is not intended to and does not present the financial position, change in net position or cash flows of the Authority.

#### **Note 2. Basis of Accounting**

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

**Hillsborough County Aviation Authority**

**Schedule of Findings and Questioned Costs – Passenger Facility Charges  
Year Ended September 30, 2019**

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**I – Summary of Independent Auditor’s Results**

***Schedule of Passenger Facility Charges (PFC) Collected and Expended***

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

|                                                                                             |                       |                            |
|---------------------------------------------------------------------------------------------|-----------------------|----------------------------|
| Material weakness(es) identified?                                                           | <u>          </u> Yes | <u>  X  </u> No            |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <u>          </u> Yes | <u>  X  </u> None Reported |
| Noncompliance material to financial statements noted?                                       | <u>          </u> Yes | <u>  X  </u> No            |

***Passenger Facility Charge Program***

Internal control over the program:

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

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

|                                                                                                                                              |                       |                 |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------|
| Any audit findings disclosed that are required to be reported in accordance with Passenger Facility Charges Audit Guide for Public Agencies? | <u>          </u> Yes | <u>  X  </u> No |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------|

**II – Financial Statements Findings**

No matters to report

**III – Findings and Questioned Costs for the Program**

No matters to report

**Hillsborough County Aviation Authority**

**Summary Schedule of Prior Audit Findings  
Passenger Facility Charges Program  
Year Ended September 30, 2019**

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

**Management Letter Required By  
Chapter 10.550 of the Rules of the  
Auditor General of the State of Florida**

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

***Report on the Financial Statements***

We have audited the financial statements of the Hillsborough County Aviation Authority (the Authority) as of and for the year ended September 30, 2019, and issued our report thereon dated March 6, 2020.

***Auditor's Responsibility***

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

***Other Reports and Schedule***

We have issued our Independent Auditor's Report on Internal Control over Financing Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance For Each Major Federal Program and State Project; Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 6, 2020, should be considered in conjunction with this management letter.

***Prior Audit Findings***

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

***Official Title and Legal Authority***

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

***Financial Condition and Management***

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

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

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

***Annual Financial Report***

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2019, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial report for the fiscal year ended September 30, 2018. In connection with our audit, we determined that these two reports were in agreement.

***Additional Matters***

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

***Purpose of This Letter***

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

*RSM US LLP*

Tampa, Florida  
March 6, 2020



RSM US LLP

**Independent Accountant's Report  
on Compliance with Chapter 218.415 Florida Statutes**

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

We have examined the Hillsborough County Aviation Authority's (the Authority) compliance with Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2019. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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

*RSM US LLP*

Tampa, Florida  
March 6, 2020