Hillsborough County Aviation Authority

Financial Statements, Other Financial Information and Compliance Reports
Years Ended September 30, 2018 and 2017

Contents

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Hillsborough County Aviation Authority (the Authority), as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 17 to the accompanying financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. Accordingly, the net position of the Authority has been restated as of October 1, 2016.

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 February 14, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

Tampa, Florida
February 14, 2019

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, 2018 and 2017, with selected comparisons to prior years.

The Authority and Airport Activity Highlights

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

The Authority owns and operates Tampa International Airport (the Airport) and three general aviation airports. The Airport occupies approximately 3,400 acres and is primarily an origination-destination (O&D) airport serving the greater Tampa Bay Area. Peter O. Knight Airport, a 139-acre facility, is located 6 miles southeast of the Airport; Plant City Airport, a 199-acre facility, is located 22 miles east of the Airport; and Tampa Executive Airport, a 407-acre facility, is located 12 miles east of the Airport.

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

The financial results for 2018 demonstrated the success of the Airport's focus on continued airline marketing efforts to grow the core business, increasing non-aviation revenues and keeping airline costs competitive. The strong financial performance during 2018 continued a trend of overall financial operational improvements since 2010. During 2018, 21,013,788 passengers traveled through the airport, which was a 9.3% increase comparing to 2017. Both domestic and international traffic increased by 9.2% and 10.8% 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 with a $22.5M increase as compared with 2017. These positive results support the measures the Authority has taken to strengthen the financial viability of the organization. The Authority, a major driver in the economic growth of the Tampa Bay region, continued on its mission to bring more international and domestic air services to Tampa Bay for 2018 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.

Passenger enplanements at Tampa International for the fiscal year ended September 30, 2018, totaled 10,519,247, which is an increase of 9.1% from the prior fiscal year. In addition to the large increase in non-stop capacity, the domestic load factor increased to 85.9% on average while the international load factor also increased to 80.8%. For 2018, the top 3 airlines, in terms of passenger enplanement market share, were Southwest, Delta and American. Southwest remained the highest market share of 33.5%, Delta moved to second at 16.7%, and American was third at 16.0%. During 2017, Southwest maintained the highest market share of 35.4%, Delta was second at 17.4% and American was third at 16.4%.

Landed weight in 2018 totaled 12,347,359 thousand pounds, compared to 11,031,509 thousand pounds and 10,788,244 thousand pounds in 2017 and 2016, respectively. The number of landings for domestic and international flights was 85,492 for 2018, compared to 84,279 and 83,617 for 2017 and 2016, respectively. The large increase verus the passenger growth can be attributed the boom in cargo growth with operational increases from all existing cargo carriers as well as the addition of United Parcel Service (UPS).

Overview of the Financial Statements

The Authority operates as a single enterprise fund with multiple cost centers. The financial statements are prepared on the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated, except land, over their useful life. Reference should be made to Note 2 – Summary of Significant Accounting Policies in the accompanying financial statements for a summary of the Authority's significant accounting policies. Following this MD&A are the basic financial statements and supplemental schedules of the Authority. These statements and schedules, along with the MD&A, are designed to provide readers with an understanding of the Authority's finances.

The statements of net position present information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources as of September 30, 2018 and 2017. The statements of revenues, expenses and changes in net position present financial information showing how the Authority's net position changed during the fiscal years ended September 30, 2018 and 2017. 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.

Financial Highlights

	Year			Percent Change	
Revenue Classification	2018	2017	2016	2017 to 2018	2016 to 2017
Airfield	$ 18,807,935	$ 19,038,968	$ 17,410,487	-1.2%	9.4%
Terminal Building	54,115,030	48,459,064	48,250,652	11.7	0.4
Airside Buildings	23,425,132	21,090,618	19,828,461	11.1	6.4
Commercial Landside	120,972,484	106,491,397	108,488,403	13.6	(1.8)
Cargo	3,192,064	2,331,214	2,121,928	36.9	9.9
Auxiliary Airports	1,421,298	1,299,465	1,182,089	9.4	9.9
General Aviation	2,665,010	2,503,557	2,323,015	6.4	7.8
Federal Reimbursements	776,331	948,190	955,176	(18.1)	(0.7)
Other	9,306,601	9,987,949	8,922,480	(6.8)	11.9
Total	$ 234,681,885	$ 212,150,422	$ 209,482,691	10.6%	1.3%

The table above presents the major operating revenue classifications for fiscal years 2018, 2017 and 2016. Airfield revenues are comprised of landing fees received from the airlines based on landed weight of the aircraft. In accordance with the airline agreement, signatory landing fee rates are calculated by dividing 90% of total expenditures in the airfield cost center by the annual total landed weight of all commercial airlines. Non-signatory landing fee rates are calculated for the fiscal year based on the approved budget. As a direct result of decreased airfield operating expenses, landing fee revenues decreased by 1.2% or $231,000 in fiscal year 2018. During fiscal year 2018, the Authority continued its Air Service Incentive Program (ASIP), which provides fee waivers to all participating carriers as a component of the air service marketing initiatives to attract new airlines to enter the Tampa Bay market. Under this program, the total landing fees waived for both signatory and non-signatory airlines were $716,700 in 2018, compared to $366,600 and $281,400 in 2017 and 2016, respectively.

Major terminal building revenues include space rental to the airlines, food and beverage, general merchandise and other concession revenues. Space rental fees to the airlines in the terminal building are based on the cost of providing the space to the airlines. In fiscal year 2018, overall terminal building revenues increased 11.7% or $5,656,000 over the prior year. For fiscal year 2017, the overall terminal building revenues increased by 0.4% or 209,000 compared to 2016. Signatory airline terminal rental rates increased by 8.3% from fiscal year 2017 to fiscal year 2018 with an average increase of $16.56 per square foot. With the ongoing phasing of the concessions re-development program, concessions terminal rents increased by $673,100 or 18.8% compared to the prior year. Concession privilege and service fees increased more than $4 million for fiscal year 2018 as the concessions re-development program neared its completion. The ASIP incentives for airlines offset the terminal space rental revenues in the amount of $764,400.

Similar to the terminal building rents, airside airline rental rates are based on the cost of providing the space to the airlines. In fiscal year 2018, airside rental rates were up by 5.0% or $4.37 per square foot, which increased airside rents in the amount of $2,334,500, or 11.1% higher than the prior year. Federal inspection fees from Customs & Border Protection services for inbound international passengers increased by $80,200, while the additional operations added $545,300 in gate usage and hardstand fees. The Authority granted a waiver of airside airline fees of $689,300 as a part of the ASIP in 2018.

In fiscal year 2017, airside rents increased by $1,262,200. Airside rental rates increased by 7.5% or $6.04 per square foot in 2017. Additional leased spaces at both airside A and C to support the growth from Spirit, JetBlue, and Southwest, along with an increase of $2,039,600 in non-signatory agreements from American and United Airlines enhanced revenue growth. Federal inspection fees from Customs & Border Protection services for inbound international passengers increased by $44,200 while the additional operations drove a $300,100 increase in gate usage and hardstand charges. The Authority granted a waiver of airside airline fees of $365,900 as a part of the ASIP in 2017.

Commercial landside classification consists of car rentals, parking, ground transportation privilege and per-trip fees and hotel concessions revenues. With the opening of the Rental Car Center (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 $14,481,100 during 2018. Rental car revenue increased by $6,117,900 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 $3,511,500 or 5.2%. 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 $3,773,400 in revenue or 156.9% more than 2017. Hotel and Advertising revenues both increased by $69,000 (3.5%) and $81,800 (8.0%) in 2018, compared to 2017, respectively.

Commercial landside revenues decreased $1,997,000 in fiscal year 2017. The impact of Transportation Network Companies (TNCs), such as Uber and Lyft, in conjunction with the Master Plan Phase 1 construction and Authority waiving parking fees during Hurricane Irma adversely affected parking revenue resulting in a decrease of $1,899,000 or 2.8% compared with the prior year. Rental car revenues were also affected by the aforementioned factors with transactions for the year decreasing by 3.9% as compared with fiscal year 2016. In spite of these decreases, revenues were only down $1.8% or $645,500, as the average daily rate for the year was slightly up. The Authority negotiated a per-trip fee starting in August 2017 with the TNC companies resulting in additional revenue of $316,600 in the last two months of the fiscal year, which partially offset the decreases in parking and rental car revenues. Advertising revenue increased by $168,200 or approximately 20% as compared to the prior year.

Cargo revenues in 2018, increased by $860,900 or 36.9% in large part due to the addition of United Parcel Service's (UPS) dedicated-air cargo service which began in October 2017. In addition to UPS, there has been continued growth of the dedicated Amazon cargo service which accounted for 6 daily wide-body operations at peak time. Cargo volume carried in 2018 was 427,902,914 pounds or 45.0% higher than 2017. This growth continues to put TPA as the 2nd fastest growing cargo airport in the country.

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

General aviation and auxiliary airport operating revenue in 2018 totaled $4,086,300, an increase of 7.4%, compared with the prior year. Part of the growth was due to an increase in the fuel flowage rates. In addition to this increase, Sheltair, one of highest rated FBOs in the country, opened an additional hangar at TPA in January 2018. In 2017, revenues totaled $3,803,022, an increase of 8.5% or $298,000 compared to the prior year. Increased fuel flowage volume as well as occupancy rates and new tenants across the system drove this increase.

Other rental revenues include those received for the fuel farm, land rent for rental car storage areas, the post office and the International Plaza Mall. Additionally, revenues were received for the Pemco lease of the maintenance hangars, concession revenues from the flight kitchen operations and other miscellaneous revenues. Due to the nature of this category, one-off annual items can drive year-over-year increases or decreases. In 2018, other revenues decreased $681,300, primarily due to a reduction of $629,900 in unclaimed property. In 2017, an overall increase of $1,065,500 was due to the continued growth in ground handling companies supporting the airlines at TPA as well as miscellaneous one time revenue items for items such as forfeitures, unclaimed property and lost and found.

Federal reimbursements include an agreement with the Transportation Security Administration (TSA) under which the Authority receives reimbursement for providing law enforcement services on behalf of the TSA at the passenger security checkpoints. During 2018, reimbursement for Law Enforcement Officers decreased by 18.1% or $171,900 due to a pullback in federal funding. During 2017, the reimbursement for Law Enforcement Officers remained flat, as funding rates did not change from 2016 to 2017.

	Year			Percent Change	
Expense Classification	2018	2017 RESTATED	2016	2017 to 2018	2016 to 2017
Airfield	$ 13,621,493	$ 13,301,269	$ 12,577,673	2.4%	5.8%
Terminal Building	34,580,255	30,456,523	30,263,297	13.5	0.6
Airside Buildings	30,030,853	27,546,010	26,221,302	9.0	5.1
Commercial Landside	32,964,771	28,102,155	27,426,993	17.3	2.5
Cargo	869,718	818,028	739,327	6.3	10.6
Auxiliary Airports	2,114,346	1,687,004	1,528,688	25.3	10.4
General Aviation	1,365,295	1,315,674	1,011,664	3.8	30.1
Passenger Transfer System	4,695,204	4,451,889	4,330,343	5.5	2.8
Roads and Grounds	11,417,370	10,474,881	9,790,121	9.0	7.0
Other	14,000,063	6,858,743	5,583,279	104.1	20.0
Total	$ 145,659,368	$ 125,012,176	$ 119,472,687	16.5%	4.6%

The table above presents the major expense classifications for 2018, 2017 and 2016. Total operating expenses for 2018 were $145,659,400, an increase of $20,647,200, or 16.5% over the prior fiscal year. Total operating expenses for 2017 were $125,012,200, an increase of $5,539,500 or 4.6% over fiscal year 2016. The sections following provide a more detailed analysis of these variances.

2018 Discussion of Operating Expenses

The Authority continued the trend of strong financial growth while maintaining successful cost management in fiscal year 2018. Total expenses increased approximately $11 million compared with fiscal year 2017, ending the year with $356,900 or 0.3% under budget. In fiscal year 2018, salaries and benefits increased 5.0% or $3,239,200 compared to fiscal year 2017. Personnel costs increased for a variety of reasons including 5 additional positions in 2018, an increase in the Florida Retirement Services rates and an average 4.0% merit increase in 2017.

