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**Sarasota Manatee Airport Authority
Sarasota, FL**

**Financial Statements with Management's
Discussion and Analysis including
Supplementary and Compliance
Reports and Schedules**

For the years ended September 30, 2019, and September 30, 2018

**Prepared by:
Finance Department**

Sarasota Manatee Airport Authority

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Independent Auditor's Report

To the Members of the Board
Sarasota Manatee Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Pension Trust Fund of the Sarasota Manatee Airport Authority (the "Authority") as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the Sarasota Manatee Airport 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Pension Trust Fund of the Sarasota Manatee Airport Authority as of September 30, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Financial Statements and Restatement

The financial statements of the Enterprise Fund and the Pension Trust Fund of the Sarasota Manatee Airport Authority as of and for the year ended September 30, 2018 were audited by a predecessor auditor, which expressed unmodified opinions on the Enterprise Fund and the Pension Trust Fund. The predecessor auditor's report was dated January 14, 2019.

To the Members of the Board
Sarasota Manatee Airport Authority

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sarasota Manatee Airport Authority's basic financial statements. The supplemental schedules, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, schedule of expenditures of state financial assistance projects, and schedule of passenger facility charges collected and expended are presented for the purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"); Chapter 10.550 of the Rules of the Auditor General-Local Governmental Entity Audits; and *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, respectively, and are also not a required part of the basic financial statements.

The supplemental schedules, the schedule of expenditures of federal awards, the schedule of expenditures of state financial assistance projects, 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. 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 supplemental schedules, the schedule of expenditures of federal awards, the schedule of expenditures of state financial assistance projects, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2020 on our consideration of the Sarasota Manatee Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sarasota Manatee Airport Authority's internal control over financial reporting and compliance.



January 10, 2020

The following Management's Discussion and Analysis ("MD&A") of the Sarasota Manatee Airport Authority's (the "Authority") activities and financial performance provides an introduction to the basic financial statements of the Authority for the years ended September 30, 2019 and 2018 with comparative information for the year ended September 30, 2017. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and the notes thereto, which are essential to a full understanding of the financial statement data.

Authority Background and History

The Authority is an independent special district pursuant to the constitution and laws of Florida, particularly Chapter 2003-309, Laws of Florida, as amended (the "Act"), revising and consolidating Chapter 31263, Special Laws of Florida, 1955, which, by the Act, authorized the Authority to own and operate the Sarasota Bradenton International Airport (the "Airport"). The Authority has jurisdiction, control, supervision and management of the Airport.

The Authority's Board consists of six members who are appointed on a non-partisan basis to four-year staggered terms. The Act requires that three members of the Authority be residents of, and be appointed within, each of Sarasota and Manatee Counties. The Act further requires that the Chairperson elected by the members thereof alternates county representation annually.

The Airport is situated on approximately 1,100 acres located in Sarasota and Manatee Counties and the City of Sarasota. It is classified as a small hub airport by the Federal Aviation Administration ("FAA").

The Airport has two crossing asphalt-surfaced runways, 4/22 (NE/SW) and 14/32 (SE/NW). Both runways were built in the early 1940s. Runway 4/22, at 5,004 feet long, is used almost exclusively by general aviation aircraft. Runway 14/32 was extended in 1969 to 7,003 feet and again in 2001 to its present length of 9,500 feet. As the main carrier runway, it is used by commercial jets, as well as general aviation aircraft.

The current terminal building opened to travelers on October 29, 1989. It is located southwest of the intersection of runways 4/22 and 14/32 and has approximately 240,000 square feet of interior space. Significant terminal renovations and upgrades were completed in June of 2015, including renovations to the baggage wing, ticket wing, and the concourse. A project to realign and expand the roadway and curbside area in front of the terminal building was completed in June 2017. Construction on a new Air Traffic Control Tower ("ATCT") was completed and commissioned in June of 2018. The ATCT is 139 feet tall and cost approximately \$25 million to complete. The new ATCT provided a better line of sight for controllers and allows development of the North Quad area. Construction began in 2019 on the North Quad, which installed the road and utility infrastructure for future development. The Airport's 30-year-old loading bridges were replaced and upgraded to the latest technology. The loading bridge project was complete in September of 2019.