Total non-personnel expenses increased by $7,634,800 or 6.5% compared to prior year. The opening of the Rental Car Center (RCC) and SkyConnect Automated People Mover (APM) resulted in a large increase in non-personnel expenses, some of which were funded by the Rental Car Customer Facility Charge (CFC) collections. Contracted services increased by $3,381,100 or 19.2%, due to the large increases in other professional services in the amount of $2,009,800 or 77.8%, and the remote bag check operation (100% CFC Funded) of $1,080,400. Contractual Maintenance increased by $3,401,700 or 18.4% primarily due to the cost of the SkyConnect APM of $1,791,300, increased Janitorial Services of $897,900 and Elevators & Escalators maintenance of $472,100. Supplies & Materials increased by $554,200 or 14.2% as a result of the Maintenance department's continuing efforts to support and maintain the forty year old facility. Utility costs increased by $1,940,800 compared with 2017, primarily attributable to the increase in square footage as a result of the RCC & APM operations.

Other expenses, which include promotions, dues and subscriptions and travel and training, increased by $709,100 or 19.0% as the Authority expands its air service development efforts across the aviation industry. During 2018, the Authority allocated $4,421,300 of project related costs to capital projects, an increase of $236,900 over fiscal year 2017. As mentioned, CFCs reimburse operating expenses related to the APM & RCC. During 2018, this accounted for $3,119,500 in reimbursements across multiple expense categories. In addition, the Authority reported $7,619,100 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 $4,164,900 (see Notes 10 and 12 for detailed disclosures).

2017 Discussion of Operating Expenses

In fiscal year 2017, the Authority maintained an effective cost control measure to obtain strong financial operating results. Although the total expenses increased approximately $5.4 million compared with fiscal year 2016, they were $5,170,500 less than the budget. In personnel expenses, salaries and benefits increased 5.3% or $3,214,000 compared to fiscal year 2016. The major contributing factors to this variance were an increase of $1,806,200 in salaries, due to an increase in headcount and an average merit increase of 3.5%. Florida Retirement System rates increased in FY17, resulting in increases of 8.7% and 3.3%, or $360,000 and $104,000, respectively. Group insurance costs increased 13.0% or $1,091,500, due to the additional positions being filled during the year.

Non-personnel expenses increased by $1,102,500 or 1.9% compared to the prior year. Contracted services increased by $125,000 or 0.7%, due to increased costs associated with the Concessions Warehouse management, in support of the re-development program. Although the Authority is reimbursed by the concessionaires for this expense, the full-year of operations resulted in an increase of $528,600 as compared with the prior year. Business improvement studies to support ongoing initiatives to maintain and drive new revenue increased by $190,500 compared to the prior year. Offsetting these increases were decreases in outside legal fees, Aircraft Rescue & Firefighting, Promotional Advertising, and the use of engineering and insurance consultants. Contractual Maintenance increased by $1,064,600 or 6.1% due to software support and janitorial costs associated with the larger airport footprint. Supplies & Material increased by $505,000 or 14.8% as our maintenance department continued to support and maintain the over 40-year old facility. Utility costs decreased by $1,044,200, primarily due to lower electricity rates. Property insurance premiums decreased, resulting in a savings of $448,500 or 16.2%. Although other expenses were under budget by $871,400, they increased by $900,900 or 31.9% as compared to prior year actual results, due to increases in master plan marketing, promotions, and travel & training in an effort to support the continued air service growth as well as maintain our top customer service scores during the Master Plan construction. During 2017, the Authority allocated $4,658,160 of project related costs to capital projects, an increase of $63,400 over fiscal year 2016.

Summary of Changes in Net Position

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

	Year			Change	Change
	2018	2017 RESTATED	2016	2017 to 2018	2016 to 2017
Operating Revenues	$ 234,681,885	$ 212,150,422	$ 209,482,691	$ 22,531,463	$ 2,667,731
Operating Expenses	145,659,368	125,012,176	119,472,687	20,647,192	5,539,489
Signatory Airline Revenue Sharing	12,503,019	8,840,961	9,866,864	3,662,058	(1,025,903)
Operating Income before Depreciation and Amortization	76,519,498	78,297,285	80,143,140	(1,777,787)	(1,845,855)
Depreciation and Amortization	103,281,914	81,539,090	84,738,296	21,742,824	(3,199,206)
Operating (Loss)	(26,762,416)	(3,241,805)	(4,595,156)	(23,520,611)	1,353,351
Net Nonoperating Expense	(51,167,905)	(31,197,215)	(33,227,709)	(19,970,690)	2,030,494
Capital Contributions	122,022,539	177,180,384	152,228,079	(55,157,845)	24,952,305
Increase in Net Position	$ 44,092,218	$ 142,741,364	$ 114,405,214	$ (98,649,146)	$ 28,336,150

In fiscal year 2018, the operating revenues were $234,681,900, an increase of $22,531,500 over the prior year, and the operating expenses increased $20,647,200, comparied to the prior year. Operating income before depreciation and amortization was $76,519,500, a decrease of $1,777,800 over the prior year.

In fiscal year 2017, the operating revenues were $212,150,400, an increase of $2,667,700 over the prior year, and operating expenses increased $5,539,500, compared to the prior year. Operating income before depreciation and amortization was $78,297,300, a decrease of $1,845,900 over the prior year.

Depreciation and amortization expenses were $103,281,900, $81,539,100 and $84,738,300 for 2018, 2017, and 2016, respectively.

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

In fiscal year 2018, capital contributions from PFCs were $41,766,800, an increase of $4,365,700 over the prior year, due to an increase of enplaned passengers of 878,100. Total federal and state grants at $28,046,100, were $75,776,800 lower than the prior year. The reductions were primarily due to the completion of the multi-year master plan projects funded by the the Florida Department of Transportation. An increase of the federal capital improvement grants of $12,066,400 partially offset the decrease of the state grants. In addition, the Authority received Federal Reimbursements of $18,242,600 for the baggage screening system in 2018, the majority of which reimburses a 2003 baggage project of roughly $16 million.

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

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

In fiscal year 2018, the gross Customer Facility Charges (CFC) collected were $44,381,100, an increase of $8,506,400 from the prior year. This was offset by the CFC reimbursements to related projects for the amount of $10,414,000, resulting in net collections of $33,967,100.

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

Net non-operating expenses in fiscal year 2018 decreased $19,970,700 compared with the prior year, primarily due to the early adoption of GASB 89 which excludes capitalized interest in the Authority's financial statements.

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

Summary of Statements of Net Position

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

	Year			Change	Change
	2018	2017 RESTATED	2016	2017 to 2018	2016 to 2017
ASSETS					
Current Assets	$ 238,930,004	$ 287,744,093	$ 270,260,872	$ (48,814,089)	$ 17,483,221
Capital Assets, Net	1,957,723,350	1,921,351,116	1,582,218,350	36,372,234	339,132,766
Other Non-Current Assets	193,674,953	168,577,998	449,248,460	25,096,955	(280,670,462)
Total Assets	2,390,328,307	2,377,673,207	2,301,727,682	12,655,100	75,945,525
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Loss on Refunding of Debt	2,241,476	1,790,591	1,648,532	450,885	142,059
Deferred Outflows on Pension Related Amounts	20,471,098	20,021,450	17,740,513	449,648	2,280,937
Total Deferred Outflows of Resources	22,712,574	21,812,041	19,389,045	900,533	2,422,996
LIABILITIES					
Current Liabilities	119,872,451	143,364,589	156,902,197	(23,492,138)	(13,537,608)
Non-Current Liabilities	1,163,479,938	1,172,826,428	1,225,804,890	(9,346,490)	(52,978,462)
Total Liabilities	1,283,352,389	1,316,191,017	1,382,707,087	(32,838,628)	(66,516,070)
DEFERRED INFLOWS OF RESOURCES					
Deferred Gain on Refunding of Debt	904,173	1,324,026	1,623,623	(419,853)	(299,597)
Deferred Inflows on Pension Related Amounts	4,528,735	2,362,520	314,000	2,166,215	2,048,520
Deferred Inflows on OPEB Related Amounts	1,096,985	394,304	-	702,681	394,304
Total Deferred Inflows of Resources	6,529,893	4,080,850	1,937,623	2,449,043	2,143,227
NET POSITION					
Net Investment in Capital Assets	955,808,728	907,382,140	813,780,062	48,426,588	93,602,078
Restricted	90,809,889	94,080,706	55,966,418	(3,270,817)	38,114,288
Unrestricted	76,686,982	77,750,535	66,725,537	(1,063,553)	11,024,998
Total Net Position	$ 1,123,305,599	$ 1,079,213,381	$ 936,472,017	$ 44,092,218	$ 142,741,364

Current assets at September 30, 2018, totaled $238,930,000, a reduction of $48,814,100. The major contributing factors were the pay down of accounts payable pertaining to construction and payments for pertaining to the completion of phase one of the master plan improvements during 2018.

Current assets at September 30, 2017, totaled $287,744,100, an increase of $17,483,200. The major contributing factor was the increase in surplus fund cash balance of $17,600,700.

Current liabilities, with a balance of $119,872,500 at September 30, 2018, were $23,492,100 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 $46,940,200, and paid off bank notes of $4,203,500, offsetting increases in current revenue bonds payble of $19,160,000, airline revenue sharing of $3,662,100, and other liabilities and accounts payble of $4,771,200.

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

At September 30, 2018, the net deferred outflows of resources increased by $900,500, and the net deferred inflows of resources increased by $2,449,000, primarily attributable to the Authority's participation in the Florida Retirement System and the adoption of GASB 75, Other Post Retirement Benefits. In addition, deferred loss of $1,600,300 on refunding of 2008 Series A, C, and D Bonds in 2018 less amortized amount also increased the deferred outflows of resources.

At September 30, 2017, the net deferred outflows of resources increased by $2,423,000, and the net deferred inflows of resources increased by $2,143,200, primarily attributable to the Authority's participation in the Florida Retirement System and prior year OPEB liability restatement, due to GASB 75 adoption.

At September 30, 2018, non-current liabilities totaled $1,163,479,900, a reduction of $9,346,500 compared with the balance at the end of fiscal year 2017. The major contributing factor was the decrease in bonds payable of $11,547,500, as a result of several bond refundings completed during the year to reduce long-term bonds liabilities (details included in Note 8, Debt and Other Non-Current Liabilities), offset the increase of $1,917,900 in net pension liabilities shared from the Florida Retirement System.

At September 30, 2017, non-current liabilities totaled $ 1,172,826,400, a reduction of $52,978,500 compared with the balance at the ending of fiscal year 2016. The major contributing factor was the decreases in bonds payable of $51,016,700, as a result of several bond refundings completed during the year to reduce long-term bonds liabilities of $15,730,000 (details included in Note 8, Debt and Other Non-Current Liabilities), an increase of $33,135,000 scheduled principal payments due to their maturity in the coming fiscal year 2018, as well as amortizing bonds premiums and discounts of $2,151,700 in current year. In addition, repayment of the bank notes of $10,800,000, and a net reduction in liquidated damages payable and other liability of $794,900, offset the increase of $3,864,500 in net pension liabilities shared from the Florida Retirement System, and OPEB liabilities of $3,351,700 as a result of the prior years OPEB restatement.

Airline Rates and Charges

Effective October 1, 1999, the Authority entered into an airline-airport use and lease agreement (Agreement) with the signatory airlines, which had a seven-year term and incorporated the lease and use of the terminal complex and the airfield at the Airport. During 2006, this Agreement, with the same basic terms, was extended for an additional three years. In 2009 an additional one year extension was agreed to. Negotiations were completed with the airlines in 2010 for a new five year agreement (New Agreement), which was in effect until September 30, 2015. The Agreement was substantially similar to the prior Agreement, with the exception of the revenue sharing component, as discussed in the next paragraph. The Agreement establishes a "compensatory" rate-making methodology where the signatory airlines pay fees and charges based on the Authority's cost of providing facilities and services to the airlines. In 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. At the end of each fiscal year, the Authority will recalculate rates and charges based on audited financial data and a settlement will take place with the signatory airlines. Included in the Agreement are rates and charges calculations with specific rebates of debt service coverage and sharing of 20% of net remaining revenues. Non-signatory rates and charges do not provide for a 25% debt service coverage reduction or the net revenue sharing component; thus, the Authority charges two distinct rates to airlines operating at the airport based on the cost of providing services for facilities utilized. Under the terms of the New Agreement, if the initial net remaining revenue calculation results in less than $20,000,000 net remaining revenues to the Authority, the revenue sharing component to the signatory airlines will be reduced until the $20,000,000 threshold is met. If the revenue sharing is reduced to the signatory airlines, the Authority will refund the amounts as soon as uncommitted funds become available in the Surplus Fund. In years when the initial net remaining revenue calculation results in net remaining revenues to the Authority in excess of $30,000,000, the revenue sharing percentage to the signatory airlines will increase to 25% on net remaining revenues prior to the deduction for revenue sharing above $37,500,000.

The following table summarizes passenger airline rents, landing fees, net revenue sharing and cost per enplaned (departing) passenger for fiscal years 2018 and 2017. Cost per enplaned passenger is a standard industry measurement, and the goal of the Authority is to maintain a competitive cost per enplanement at the Airport.

Passenger Airline Costs	2018	2017
Airline Landing Fees	$ 15,936,258	$ 16,931,331
Landside Terminal Rentals	25,599,296	22,923,075
Airside Building Rentals	22,388,644	20,182,515
Total Airline Fees and Charges	63,924,198	60,036,921
Less: Airline Revenue Sharing	(12,503,019)	(8,840,961)
Net Airline Fees and Charges	$ 51,421,179	$ 51,195,960
Enplaned Passengers	10,519,247	9,641,228
Airline Cost per Passenger	$ 4.89	$ 5.31

Capital Improvement Program

During fiscal year 2018, the Authority received 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 projects are listed as follows: Central Utility Plant (CUP) and Related Projects, budgeted at $119.9 million. The Main Terminal Curb expansion, budgeted at $183.8 million, adds four additional lanes at all Main Terminal drive locations. This urgent need was identified in the Master Plan update as an essential improvement for the customer pick-up and drop-off functions. New Taxiway A and Bridge, budgeted at $57.8 millon is to design and construct a new cross-field Taxiway A from Runway 1L-19R/Taxiway V to 1R-19L Taxiway C north of existing Taxiway B. North Cargo Facility Redevelopment, budgeted at $8.9 million is to serve prospective air cargo tenants. Eastside MRO development, budgeted at $7 million is to provide the necessary airfield access and site infrastructure to accommodate development of a new 62,000 square feet Maintenance, Repair and Overhaul (MRO) Hangar facility. The Aircraft Visual Docking Guidance System is budgeted at $8.6 million to provide Advanced Visual Guidence System units to airline gates at Airsides A, C, E and F. Airside A & E Restroom Refurbishment is budgeted at $7.6 million. Other budgeted projects include Peter O Knight Pavement Rehabilitation, and Airside F Cooling Towers Reconditioning, totaling $4.0 million. These projects will be funded with the Authority funds, PFC funds, federal and state grants.

During fiscal year 2018, the Authority substantially completed the Automated People Mover project at a cost of $378,186,000, the construction of the new rental car facility at a cost of $301,896,700, the Concession Redevelopment at a cost of $141,139,200, Short-Term Roadway Improvements at a cost of $22,934,500, Short-Term Parking Garage Rehabilitation and Parking Revenue Control System at a cost of $20,036,100, Bagage System Upgrade at a cost of $2,888,400, Airside A Repaint Shuttle Structure at a cost of $2,112,900, General Aviation Hangar Rehabilitation at a cost of $1,731,000, Shuttle & Monorail System Upgrade at a cost of $1,114,400, Economy Parking Garage Ramps Rehabilitations at a cost of $1,110,600, Network Operation Center Enhancements at a cost of $2,149,700, Exterior Dynamic Signage Replacement at a cost of $844,600, Common Use Self Service at a cost of $852,300, Maintenance Paint Removal Truck at a cost of $525,700, Automated System Upgrade at a cost of $410,700, General Aviation Airports Maintenance at a cost of $752,100 and other maintenance projects at a cost of $486,900.

During fiscal year 2017, the Authority received an initial Board approval for $88.3 million of capital projects. In the spring of 2018, an amendment was approved by the Board adding $121.8M in authorization for the construction of the SkyCenter development area. Projects in the FY2017 Budget included replacement or upgrade of various systems, rehabilitation of structures and initiatives at the general aviation facilities. The Taxiway W and J Pavement Reconstruction Project, budgeted at $17.7 million, preserves and improves the safety and capacity of the airfield system. The reclamation of Level 1 and 2 of the long-term parking garage, budgeted at $15.6 million, repurposes these levels from their current use as rent-a-car (RAC) pick-up and drop-off, returning these floors to general public parking. An associated project at the long-term garage closes the petroleum storage system for the RAC quick turnaround facility, for a cost of $2.5 million. Other renovation projects for the Authority's parking garages include $2.9 million for Level 8 of the short-term garage and $2.1 million for the ramps at the economy garage; both projects extend the useful life of the facilities. An additional $15.0 million continue to upgrade the checked baggage system that began in FY2014.

Other software and technology projects totaling $11.0 million include replacement of the airport security and cable management systems, CCTV server refresh, common use self-service, Network Operation Center technology enhancements, enterprise geographical information systems and the upgrade of the server and software for the baggage handling system. The Shuttle Guideway Railing project, budgeted at $2.9 million, will improve the guard rails on the shuttle bridges to the airsides. There are several rehabilitation and replacement projects, for a total of $8.6 million, for airside and boarding bridge carpets, the automated transit system, main terminal airside space, ARFF facility and vehicle, exterior dynamic signage and recurring structural and pavement rehabilitation. A total of $9.7 million is budgeted for general aviation projects including runway and other pavement rehabilitation, hangar rehabilitation, access control system upgrades and perimeter fence replacement. These projects will be funded with the Authority funds, PFC funds, federal and state grants.

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

In August 2018, PFC Application #11, authorizing PFC collections in the amount of $858,265,600 was approved by the Federal Aviation Administration, bringing the total collection authority for all PFC applications to $1,687,138,100 Through September 30, 2018, $740,376,100 has been collected under these approved applications. Expenditures under the PFC applications through September 30, 2018 total $1,023,399,400. 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 $1,119,240,000. Of this total, $57,295,000 is reported as the current liability.

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. The proceeds from 2017A Senior Bonds were used to fund the construction projects relating to the Long-Term Parking Garage, Main Terminal Curbside Expansion, and other projects.

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 proceeds from 2018A, B, C, D Senior Bonds were used to refund the 2008 Series A Bonds, the 2008 Series C Bonds, and the 2008 Series D Bonds, and partially accrued interest totaling $3,992,663. The refundings of 2008A, 2008C and 2008D Bonds result in net present value savings of approximately $36.9 million.

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

On December 15, 2016, the Authority issued the Tampa International Airport Senior Revenue Refunding Bonds 2016 Series A, in the principal amount of $16,425,000. The proceeds from 2016A Senior Bonds were used to refund 2008 Series B Revenue Bonds and partially accrued interest totaling $171,896. The refundings of 2006A, 2006B, and 2008B Bonds result in net present value savings of approximately $9.4 million.

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

During the fiscal year 2018, the Authority repaid Bank Notes in the amount of $4,203,527.

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 2018 and 2017 was 2.08 and 2.24, respectively.

Request for Information

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

FINANCIAL STATEMENTS

Hillsborough County Aviation Authority

Statements of Net Position

September 30, 2018 and 2017

	2018	2017 RESTATED
ASSETS		
CURRENT ASSETS		
Unrestricted:		
Cash and Cash Equivalents	$ 102,894,675	$ 151,364,121
Investments	20,953,736	-
Accounts Receivable, Net	7,487,322	6,665,849
Accrued Interest Receivable	1,124,681	796,787
Other Assets	2,095,035	2,018,978
Prepaids	3,197,519	1,937,905
Government Grants Receivable	26,626,837	23,438,148
Total Unrestricted Assets	164,379,805	186,221,788
Restricted:		
Cash and Cash Equivalents	66,431,675	90,374,120
Investments	8,118,524	11,148,185
Total Restricted Assets	74,550,199	101,522,305
Total Current Assets	238,930,004	287,744,093
NONCURRENT ASSETS		
Capital Assets:		
Land	203,778,777	203,818,436
Construction in Progress	97,037,763	927,289,986
Building, Equipment and Improvements	3,067,424,869	2,118,652,900
Total Capital Assets	3,368,241,409	3,249,761,322
Less: Accumulated Depreciation	(1,410,518,059)	(1,328,410,206)
Total Capital Assets, Net	1,957,723,350	1,921,351,116
Cash and Cash Equivalents, Restricted	92,459,305	78,197,715
Investments, Restricted	95,908,935	84,931,982
Passenger Facility Charges Receivable, Restricted	5,306,713	4,392,187
Debt Prepaid Insurance Costs, Net	-	1,056,114
Total Noncurrent Assets	2,151,398,303	2,089,929,114
Total Assets	2,390,328,307	2,377,673,207
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding of Debt	2,241,476	1,790,591
Deferred Outflows on Pension Related Amounts	20,471,098	20,021,450
Total Deferred Outflows of Resources	22,712,574	21,812,041

(Continued)

Hillsborough County Aviation Authority

Statements of Net Position
September 30, 2018 and 2017

	2018	2017 RESTATED
LIABILITIES		
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts Payable – Construction	$ 3,109,722	$ 2,798,347
Accrued Airline Revenue Sharing	12,503,019	8,840,961
Accounts Payable – Trade	8,342,195	7,080,005
Accrued Expenses	13,457,375	18,697,517
Net Pension Liability, Due Within One Year	351,782	376,271
Other Liabilities	7,558,159	4,049,183
Total Current Liabilities Payable from Unrestricted Assets	45,322,252	41,842,284
Payable from Restricted Assets:		
Accounts Payable – Construction	17,227,469	59,117,603
Accrued Interest Payable	27,730	66,175
Current Maturities of Revenue Bonds Payable	57,295,000	38,135,000
Current Maturities of Bank Notes	-	4,203,527
Total Current Liabilities Payable from Restricted Assets	74,550,199	101,522,305
Total Current Liabilities	119,872,451	143,364,589
NONCURRENT LIABILITIES		
Revenue Bonds Payable, Net of Current Maturities	1,103,007,266	1,114,554,746
Net Pension Liability	50,545,175	48,627,302
Net OPEB Liability	5,267,906	5,415,657
Other Liabilities	4,512,591	4,228,723
Total Noncurrent Liabilities	1,163,332,938	1,172,826,428
Total Liabilities	1,283,205,389	1,316,191,017
DEFERRED INFLOWS OF RESOURCES		
Deferred Gain on Refunding of Debt	904,173	1,324,026
Deferred Inflows on Pension Related Amounts	4,528,735	2,362,520
Deferred Inflows on OPEB Related Amounts	1,096,985	394,304
Total deferred inflows of resources	6,529,893	4,080,850
NET POSITION		
Net Investment in Capital Assets	900,088,598	884,679,677
Restricted for:		
Passenger Facility Charge Purposes	62,263,467	43,318,102
Customer Facility Charge Purposes	80,082,877	62,685,157
Other Purposes	4,183,675	10,779,910
Unrestricted	76,686,982	77,750,535
Total Net Position	$ 1,123,305,599	$ 1,079,213,381

See accompanying notes to financial statements.

Hillsborough County Aviation Authority

Statements of Revenues, Expenses, and Changes In Net Position

Years Ended September 30, 2018 and 2017

		2018		2017 RESTATED
OPERATING REVENUES				
Airfield	$	18,807,935	$	19,038,968
Terminal Building		54,115,030		48,459,064
Airside Buildings		23,425,132		21,090,618
Commercial Landside		120,972,484		106,491,397
Cargo		3,192,064		2,331,214
Auxiliary Airports		1,421,298		1,299,465
General Aviation		2,665,010		2,503,557
Federal Reimbursements		776,331		948,190
Other		9,306,601		9,987,949
Total Operating Revenues		234,681,885		212,150,422
OPERATING EXPENSES				
Airfield		13,621,493		13,301,269
Terminal Building		34,580,255		30,456,523
Airside Buildings		30,030,853		27,546,010
Commercial Landside		32,964,771		28,102,155
Cargo		869,718		818,028
Auxiliary Airports		2,114,346		1,687,004
General Aviation		1,365,295		1,315,674
Passenger Transfer System		4,695,204		4,451,889
Roads and Grounds		11,417,370		10,474,881
Other		14,000,063		6,858,743
Total Operating Expenses		145,659,368		125,012,176
Signatory Airline Net Revenue Sharing		12,503,019		8,840,961
Operating Income before Depreciation and Amortization		76,519,498		78,297,285
Depreciation and Amortization		103,281,914		81,539,090
OPERATING INCOME (LOSS)		(26,762,416)		(3,241,805)
NONOPERATING REVENUES AND EXPENSES				
Interest Income		3,863,882		3,135,291
Net Realized and Unrealized Investment Loss		(3,826,623)		(3,990,428)
Interest Expense		(51,205,164)		(30,342,078)
Total Nonoperating Expenses		(51,167,905)		(31,197,215)
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS		(77,930,321)		(34,439,020)

(Continued)

Hillsborough County Aviation Authority

Statements of Revenues, Expenses, and Changes In Net Position (Continued)
Years Ended September 30, 2018 and 2017

	2018	2017 RESTATED
CAPITAL CONTRIBUTIONS		
Passenger Facility Charges	41,766,767	37,401,050
Federal and State Grants	28,046,091	103,822,840
Federal Reimbursements	18,242,621	78,281
Customer Facility Charges	33,967,060	35,878,213
Total Capital Contributions	122,022,539	177,180,384
CHANGE IN NET POSITION	44,092,218	142,741,364
Total Net Position, As Restated (Note 17)	1,079,213,381	936,472,017
TOTAL NET POSITION – END OF YEAR	$ 1,123,305,599	$ 1,079,213,381

See accompanying notes to financial statements.

Hillsborough County Aviation Authority

Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017 RESTATED
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Cash Receipts from Customers	$ 236,876,925	$ 211,215,186
Cash Payments to Suppliers for Goods and Services	(116,320,548)	(102,782,818)
Cash Payments to Employees for Services	(44,714,230)	(42,424,401)
Cash Receipts from Federal Reimbursements	595,781	767,640
Net Cash Provided by Operating Activities	76,437,928	66,775,607
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Revenue Refunding Bonds	138,903,338	16,425,000
Proceeds from Issuance of Revenue Bonds	54,665,000	-
Payment to Escrow for Bond Refunding	(145,735,000)	(27,379,490)
Redemption of Bank Notes	(4,203,527)	(10,800,000)
Payments of Bonds Issue Costs	(646,144)	(103,087)
Principal Paid on Revenue Bond Maturities	(38,135,000)	(34,875,000)
Interest Paid on Revenue Bonds and Bank Notes	(52,589,708)	(52,783,774)
Acquisition and Construction of Capital Assets	(174,806,533)	(396,377,429)
Rental Car Customer Facility Charges	33,967,060	35,878,213
Federal and State Grants	25,322,260	108,871,331
Passenger Facility Charges	40,852,241	36,626,733
Net Cash Used by Capital and Related Financing Activities	(122,406,013)	(324,517,503)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investment Securities	(146,706,376)	(240,226,659)
Proceeds from Maturities of Investment Securities	130,988,172	457,183,892
Income Received on Investments	3,535,988	3,306,143
Net Cash Used by Investing Activities	(12,182,216)	220,263,376
NET CHANGE IN CASH AND CASH EQUIVALENTS	(58,150,301)	(37,478,520)
Cash and Cash Equivalents – Beginning of year	319,935,956	357,414,476
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 261,785,655	$ 319,935,956

(Continued)

Hillsborough County Aviation Authority

Statements of Cash Flows (Continued)
Years Ended September 30, 2018 and 2017

	2018	2017 RESTATED
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (26,762,416)	$ (3,241,805)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	103,281,914	81,539,090
(Increase) in Accounts Receivable	(821,473)	(365,926)
(Increase) in Prepaid Insurance and Other Assets	(1,516,220)	(390,758)
Increase in Accounts Payable – Trade	1,262,190	1,696,822
(Decrease) in Accrued Expenses and Other Liabilities	(6,679,925)	(17,428,100)
Increase in Unearned Revenue	3,508,976	1,239,438
Increase in Pension Related Liabilities	3,609,951	3,570,392
Increase in OPEB Related Liabilities	554,931	156,454
Net Cash Provided by Operating Activities	$ 76,437,928	$ 66,775,607
Noncash Investing, Capital and Financing Activities:		
Unrealized Loss on Investments	$ (3,826,623)	$ (4,014,434)
Capitalized Interest	$ -	$ 21,178,559
Amortization of Bond Premium – Net	$ 1,837,314	$ 1,818,970
Amortization of Deferred Gain on Bond Refundings	$ 419,853	$ 579,725
Amortization of Deferred Loss on Bond Refundings	$ (1,149,396)	$ (1,129,092)
Accounts Payable – Construction	$ (20,337,191)	$ (61,915,950)
Government Grant Receivable	$ 26,626,837	$ 23,438,148

See accompanying notes to financial statements.

Note 1. General

Description

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

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

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

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

The Authority entered into the lease agreements with certain airlines (the Signatory Airlines) serving the Airport. This agreement maintains the compensatory rate-making methodology (see Note 3 – Rate Making Policy) and is substantially similar to the prior Agreements, except for a modification to the revenue sharing component and the recognition of the Authority's desire to implement common use passenger processing. The agreement had a five-year term, expiring on September 30, 2015. During 2014, an amendment was approved to extend the term for a period of five years to September 30, 2020.

Note 1. General (Continued)

Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The Authority's financial statements are presented in accordance with accounting principles generally accepted in the United States for governmental entities. The accompanying financial statements are reported on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred.

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

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 and rental car facility charges are also reported as restricted assets as their use is legally restricted.

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

Accounts receivable: Management considers the need for an allowance for doubtful accounts based on the expected collectability of outstanding balances. No allowance has been made for fiscal years 2018 and 2017.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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

Rental car facility charges: The CFCs are collected at $5.95 per transaction day for current on-airport companies and those off-airport companies who will be operating in the ConRAC. 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 Authority's debt service for bonds previously issued by the Authority, recovery of the Authority's costs of self funded projects that were part of the 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 elegible 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 improvments of the ConRac.

Debt insurance costs, bond discounts and premiums: Debt insurance costs and bond discounts and premiums are amortized using the declining balance method over the life of the issue since the results are not significantly different from the effective interest method of amortization. Debt issue costs other than insurance costs are expensed.

Interest costs: Prior to the fiscal year 2018**,** interest costs incurred during periods of construction were capitalized as a component of the assets to which these costs relate for all projects except those funded through the rate-making process (see Note 3 – Rate-Making Policy), grants, PFCs and CFCs. In situations involving qualifying assets financed with the proceeds of tax-exempt debt, the amount of interest capitalized was reduced by any interest income earned on the temporary investment of such monies. Interest was capitalized throughout the construction period. Interest capitalized for the fiscal years ended September 30, 2017 was $21,178,559. In the fiscal year 2018, the Authority early adopted GASB Statement No. 89, *Accounting For Interest Cost Incurred Before the End of a Construction Period*. Under the GASB No. 89, interest cost incurred before the end of a construction period is to be recognized as an expense in the period the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result all interest cost incurred is reported as nonoperating expense, effective October 1, 2017.

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

	Years
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. Net capitalized costs written off are included in Depreciation and Amortization in the accompanying statements of revenues, expenses and changes in net position.

Note 2. Summary of Significant Accounting Policies (Continued)

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

Other post-employment benefits: The Authority obtains actuarial valuation reports for its postemployment benefit plan (other than pensions) and records the net OPEB liability as required under Governmental Accounting Standards Board (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 (OPEB). The restatement to Prior Year Net Position adjustment as a result of the adoption of GASB No. 75 is disclosed in Note 17.

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

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

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

Gains and losses resulting from bond refundings are recorded as deferred inflows and outflows of resources. These deferred balances are amortized as a component of interest expense using the declining balance method, which approximates the effective interest method over the shorter of the remaining life of the original issue or the life of the new issue.

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

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 rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized on a straight-line basis over the life of the respective leases and concession revenue is recognized based on reported concession revenue, 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, passenger facility charges and rental car facility charges. 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 airsides for 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 off-airport rental cars and limousine/cab.

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

The major sources of revenues are as follows for the fiscal years ending September 30, 2018 and 2017:

	2018	2017
Aeronautical space rental	$ 51,508,846	$ 45,817,385
Concessions	29,687,143	24,434,765
Federal reimbursements	776,331	948,190
General aviation	4,086,308	3,803,022
Landing fees	17,608,710	18,131,506
Other	16,517,176	14,056,822
Parking	72,361,560	68,940,818
Rental Cars	42,135,811	36,017,914
	$ 234,681,885	$ 212,150,422

Recent accounting pronouncements: The Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* in the fiscal year 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The Statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. Disclosure requirements about defined benefit OPEB are also addressed. The Authority has determined the impact on its financial statements as disclosed in Note 17 – Prior Period Adjustment.

GASB Statement 83, *Certain Asset Retirement Obligations*, was issued in November 2016, and will be effective for the Authority in fiscal year 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs), and enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. The Authority does not have AROs, therefore, the statement has no impact on its financial statements.

GASB Statement 86, *Certain Debt Extinguishment Issues*, was issued in May 2017, and is effective for the Authority in fiscal year 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Authority did not place cash or other assets in an irrevocable trust for the purpose of extinguishing debt, and did not have prepaid insurance on debt that is extinguished at the fiscal year ending September 30, 2018. Thus, the statement is not applicable to the authority’s financial reporting.

Note 2. Summary of Significant Accounting Policies (Continued)

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

GASB Statement 88, *Certain Disclosures Related to Debt, Inlcuding Direct Borrowings and Direct Placements*, was issued in April 2018, and will be effective for the Authority in fiscal year 2019. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Authority does not expect the standard to impact on its financial statements.

GASB Statement 89, *Accounting For Interest Cost Incurred Before the End of a Construction Period*, was issued in June 2018, and would have be effective for the Authority in fiscal year 2021. The objectives of this Statement are: (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Authority adopted GASB 89 in fiscal year 2018.

Reclasification: Certain reclassifications were made to the 2017 balances to conform to 2018 presentation.

Rate-Making Policy

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

The Agreements incorporate the lease and use of the Terminal Building, Airsides A, C, E, F, any future Airside Buildings and the Airfield at the Tampa International Airport. The Agreements establish a "compensatory" rate-making methodology where the airlines pay the Authority fees and charges based on the Authority's cost of providing facilities and services. The costs to be allocated to the Signatory Airlines include operating and maintenance expenditures, debt service, debt service coverage of 25%, Trust Fund minimum deposit requirements, and a return on investment for Authority funds used for capital projects. The new Agreements incorporate all of the covenants contained in the Trust Agreement governing the

Note 2. Summary of Significant Accounting Policies (Continued)

issuance of Airport Revenue Bonds. They also provide the Signatory Airlines with a net revenue sharing provision. The amounts due to the Signatory Airlines under this provision for the years ended September 30, 2018 and 2017 were $12,503,019 and $8,840,961, respectively. The net revenue sharing is presented as a separate item after Operating Expenses on the statements of revenues, expenses and changes in net position. Depreciation and amortization is excluded from the rate making process.

Note 3. 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, 2018 and 2017, all cash, cash equivalents and investments, were as follows:

	2018	2017
U.S. Treasury Securities	$ 121,106,374	$ 92,252,714
Certificate Deposit	3,874,821	3,827,453
Investments Subtotal	124,981,195	96,080,167
Cash in Deposit Accounts	261,785,655	319,935,956
Total Cash and Investments	$ 386,766,850	$ 416,016,123
Reconciliation to Statement of Net Position:		
Cash and Cash Equivalents – Unrestricted	$ 102,894,675	$ 151,364,121
Cash and Cash Equivalents – Restricted	158,890,980	168,571,835
Investments – Unrestricted	20,953,736	-
Investments – Restricted	104,027,459	96,080,167
Total Cash and Investments	$ 386,766,850	$ 416,016,123

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, 2018 and 2017, the Authority held the following investments as categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures.*

	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

	Investment Maturities – 2017				
	Less Than 1 Year	1 to 5 Years	6 to 10 Years	11 to 15 Years	Total
Investment Type					
U.S. Treasury	$ 21,188,081	$ 16,212,902	$ 8,095,062	$ 46,756,669	$ 92,252,714
Total	$ 21,188,081	$ 16,212,902	$ 8,095,062	$ 46,756,669	$ 92,252,714

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. The Authority will also strive to maximize the return on the portfolio while minimizing risk. The Authority's banking and investment policy allows investments in the SBA, money market funds with the highest credit quality from a nationally recognized rating agency, direct obligations of the U.S. Treasury, deposits secured by the Public Deposit Act and Federal agencies and instruments. Repurchase agreements are only allowed for deposits secured by the Public Deposit Act or direct obligations of the U.S. Treasury. The money market bank accounts are not rated.

Note 4. Cash and Investments (Continued)

Custodial Credit Risk

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

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

Fair Value Measurement

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

The Authority has the following recurring fair value measurements as of September 30, 2018 and 2017:

- U.S. Treasury securities of $121,106,374 and $92,252,714, respectively, are valued using quoted market prices (Level 1 input).

Note 4. Restricted Assets

The Trust Agreement, among other things, requires all airport revenues, excluding PFCs, grants, bond proceeds and their earnings, and revenues from certain non-trust funded projects, be deposited in the Revenue Fund, the establishment of certain trust accounts, and defines the priority and flow of cash receipts. Certain of these trust accounts require specified balances and are restricted as to use. Bond proceeds issued for construction are held by a trustee appointed by the Authority per the bond agreement. Debt Service and Debt Reserve accounts are held by a trustee designated by the Trust Agreement and are pledged as collateral for debt service. A summary of the balances in these accounts as of September 30, 2018 and 2017, is as follows:

	2018	2017
Restricted for Debt Service:		
Bond Principal, Interest and Redemption		
Sinking Fund	$ 2,994,322	$ 200,016
Bond Reserve Fund	81,269,556	82,219,889
Restricted to Acquisition of Property and Equipment:		
Construction and Equipment Funds	37,403,524	76,416,237
	121,667,402	158,836,142
Other Restricted Funds:		
Escrow and Forfeiture Deposits	308,856	311,160
Certificate Deposit for OCIP Collateral	3,874,820	3,827,452
Passenger Facility Future Development	62,291,197	43,384,278
Rental Car Facility Future Development	80,082,877	62,685,157
	146,557,750	110,208,047
Total Restricted Assets	$ 268,225,152	$ 269,044,189

Note 5. 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, airsides 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 $24,763,678 and $22,691,290 for the years ended September 30, 2018 and 2017, respectively.

Note 6. Leases (Continued)

The following is a schedule by years of minimum future revenues for each of the next five years and thereafter on non-cancelable agreements as of September 30, 2018:

Years Ending September 30:	Amount
2019	$100,372,383
2020	100,014,663
2021	64,670,945
2022	63,859,064
2023	63,189,940
2024-2028	298,259,324
2029-2033	35,821,829
2034-2038	17,345,714
2039-2043	14,365,051
2044-2048	11,840,955
2049-2053	9,962,595
2054-2058	10,394,840
2059-2063	10,914,812
2064-2068	11,391,363
2069-2073	11,961,161
2074-2078	12,486,557
2079-2081	5,748,160

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

Note 6. Capital Assets

Capital asset activity for the years ended September 30, 2018 and 2017, is summarized as follows:

	Balance October 1, 2017	Additions and Reclasses	Deletions and Reclasses	Balance September 30, 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
	3,249,761,322	1,059,687,053	(941,206,966)	3,368,241,409
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)
	(1,328,410,206)	(100,315,846)	18,207,993	(1,410,518,059)
Total capital assets – net	$ 1,921,351,116	$ 959,371,207	$ (922,998,973)	$ 1,957,723,350

	Balance October 1, 2016	Additions and Reclasses	Deletions and Reclasses	Balance September 30, 2017
Land	$ 203,721,144	$ 97,292	$ -	$ 203,818,436
Construction in progress	564,580,248	418,477,658	(55,767,920)	927,289,986
Equipment	47,888,562	4,644,701	(2,839,861)	49,693,402
Buildings and improvements	2,036,731,090	53,055,144	(20,826,736)	2,068,959,498
	2,852,921,044	476,274,795	(79,434,517)	3,249,761,322
Less accumulated depreciation:				
Equipment	(39,690,690)	(4,278,000)	2,827,339	(41,141,351)
Buildings and improvements	(1,231,012,004)	(75,330,722)	19,073,871	(1,287,268,855)
	(1,270,702,694)	(79,608,722)	21,901,210	(1,328,410,206)
Total capital assets – net	$ 1,582,218,350	$ 396,666,073	$ (57,533,307)	$ 1,921,351,116

Note 7. 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.

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

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

During the years ended September 30, 2018 and 2017, serial revenue bonds in the amounts of $38,135,000 and $34,875,000, respectively, were redeemed. Total interest costs incurred on outstanding bonds during the years ended September 30, 2018 and 2017, were $52,084,341 and $52,381,327, respectively. During the fiscal year 2018, no interest amounts were capitalized due to the early adoption of GASB No. 89, and $21,178,559 were capitalized in the fiscal year 2017. Amortization of prepaid bond insurance costs in the fiscal years 2018 and 2017 was, $58,237 and $59,345, respectively. A total of $646,144 of new bond issue costs during 2018 was expensed.

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 RAC reclaim levels, Main Terminal Curbside Expansion, Federal Aviation Administration Parking Lot and Energy Plant and Loading Dock.

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 issue 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 issue 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 issue 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.

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

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 issue 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 would result in an estimated net present value savings of $36.9 million and a debt services cash flow savings of $72.5 million.

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

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

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

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

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

The total principal maturities and debt service requirements for all revenue bonds through the year 2044, as of September 30, 2018, are as follows:

Years Ending September 30:	Principal	Interest	Total Debt Service
2019	$ 57,295,000	$ 46,289,109	$ 103,584,109
2020	57,235,000	44,996,694	102,231,694
2021	48,980,000	44,973,286	93,953,286
2022	32,695,000	43,655,938	76,350,938
2023	33,295,000	42,590,610	75,885,610
2024-2028	165,750,000	195,581,321	361,331,321
2029-2033	222,015,000	152,538,741	374,553,741
2034-2038	213,825,000	104,778,295	318,603,295
2039-2043	234,045,000	49,982,262	284,027,262
2044	54,105,000	2,705,250	56,810,250
	$ 1,119,240,000	$ 728,091,506	$ 1,847,331,506

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

Revenue bond information and activity as of and for the years ended September 30, 2018 and 2017 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.

	2018		2017	
	Balance Outstanding	Amounts Due Within One Year	Balance Outstanding	Amounts Due Within One Year
Revenue and Revenue Refunding Bonds:				
1996B Senior 6.0%	$ -	$ -	$ 3,205,000	$ 3,205,000
2008A Senior 5.375% to 5.5%	-	-	133,000,000	-
2008C Senior 5.75%	-	-	9,625,000	-
2008D Senior 5.5%	-	-	3,110,000	-
2009A PFC Senior 4.635% to 5.0% (PFC)	-	-	7,035,000	7,035,000
2013A Senior 1.87%	32,680,000	8,255,000	32,680,000	-
2013B Senior 2.0%	22,975,000	5,495,000	24,445,000	1,470,000
2013C Senior 1.0%	6,025,000	6,025,000	11,990,000	5,965,000
2013A PFC Subordinated 4.994% to 5.5% (PFC)	128,750,000	8,060,000	128,750,000	-
2015A Senior 5.0%	148,210,000	-	148,210,000	-
2015B Senior 1.11%	-	-	15,460,000	15,460,000
2015C Senior 1.8%	18,710,000	3,610,000	18,710,000	-
2015A PFC Subordinated 5.0% (PFC)	19,590,000	-	19,590,000	-
2015B PFC Subordinated 5.0% (PFC)	153,915,000	-	153,915,000	-
2015A CFC 5.0%	88,975,000	-	88,975,000	-
2015B CFC 2.587% to 5.250%	294,350,000	8,370,000	294,350,000	-
2016A Senior 1.38%	11,425,000	9,580,000	16,425,000	5,000,000
2017A Senior 2.56%	54,665,000	-	-	-
2018A Senior 1.92%	48,810,000	7,900,000	-	-
2018B Senior 2.57%	32,175,000	-	-	-
2018C Senior 3.25%	26,665,000	-	-	-
2018D Senior 3.40%	31,320,000	-	-	-
	1,119,240,000	$ 57,295,000	1,109,475,000	$ 38,135,000
Unamortized Bond Premium – Net	41,062,266		43,214,746	
Total Revenue Bonds Payable	$ 1,160,302,266		$ 1,152,689,746	

Hillsborough County Aviation Authority

Notes to the Financial Statements

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

	Balance September 30, 2017	Additions	Refunding	Paydowns	Balance September 30, 2018
1996B Revenue Bonds	$ 3,205,000	$ -	$ -	$ (3,205,000)	$ -
2008A Revenue Bonds	133,000,000	-	(133,000,000)	-	-
2008C Revenue Refunding Bonds	9,625,000	-	(9,625,000)	-	-
2008D Revenue Refunding Bonds	3,110,000	-	(3,110,000)	-	-
2009A PFC Revenue Bonds	7,035,000	-	-	(7,035,000)	-
2013A Revenue Refunding Bonds	32,680,000	-	-	-	32,680,000
2013B Revenue Refunding Bonds	24,445,000	-	-	(1,470,000)	22,975,000
2013C Revenue Refunding Bonds	11,990,000	-	-	(5,965,000)	6,025,000
2013A PFC Sub Rev Refunding Bonds	128,750,000	-	-	-	128,750,000
2015A Senior Revenue Bonds	148,210,000	-	-	-	148,210,000
2015B Senior Revenue Bonds	15,460,000	-	-	(15,460,000)	-
2015C Senior Revenue Bonds	18,710,000	-	-	-	18,710,000
2015A PFC Subordinated Revenue Bond	19,590,000	-	-	-	19,590,000
2015B PFC Subordinated Revenue Bond	153,915,000	-	-	-	153,915,000
2015A CFC Revenue Bonds	88,975,000	-	-	-	88,975,000
2015B CFC Revenue Bonds	294,350,000	-	-	-	294,350,000
2016A Senior Revenue Bonds	16,425,000		-	(5,000,000)	11,425,000
2017A Senior Revenue Bonds	-	54,665,000	-	-	54,665,000
2018A Revenue Refunding Bonds	-	48,810,000	-	-	48,810,000
2018B Revenue Refunding Bonds	-	32,175,000	-	-	32,175,000
2018C Revenue Refunding Bonds	-	26,665,000	-	-	26,665,000
2018D Revenue Refunding Bonds	-	31,320,000	-	-	31,320,000
	$ 1,109,475,000	$ 193,635,000	$ (145,735,000)	$ (38,135,000)	$ 1,119,240,000

	Balance September 30, 2016	Additions	Refunding	Paydowns	Balance September 30, 2017
1996B Revenue Bonds	$ 6,230,000	$ -	$ -	$ (3,025,000)	$ 3,205,000
2006A Revenue Refunding Bonds	5,900,000	-	(5,900,000)	-	-
2006B Revenue Refunding Bonds	4,530,000	-	(4,530,000)	-	-
2008A Revenue Bonds	133,000,000	-	-	-	133,000,000
2008B Revenue Bonds	16,725,000	-	(16,725,000)	-	-
2008C Revenue Refunding Bonds	9,625,000	-	-	-	9,625,000
2008D Revenue Refunding Bonds	3,110,000	-	-	-	3,110,000
2009A Revenue Bonds	13,760,000	-	-	(6,725,000)	7,035,000
2013A Revenue Refunding Bonds	34,305,000	-	-	(1,625,000)	32,680,000
2013B Revenue Refunding Bonds	27,245,000	-	-	(2,800,000)	24,445,000
2013C Revenue Refunding Bonds	17,400,000	-	-	(5,410,000)	11,990,000
2013A Sub Rev Refunding Bonds	128,750,000	-	-	-	128,750,000
2015A Senior Revenue Bonds	148,210,000	-	-	-	148,210,000
2015B Senior Revenue Bonds	30,750,000	-	-	(15,290,000)	15,460,000
2015C Senior Revenue Bonds	18,710,000	-	-		18,710,000
2015A Subordinated Revenue Bonds	19,590,000	-	-	-	19,590,000
2015B Subordinated Revenue Bonds	153,915,000	-	-	-	153,915,000
2015A CFC Revenue Bonds	88,975,000	-	-	-	88,975,000
2015B CFC Revenue Bonds	294,350,000	-	-	-	294,350,000
2016A Senior Revenue Bonds	-	16,425,000	-	-	16,425,000
	$ 1,155,080,000	$ 16,425,000	$ (27,155,000)	$ (34,875,000)	$ 1,109,475,000

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

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 2.08 and 2.24 in 2018 and 2017, respectively.

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 6.06 and 5.59 in 2018 and 2017, respectively. The subordinated debt coverage ratio under the second test was 2.09 and 2.14 in 2018 and 2017, 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 2.43 and 2.30 in 2018 and 2017, 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 $629,708,001. The Authority recognized $115,686,915 in net revenues during 2018 and made principal and interest payments on senior revenue bonds of $55,577,032.

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 $526,059,681. The Authority recognized $40,852,241 of PFC revenues during 2018 and made principal and interest payments on subordinated revenue bonds of $15,328,131.

CFC revenues have been pledged as collateral for the CFC revenue bonds. The total amount of the pledge is equal to the remaining principal and interest payments of $691,563,824. The Authority recognized $44,381,069 in gross CFC revenues during 2018 and made principal and interest payments on CFC revenue bonds of $18,229,624.

Bank Notes

On June 21, 2011, the Authority entered into an agreement with SunTrust to provide a variable rate direct bank loan (Bank Notes). The Bank Notes had a seven-year term, were subject to the revolving credit agreement with SunTrust Bank and had a not to exceed principal amount of $105,000,000 at any one time. On October 18, 2013, the Authority amended and restated its agreement which increased the principal amount not exceeding $200,000,000 at any one time.

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

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

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

On September 12, 2018, the Authority repaid the principal of the Bank Notes in the amount of $4,203,527. There was no outstanding bank note balance as of September 30, 2018. In December 2017, the Authority reduced its line of credit from $200,000,000 to $100,000,000.

	Balance October 1, 2017	Additions	Refundings/ Paydowns	Balance September 30, 2018	Amounts Due Within One Year
Bank Notes	$ 4,203,527	$ -	$ (4,203,527)	$ -	$ -

	Balance October 1, 2016	Additions	Refundings/ Paydowns	Balance September 30, 2017	Amounts Due Within One Year
Bank Notes	$ 15,003,527	$ -	$ (10,800,000)	$ 4,203,527	$ 4,203,527

Other Non-Current Liabilities

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

As required by GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* the Authority recognizes certain remediation obligations in its financial statements. There are several sites on airport property requiring the establishment of liabilities under GASB 49. The Authority's Planning and Development staff, working in conjunction with outside environmental specialists and the Florida Department of Environmental Protection (FDEP) and other government agencies, developed detailed plans and cost estimates of the pollution remediation liabilities associated with these sites. The total estimated and recorded liabilities for the sites at September 30, 2018 and 2017 are $2,628,547 and $263,815, respectively.

Compensated Absences

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

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

Other non-current liability information and activity for the years ended September 30, 2018 and 2017, is presented below:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Amount due within one year	Amount due after one year
Compensated Absences	$ 4,950,431	$ 889,572	$ (622,358)	$ 5,217,645	$ 802,901	$ 4,414,744
Environmental Liabilities	263,815	2,364,732	-	2,628,547	2,530,700	97,847
Other Post-Employment Benefits	5,415,657	-	(147,751)	5,267,906	-	5,267,906
Total Other Liabilities	$ 10,629,903	$ 3,254,304	$ (770,109)	$ 13,114,098	$ 3,333,601	$ 9,780,497

	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Amount due within one year	Amount due after one year
Compensated Absences	$ 4,510,872	$ 1,107,917	$ (668,358)	$ 4,950,431	$ 891,077	$ 4,059,354
Environmental Liabilities	430,869	-	(167,054)	263,815	94,446	169,369
Liquidated Damages	1,125,000	-	(1,125,000)	-	-	-
Other Post-Employment Benefits	1,917,000	3,589,507	(90,850)	5,415,657	-	5,415,657
Total Other Liabilities	$ 7,983,741	$ 4,697,424	$ (2,051,262)	$ 10,629,903	$ 985,523	$ 9,644,380

Note 8. Contributions

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

	2018	2017
Passenger Facility Charges	$ 41,766,767	$ 37,401,050
Federal Grants	11,585,930	4,335,776
State Grants	16,460,161	99,487,064
Federal Reimbursement	18,242,621	78,281
Customer Facility Charges	33,967,060	35,878,213
Total Capital Contributions	$ 122,022,539	$ 177,180,384

Gross Customer Facility Charge (CFC) collections prior to revenue recognition and applicable O&M expense offsets were $44,381,069 in 2018 representing a 5.9% increase from the 2017 collections of $41,902,052.

Note 9. Defined Benefit Pension Plans

Background

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

Note 10. Defined Benefit Pension Plans (Continued)

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

The Authority's pension expense totaled $7,957,979 and $7,370,199 for both the FRS Pension Plan and HIS Plan for the fiscal years ended September 30, 2018 and 2017, respectively.

Florida Retirement System Pension Plan

Plan Description

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

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

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.

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 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

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

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% 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.

Note 10. Defined Benefit Pension Plans (Continued)

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the Authority, for the periods October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, were applied to employee salaries as follows: Regular 6.26% and 6.60%. Special Risk 21.61% and 22.84%, Senior Management Service 21.05% and 22.40% and DROP participants 11.60% and 12.37%. The Authority's contributions to the FRS Plan were $3,580,886 and $3,200,444 for the fiscal years ended September 30, 2018 and 2017, 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, 2018 and 2017, the Authority reported a liability of $36,524,969 and $35,013,237, respectively, for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of FRS's participating employers. 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. At June 30, 2017, the Authority's proportion was 0.1184%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2016.

For the years ended September 30, 2018 and 2017, the Authority recognized pension expense of $6,563,265 and $6,050,324, respectively, for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 3,094,214	$ 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	$ 17,143,178	$ 2,984,791

Note 10. Defined Benefit Pension Plans (Continued)

$1,026,885 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The Deferred Outflows resulting from the change in assumptions pertains to a decrease in the discount rate in the 2017 valuation. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Years Ending June 30:	Amount
2019	$ 1,913,859
2020	4,139,934
2021	2,969,598
2022	680,500
2023	1,708,253
Thereafter	631,862

For the year ended September 30, 2017, the Authority recognized pension expense of $6,050,324 for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 3,213,373	$ 193,955
Changes in Actuarial Assumptions	11,766,920	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	867,716
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	882,500	61,961
Authority Contributions Subsequent to the Measurement Date	872,889	-
Total	$ 16,735,682	$ 1,123,632

$872,889 reported as deferred outlfows of resources 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, 2018. The Deferred Outflows resulting from the change in assumptions pertains to a decrease in the discount rate in the 2017 valuation.

Note 10. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions

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

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 Milliman's July 1, 2016, FRS valuation report.

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	7.10%, Net of Pension Plan Investment Expense including inflation

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

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of 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, 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	100%			

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, 2017, is summarized in the following table:

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

Discount Rate

The long-term expected rate of return assumption of 7.0% consists of two components: A real (in excess of inflation) return of 4.4% and a long-term average annual inflation assumption of 2.6% as adopted in 2018 by the FRS Actuarial Assumption Conference. The 7.0% rate of return assumption used in the June, 2018, 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:

2018

Description	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

2017

Description	1% Decrease	Rate	Discount Rate
FRS Plan Discount Rate	6.10%	7.10%	8.10%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	$ 63,371,845	$ 35,013,237	$ 11,469,096

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, 2018, 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, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statues. 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 $750,158 and $706,888, respectively, for the years ended September 30, 2018 and 2017, respectively.

Pension Costs

At September 30, 2018 and 2017, the Authority reported a liability of $14,371,988 and $13,990,335, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by annual actuarial valuations as of July 1, 2018. 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, 2018, the Authority's proportion was 0.1358%, which was an increase of 0.0049% from its proportion measured as of June 30, 2017. At June 30, 2017, the Authority's proportion was 0.1308%, which was an increase of 0.0005% from its proportion measured as of June 30, 2016.

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 of Resources	Deferred Inflows 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 HIS Program Investments	8,675	-
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	1,295,863	-
Authority Contributions Subsequent to the Measurement Date	205,010	-
Total	$ 3,327,920	$ 1,543,944

$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. 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
2019	$ 406,506
2020	405,452
2021	404,954
2022	304,438
2023	173,469
Thereafter	(115,853)

Note 10. Defined Benefit Pension Plans (Continued)

For the year ended September 30, 2017, the Authority recognized pension expense of $1,511,386 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ -	$ 29,130
Changes in Actuarial Assumptions	1,966,560	1,209,759
Net Difference Between Projected and Actual Earnings on HIS Program Investments	7,759	-
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	1,120,214	-
Authority Contributions Subsequent to the Measurement Date	191,235	-
Total	$ 3,285,768	$ 1,238,889

$191,235 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Actuarial Assumptions

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 total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25% Average, Including Inflation
Municipal Bond Rate	3.58%

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

Note 10. Defined Benefit Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total HIS Plan pension liability for September 30, 2018 and 2017 was 3.87% and 3.58%. 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:

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 HIS Plan Net Pension Liability	$ 16,368,852	$ 14,371,988	$ 12,707,486

2017

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

Pension Plan Fiduciary Net Position

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

Note 10. 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 2017-2018 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, were as follows: Regular class 6.3%, Special Risk class 14.00% and Senior Management class 11.34%. These allocations include a required employee contribution of 3% of gross compensation for each member class.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance.

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 $655,184 and $521,994 for the years ended September 30, 2018 and 2017, respectively. Employee contributions to the Investment Plan totaled $265,524 and $243,994 for the years ended September 30, 2018 and 2017, respectively.

Note 11. 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 $31,452 and $35,695 in fiscal years 2018 and 2017, 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, 2018 and 2017:

Benefits Provided

Plan Membership	September 30, 2018	September 30, 2017
Active	622	614
Inactive, receiving benefits	158	99

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

A summary of monthly required contributions for retirees for the fiscal years ended September 30, 2018 and 2017, is provided as follows:

Monthly Required Contributions for Retirees

	2018	2017
HMO Plans		
Retiree Only	$ 699	$ 699
Retiree, 1 Dependent	$ 1,430	$ 1,430
Retiree, Family	$ 2,129	$ 2,129
PPO Plans		
Retiree Only (Under 65)	$ 973	$ 973
Retiree, 1 Dependent (Under 65)	$ 2,171	$ 2,171
Retiree, Family (Under 65)	$ 3,133	$ 3,133
Retiree only (65+)	$ 837	$ 837
Retiree (65+), 1 Dependent (65+)	$ 1,674	$ 1,674
Retiree (65+), 1 Dependent (Under 65+)	$ 2,034	$ 2,034
Retiree (Under 65), Dependent (65+)	$ 2,034	$ 2,034
Dental Plans		
Retiree Only	$ 35	$ 35
Dependents	$ 85	$ 85
Life Insurance Contributions	$0.015 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.

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, 2018 and 2017:

	September 30, 2018	September 30, 2017
Measurement Date	September 30, 2018	September 30, 2017
Actuarial Valuation Date	September 30, 2018	September 30, 2017
Salary Increase Rate	3.5% per annum	3.5% per annum
Health Care Cost Trend Rate:		
Pre-65 years old	6.50%	6.50%
65 years and older	6.00%	6.00%
Discount Rate	4.18%	3.63%
Mortality Tables used	Generational RP-2014 projected using scale MP-18	Generational RP-2014 projected using scale MP-18

The changes in the assumptions during the fiscal year ended September 30, 2018 reflect the changes in the discount rate, which was increased from 3.63% to 4.18%. 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, 2018 and 2017, based on the measurement date, are as follows:

	2018	2017
Balance, beginning of year	$ 5,415,657	$ 5,506,507
Changes for the year:		
Service Cost	250,660	326,187
Interest Cost	201,604	183,639
Changes in assumptions or other inputs	(374,586)	(429,676)
Benefit payments	(225,429)	(171,000)
Net change	(147,751)	(90,850)
Balance, end of year	$ 5,267,906	$ 5,415,657

Note 12. Other Postemployment Benefits (Continued)

(d) OPEB Expenses

OPEB expense recognized by the Authority for the fiscal years ended September 30, 2018 and 2017 was $554,930 and $303,454, respectively.

(e) OPEB Deferred Outflows and Inflows of Resources

At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources as follows:

	September 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions/inputs	-	(702,681)
Net difference between projected and actual investments	-	-
	$ -	$ (702,681)

	September 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions/inputs	-	(394,304)
Net difference between projected and actual investments	-	-
	$ -	$ (394,304)

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

Years Ending September 30:	Deferred Outflows (Inflows)
2019	$ (66,208)
2020	(66,208)
2021	(66,208)
2022	(66,208)
2023	(66,208)
Thereafter	(371,641)
	$ (702,681)

Note 12. Other Postemployment Benefits (Continued)

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

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, 2018	**$ 4,715,000**	**$ 5,268,000**	**$ 5,971,000**

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:

	Total OPEB Liability		
	1% Decrease (3.18%)	Current Rate (4.18%)	1% Increase (5.18%)
As of September 30, 2018	**$ 5,972,000**	**$ 5,268,000**	**$ 4,691,000**

Note 12. 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:

	2018	2017	2016
Liability, beginning of the fiscal year	$ 1,558,898	$ 1,295,940	$ 1,251,846
Current year claims and changes in estimates	10,860,497	9,862,009	8,666,628
Claims paid during the year	(10,858,816)	(9,599,051)	(8,622,534)
Liability, end of the fiscal year	$ 1,560,579	$ 1,558,898	$ 1,295,940

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

Note 13. 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 $1.016 billion for construction, engineering services, land acquisition and equipment, approximately $126 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, 2018 and 2017, revenues realized from the following sources exceeded 5% of the Authority's total operating revenues:

	2018	2017
Southwest	7.5%	8.6%
Enterprise	5.2%	6.9%
Delta	5.1%	5.6%
American Airlines	4.4%	5.5%

The three airlines listed above represented 66.0% and 69.1% of the enplanements in 2018 and 2017, respectively.

Note 14. 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, 2018 and 2017 for these services were $7,029,200 and $6,553,300, respectively.

Note 15. Subsequent Event

On November 7, 2018, the Authority issued the Tampa International Airport Revenue Bonds 2018 Series E (AMT) in the par amount of $140,120,000, 2018 Series F (Non-AMT) in the par amount of $160,855,000, and Subordinated Revenue Bonds 2018 Series A (PFC AMT) in the par amount of $102,500,000. These proceeds were used for deposits into the construction accounts to fund portions of Master Plan Phase 2, a capitalized interest account, and common debt service reserve.

Note 16. Prior Period Adjustment

The Authority implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of October 1, 2016. This statement replaces the requirements of GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses.

In accordance with the provisions of GASB Statement No.75, net position was restated to reflect the balance of the total OPEB liability and the deferred inflows of resources for contributions made after the measurement date, as of October 1, 2016. Other amounts adjusted as a result of the implementation of GASB Statement No.75 at September 30, 2017, are as follows:

	Net position	OPEB Liability
Balance September 30, 2016, as previously reported	$ 940,061,524	$ 1,917,000
Adjustment due to implementation of GASB Statement No. 75	(3,589,507)	3,589,507
Balance October 1, 2016, as restated	$ 936,472,017	$ 5,506,507

In addition to the restatement of these opening balances, reported 2017 operating expenses have increased and the change in net position has decreased by $156,454 from the previously issued financial statements.

Hillsborough County Aviation Authority

Schedule of Changes in Total OPEB Liability
Years Ended December 31, 2018 and 2017

	2018	2017
Total OPEB Liability		
Service Cost	$ 250,660	$ 326,187
Interest Cost	201,604	183,639
Changes in assumptions	(374,586)	(429,676)
Benefit payments	(225,429)	(171,000)
Net Change in total OPEB liability	(147,751)	(90,850)
Total OPEB liability – beginning	5,415,657	5,506,507
Total OPEB liability – ending	$ 5,267,906	$ 5,415,657
Covered employee payroll	$ 43,615,427	$ 42,140,509
Total OPEB Liability as a percentage of covered employee payroll	12%	13%

This schedule is to be built prospectively until it contains ten years of data

The data recorded in the Schedule of Changes in the Total OPEB Liability for the Authority's are based upon the measurement dates of September 30, 2018 and 2017. The changes in the assumptions during the fiscal year ended September 30, 2018 reflects the changes in the discount rate, which was increased from 3.63% to 4.18%. The changes in the assumptions during the fiscal year ended September 30, 2017, reflects the changes in the discount rate, which was increased from 3.06% to 3.63%.

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*

	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.121262752%	0.118370628%	0.118844480%	0.113335017%	0.109354355%
Authority's Proportionate Share of the Net Pension Liability	$ 36,524,969	$ 35,013,237	$ 30,008,324	$ 14,638,737	$ 6,672,224
Authority's Covered-Employee Payroll	$ 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	99.72%	100.69%	88.74%	46.60%	23.33%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	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*

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 3,543,790	$ 3,092,919	$ 3,121,541	$ 2,794,783	$ 2,403,034
Contributions in Relation to the Contractually Required Contribution	(3,543,790)	(3,092,919)	(3,121,541)	(2,794,783)	(2,403,034)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Authority's Covered-Employee Payroll	$ 36,628,017	$ 35,305,299	$ 36,325,660	$ 31,966,393	$ 28,718,892
Contributions as a Percentage of Covered Employee Payroll	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*

	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.135788317%	0.130842975%	0.130355889%	0.121545164%	0.117391378%
Authority's Proportionate Share of the Net Pension Liability	$ 14,371,988	$ 13,990,335	$ 15,192,439	$ 12,395,695	$ 10,976,380
Authority's Covered-Employee Payroll	$ 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	31.60%	33.21%	38.33%	33.31%	32.39%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	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*

	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 750,158	$ 706,888	$ 698,655	$ 508,940	$ 403,596
Contributions in Relation to the Contractually Required Contribution	(750,158)	(706,888)	(698,655)	(508,940)	(403,596)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Authority's Covered-Employee Payroll	$ 45,478,820	$ 43,024,674	$ 42,985,687	$ 37,942,363	$ 34,065,788
Contributions as a Percentage of Covered Employee Payroll	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, 2018 (UNAUDITED)

Revenue Bond Issue	Original Issuance	Redeemed in Prior Years	Refunded in Current Year	Redeemed In Current Year	Outstanding September 30, 2018
1996B	$ 55,325,000	$ 52,120,000	$ -	$ 3,205,000	$ -
2008A	133,000,000	-	133,000,000	-	-
2008C	34,780,000	25,155,000	9,625,000	-	-
2008D	11,250,000	8,140,000	3,110,000	-	-
2009A	48,095,000	41,060,000	-	7,035,000	-
2013A	38,635,000	5,955,000	-	-	32,680,000
2013B	35,235,000	10,790,000	-	1,470,000	22,975,000
2013C	34,095,000	22,105,000	-	5,965,000	6,025,000
2013A Subordinated	168,865,000	40,115,000	-	-	128,750,000
2015A Senior	148,210,000	-	-	-	148,210,000
2015B Senior	43,160,000	27,700,000	-	15,460,000	-
2015C Senior	18,710,000	-	-	-	18,710,000
2015A Subordinated	19,590,000	-	-	-	19,590,000
2015B Subordinated	153,915,000	-	-	-	153,915,000
2015A CFC	88,975,000	-	-	-	88,975,000
2015B CFC	294,350,000	-	-	-	294,350,000
2016A Senior	16,425,000	-	-	5,000,000	11,425,000
2017A Senior	54,665,000	-	-	-	54,665,000
2018A Senior	48,810,000	-	-	-	48,810,000
2018B Senior	32,175,000	-	-	-	32,175,000
2018C Senior	26,665,000	-	-	-	26,665,000
2018D Senior	31,320,000	-	-	-	31,320,000
Total	$ 1,536,250,000	$ 233,140,000	$ 145,735,000	$ 38,135,000	$ 1,119,240,000

HILLSBOROUGH COUNTY AVIATION AUTHORITY
REVENUE FUND
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS
YEAR ENDED SEPTEMBER 30, 2018 (UNAUDITED)

	Depository Account	Operating Reserve Account
Balance, October 1, 2017	$ 10,326,069	$ 20,415,407
Receipts:		
Interest	5,877	237,002
Revenue	205,056,331	-
Government Grants	23,279	-
Parking	80,585,791	-
Ground Transportation	49,079	-
Transfers from:		
Debt Reserve Fund	1,748,858	-
Revenue Fund	6,541,825	1,013,928
Surplus Fund	91,953,609	-
CFC Surplus	1,255,952	
Intrafund Transfers and Other Deposits	3,181,630	-
Total Available	400,728,300	21,666,337
Disbursements:		
Sales Taxes	(6,173,629)	-
Transfers to:		
Operations and Maintenance Fund	(128,576,010)	-
Sinking Fund	(49,033,177)	-
Surplus Fund	(149,051,768)	-
Imprest Fund	(1,526,701)	-
Operating Reserve	(1,013,928)	-
Customer Facility Charges	(44,518,137)	-
Intrafund Transfers and Other Costs	(1,246,121)	
Total Disbursements	(381,139,471)	-
Balance, September 30, 2018	$ 19,588,829	$ 21,666,337

HILLSBOROUGH COUNTY AVIATION AUTHORITY
SINKING FUND
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS
YEAR ENDED SEPTEMBER 30, 2018 (UNAUDITED)

	Interest Account	Principal Account	Capitalized Interest Account
Balance, October 1, 2017	$ 55,505	$ 139,758	$ 4,752
Receipts:			
Interest	212,366	290,996	44,249
Transfers from:			
Revenue Fund	17,933,177	31,100,000	-
Reserve Fund	-	5,009,363	233,758
2017A Bonds Proceeds	-	-	3,290,440
PFCs	18,661,495	2,048,057	-
CFCs	18,229,624	-	-
Total Receipts	55,036,662	38,448,416	3,568,447
Disbursements:			
Transfers to:			
Debt Service Paid from Revenue Fund	(14,108,668)	(31,100,000)	-
Debt Service Paid from PFCs	(18,661,495)	(7,035,000)	-
Debt Service Paid from CFCs	(18,229,624)	-	-
Debt Service Paid from Capitalized Interest	-	-	(1,084,553)
Other Transfers and Costs	(3,878,912)	(139,758)	(1,920)
Total Disbursements	(54,878,699)	(38,274,758)	(1,086,473)
Balance, September 30, 2018	$ 213,468	$ 313,416	$ 2,486,726

Investment Details

	Due Date	Amortized Cost	Fair Value
Tnote	9/30/20	232,447	229,392
Tnote	3/31/20	699,409	690,618
Tnote	3/31/19	697,256	695,278
Tnote	9/30/19	699,536	694,072

HILLSBOROUGH COUNTY AVIATION AUTHORITY
OPERATING AND MAINTENANCE FUND
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS
YEAR ENDED SEPTEMBER 30, 2018 (UNAUDITED)

Balance, October 1, 2017	$ 16,998,930
Receipts:	
Transfers from:	
Revenue Fund	128,576,010
Capital Improvement Fund	2,953,915
PFC Fund	81,195
Surplus Fund	9,024,742
2018 Bonds Proceeds for the Payments of the Issue Costs	431,061
Other Interfund Transfers	3,961,224
Other Deposits	1,680,570
Total Available	163,707,647
Disbursements:	
Disbursements to Payroll	(46,630,089)
Contribution to Florida Retirement System	(6,263,280)
Transfer to Surplus Fund	(5,157,701)
Transfer to Imprest Fund	(60,430,052)
Transfer to Self Insurance	(6,986,472)
Other Fund Transfers	(4,852,180)
Payments, including voids	(19,723,595)
Total Disbursements	(150,043,369)
Balance September 30, 2018	$ 13,664,278

HILLSBOROUGH COUNTY AVIATION AUTHORITY
RESERVE FUND
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS
YEAR ENDED SEPTEMBER 30, 2018 (UNAUDITED)

Balance, October 1, 2017	$ 81,502,954
Receipts:	
Interest	2,003,884
2017A Bonds Proceeds	5,466,500
Surplus Fund	9,574,264
Other Transfers	7,704
Total Available	98,555,306
Disbursements:	
Transfers to:	
Revenue Fund	(1,748,858)
Sinking Fund	(5,243,120)
2018ABCD Refunding	(7,350,011)
Total Disbursements	(14,341,989)
Balance, September 30, 2018	$ 84,213,317

Investment Detail

	Due Date	Amortized Cost	Fair Value
T-Bond	02/15/19	$ 2,828,316	$ 2,854,354
T-Note	08/15/21	3,717,582	3,643,603
T-Note	08/15/20	3,997,037	3,929,802
T-Note	08/15/23	3,899,542	3,776,149
T-Note	05/15/30	26,363,889	25,086,092
T-Note	08/15/22	5,383,821	5,262,962
T-Note/T-Bond	08/15/28	13,966,396	13,945,626
T-Note	05/15/23	4,094,464	3,998,349
T-Note	05/15/30	5,345,427	5,063,837
T-Note	09/30/24	5,447,344	5,263,018
		$ 75,043,818	$ 72,823,792

HILLSBOROUGH COUNTY AVIATION AUTHORITY
SURPLUS FUND
SCHEDULE OF CASH AND INVESTMENT TRANSACTIONS
YEAR ENDED SEPTEMBER 30, 2018 (UNAUDITED)

Balance, October 1, 2017	$ 91,953,609
Receipts	
Interest	54,569
Transfers from Revenue Fund	149,051,768
Transfer from O&M Fund	5,157,701
Other Interfund Transfers	300
Total Available	246,217,947
Disbursements:	
Transfer to Revenue Fund	(91,953,609)
Transfer to Capital Improvement Fund	(59,866,074)
Bank Notes Principal Payments	(4,203,527)
Transfer to Equipment	(2,779,900)
Transfer to Reserve	(9,574,264)
Transfer to Imprest Fund	(1,034,122)
Transfer to O&M for Rev Sharing	(9,024,742)
Funding Unused Commitment Fee	(32,529)
Other Costs	(290,290)
	(178,759,057)
Balance, September 30, 2018	$ 67,458,890

Investment Detail	Due Date	Amortized Costs	Fair Value
Certificate Deposit	12/2018	$ 3,874,820	$ 3,874,820

Hillsborough County Aviation Authority

Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2018

Federal/State Agency, Federal Program/State Project	Contract/ Grant Number	CFDA/ CSFA Number	Current Year Expenditures
US Department of Transportation			
Federal Aviation Administration,			
Airport Improvement Program (Direct)			
	3-12-0078-63	20.106	$ 3,681,727
	3-12-0078-64	20.106	5,755,897
	3-12-0079-03	20.106	2,148,305
Total Expenditures of Federal Awards			$ 11,585,929

See accompanying notes to schedule.

Hillsborough County Aviation Authority

Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2018

Federal/State Agency, Federal Program/State Project	Contract/ Grant Number	CFDA/ CSFA Number	Current Year Expenditures
Florida Department of Transportation,			
Aviation Development Grant (Direct)	G0A35/415759-1	55.004	$ 182,430
	ARQ09/422551-2	55.004	1,438,985
	ARL70/422551-3	55.004	151,772
	AR390/425920-2	55.004	664,491
	AR639/425921-1	55.004	132,783
	ARO63/428057-2	55.004	836,279
	ARL67/428057-4	55.004	38,193
	ARL68/428057-8	55.004	28,077
	ARJ64/428057-9	55.004	201,200
	ARO66/428078-1	55.004	1,725,431
	ARO65/428078-2	55.004	357,731
	G0394/429600-1	55.004	161,133
	G0569/429603-1	55.004	165,687
	G0571/429604-1	55.004	262,500
	G0927/429607-1	55.004	490,101
	G0928/429614-1	55.004	63,596
	G0930/429617-1	55.004	14,139
	G0572/429641-1	55.004	51,900
	G0931/429642-1	55.004	98,600
	G0932/429649-1	55.004	16,054
	G0H38/431248-1	55.004	145,275
	G0J87/431249-1	55.004	40,612
	G0J86/431250-1	55.004	82,654
	G0J85/431252-1	55.004	325,695
	G0J84/431253-1	55.004	79,442
	G0J83/431254-1	55.004	15,606
	G0J82/431257-1	55.004	168,682
	G0H07/431269-1	55.004	13,956
	G0H08/431270-1	55.004	8,660
	G0H09/431271-1	55.004	107,200
	G0G28/431300-1	55.004	1,158,042
	AQQ06/431497-1	55.004	367,056
	ARQ11/431792-1	55.004	48,532
	G0L77/432973-1	55.004	2,644,319
	G0S64/432979-1	55.004	26,872
	G0S61/432980-1	55.004	8,992
	ARJ32/435722-1	55.004	29,985
	G0R07/435722-1	55.004	4,000,000
	G0898/438693-1	55.004	9,463
	G0897/438694-1	55.004	4,488
	G0C59/438695-1	55.004	9,633
	G0895/438697-1	55.004	266
	G0892/438700-1	55.004	83,650
Total State Financial Assistance			$ 16,460,162
Total of Expenditures of Federal Awards and State Financial Assistance			$ 28,046,091

(Concluded)

See accompanying notes to schedule.

Note 1. Summary of Significant Accounting Policies

The Schedule of Expenditures of Federal Awards and State Financial Assistance is prepared on the accrual basis of accounting. Such expenditures are reported following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and Chapter 10.550, *Rules of the 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 of expenditures of federal awards and state financial assistance includes the federal and state award activity of the Authority under programs of the federal and state government for the year ended September 30, 2018. 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, 2018.

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, 2018

Lexington Insurance Company
Property Coverage:

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

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

Travelers Casualty and Surety Company of America
Crime Coverage:

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

Hillsborough County Aviation Authority

Summary Schedule of Insurance Policies (Continued)
September 30, 2018

Beazley – Syndicate 2623/623 at Lloyd's		
Cyber Risk Coverage:		
Security and privacy	$	5,000,000
Deductible	$	50,000
Crisis management	$	1,000,000
Deductible	$	10,000
Cyber extortion	$	5,000,000
Deductible	$	50,000
Commerce and Industry Insurance Company		
Florida Storage Tank Third-Party Liability, Corrective Action and Clean Up Costs Coverage:		
Each incident	$	1,000,000
Aggregate Limit	$	2,000,000
Deductible	$	25,000
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
Automible Physical Damage		
(On and Off Premises) Lesser of Actual Cash Value or Repair		
Uninsured Motorist Coverage	$	100,000
Personal Injury Protection	Statutory	
Florida No-Fault (Statutory)		
Deductible – Comp/Collision	$1,000 / 5,000	
Hired Car Liability	$	1,000,000
Hired Car Physical Damage Deductible		
Comprehensive	$	100
Collision	$	500
Chubb Ace American Insurance Company		
Florida Storage Tank Third-Party Liability, Corrective Action and Clean Up Costs Coverage:		
Each incident	$	1,000,000
Aggregate Limit	$	2,000,000
Deductible	$	25,000

Hillsborough County Aviation Authority

Summary Schedule of Insurance Policies (Continued)
September 30, 2018

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	$	300,000,000
War/Terrorism	$	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
Deductible (All Other Perils)	$	1,000
Windstorm greater of 2% of damaged item or	$	1,000
Indian Harbor Insurance Company		
Law Enforcement Liability:		
Each Claim	$	1,000,000
Each Occurrence	$	1,000,000
Aggregate	$	2,000,000
Deductible	$	25,000

Hillsborough County Aviation Authority

Summary Schedule of Insurance Policies (Continued)
September 30, 2018

<u>Gerber Life Insurance Company</u>	
Travel:	
Members of the Board	$ 400,000
Full-time Employees	
3 Times Base Earnings subject to a $500,000 Max	
<u>National Union Fire Insurance Company of Pittsburgh, PA</u>	
Blanket Accident Insurance:	
Coverage:	
While Engaged in Performance of Duties is Accidentally Killed or Receives Bodily Injury	$72,764 Max
Coverage:	
Accidentally Killed or Dismembered While Responding to an Emergency / Perceived Emergency (additional)	$72,764 Max
Coverage:	
Individual Unlawfully or Intentionally Dismembered, Killed or Injured by Another Person (additional)	$72,764 Max
<u>The Insurance Company of the State of Pennsylvania</u>	
Foreign Travel Policy:	
General Aggregate	$ 2,000,000
Foreign General Liability	$ 1,000,000
Foreign Business Auto	$ 1,000,000
Ransom / Extortion	$ 1,000,000
<u>American Bankers Insurance Company of Florida</u>	
Flood Insurance:	
815 Stevern Avenue Building	$ 404,100
Deductible	$ 2,000
825 Severn Avenue Building	$ 500,000
Deductible	$ 2,000

Hillsborough County Aviation Authority

Summary Schedule of Insurance Policies (Continued)
September 30, 2018

PROJECT INSURANCE PROGRAM

Primary Liability and Workers' Compensation

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

Excess Liability

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

Builders' Risk

Limits:		
Total Project Value	$	592,284,657
Delay in Completion	$	40,400,000
Named Windstorm Limit	$	50,000,000
Flood Limit	$	50,000,000
Earth Movement Limit	$	50,000,000
ACE American Insurance Company		25%
Beazley		25%
Travelers		20%
Allianz		20%
Berkshire Hathaway – National Fire & Marine		10%
Deductible		
All Other Perils	$	50,000
Delay in Completion	30 days	
Named Windstorm	3%/$100K min	
Flood	3%/$100K min	
Earth Movement	$	100,000

Hillsborough County Aviation Authority

Summary Schedule of Insurance Policies (Continued)
September 30, 2018

Ironshore Speciality Insurance Company		
Enviornmental/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 Professinal 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, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2019. Our report includes an emphasis of a matter paragraph for the adoption of GASB Statement No. 75.

Internal Control Over Financial Reporting

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

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

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

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

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

RSM US LLP

Tampa, Florida
February 14, 2019

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, 2018. The Authority's major federal program and major state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program and the Major State Project
In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and major state project for the year ended September 30, 2018.

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

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

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

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

RSM US LLP

Tampa, Florida
February 14, 2019

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, 2018

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, 2018. 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, 2018.

Internal Control Over Compliance

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

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

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

Restriction on Use

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

RSM US LLP

Tampa, Florida
February 14, 2019

Hillsborough County Aviation Authority

Schedule of Passenger Facility Charges (PFC) Collected and Expended
Year Ended September 30, 2018

Quarter Ended		Beginning Balance Unliquidated PFCs		PFC Collections		Interest Earned		Expenditures		Ending Balance Unliquidated PFCs
December 31, 2017	$	(213,091,577)	$	9,464,600	$	7,065	$	4,442,248	$	(199,177,664)
March 31, 2018		(199,177,664)		11,050,010		7,862		(26,843,847)		(214,963,639)
June 30, 2018		(214,963,639)		10,682,452		9,072		(9,262,510)		(213,534,625)
September 30, 2018		(213,534,625)		9,655,179		9,918		(79,153,800)		(283,023,328)

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, 2018. 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 Fadcility Charges
Year Ended September 30, 2018

I – Summary of Independent Auditor's Results

Schedule of Passenger Facility Charges (PFC) Collected and Expended

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	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

Passenger Facility Charge Program

Internal control over the program:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes	X None Reported
Type of auditor's report issued on compliance for the program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Passenger Facility Charges Audit Guide for Public Agencies?	____ Yes	X No

II – Financial Statements Findings

No matters to report

III – Findings and Questioned Costs for the Program

No matters to report

Hillsborough County Aviation Authority

Summary Schedule of Prior Audit Findings
Passenger Facilities Charge Program
Year Ended September 30, 2018

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, 2018, and issued our report thereon dated February 14, 2019.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financing Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance For Each Major Federal Program and State Project; Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 14, 2019, 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, 2018, 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
February 14, 2019

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, 2018. 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, 2018.

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

RSM US LLP

Tampa, Florida
February 14, 2019