The Authority is self-supporting, using aircraft landing fees, fees from terminal and other rentals, and revenues from concessions to fund operating expenses. Operating expenses of the Authority are not taxpayer funded. Construction programs are funded by federal and state grants, Passenger Facility Charges ("PFCs"), Customer Facility Charges ("CFCs") and Authority revenues.

Sarasota Manatee Airport Authority
Management’s Discussion and Analysis
September 30, 2019 and 2018

Airport activities during 2019 as compared to 2018, and 2018 compared to 2017 are as follows:

	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Increase (Decrease)</u>	<u>FY 2017</u>	<u>% Increase (Decrease)</u>
Enplanements	887,284	642,486	38.1%	593,913	8.2%
Aircraft Operations	129,508	114,802	12.8%	100,575	14.1%
Landed Weight	968,778,550	698,520,009	38.7%	643,646,575	8.5%

Aviation is a highly cyclical industry that has been repositioning itself. Changes have been focused on building a new foundation for profitability which has primarily been centered upon adjustment in capacity and stimulation of improved yield for the airlines within the entire industry. The capacity adjustments at SRQ have been in step with changes across the nation. These changes are the foundation blocks for industry profitability and future growth at SRQ. With the desire of the Authority to increase air service to the Airport, the Authority passed several resolutions waiving fees, such as landing fees and terminal rent fees, to attract new air service.

The following is a summary of the financial results for the years ended September 30, 2019, 2018 and 2017:

Fiscal year 2019 operating revenue increased by 24.5% from 2018 due to an increase in passenger volume impacting building rentals, concessions and parking fees. In addition, a termination fee of \$1.2 million was paid to the Authority for the full rent and CAM charges for the remaining term of the Honeywell lease through 2021. Fiscal year 2018 operating revenue decreased by 2.1% from 2017 as a result of a decrease in building rentals. A large percentage of operating revenues at the Authority is directly related to passenger volumes and aircraft operations.

In fiscal year 2019, operating expenses before depreciation and amortization increased 17.1% from 2018 due to Salaries, Marketing and increased expenses as a direct result of increased passengers. In fiscal year 2018, operating expenses before depreciation and amortization decreased 0.3% over 2017.

Non-operating revenues and expenses in fiscal year 2019 increased 19.8% from 2018 from an increase in Customer Facility Charges and Passenger Facility Charges. Non-operating revenues and expenses in fiscal year 2018 increased 60.9% from 2017 from the sale of land and increase in customer facility charge.

Capital contributions decreased 12.2% in 2019. Capital contributions increased 86.2% in 2018. These fluctuations are influenced by factors such as grant availability and project timing.

The financial statements contain adoption of Governmental Accounting Standards Board (“GASB”) Statement No. 75-*Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* (“OPEB”).

Summary of Operations and Changes in Net Position

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Operating revenues	\$ 22,523,646	\$ 18,087,441	\$ 18,480,481
Operating expenses	<u>(29,694,049)</u>	<u>(25,488,656)</u>	<u>(25,050,712)</u>
Loss before non-operating revenues and expenses	(7,170,403)	(7,401,215)	(6,570,231)
Non-operating revenues and expenses, net	<u>7,267,723</u>	<u>6,068,333</u>	<u>3,771,972</u>
Loss before capital contributions	97,320	(1,332,882)	(2,798,259)
Capital contributions	<u>7,886,313</u>	<u>8,977,187</u>	<u>4,820,633</u>
Increase in Net Position	7,983,633	7,644,305	2,022,374
Net Position - beginning of year, as previously reported	165,442,202	157,797,897	156,145,688
Cumulative effect of change in accounting principle	<u>-</u>	<u>-</u>	<u>(370,165)</u>
Restated beginning Net Position	165,442,202	157,797,897	155,775,523
Net Position - end of year	\$ <u>173,425,835</u>	\$ <u>165,442,202</u>	\$ <u>157,797,897</u>

Summary of Net Position

Over time, net position may serve as a useful indicator of the Authority's financial position. The Authority's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by approximately \$173.4 million at September 30, 2019, a net \$8 million increase over September 30, 2018. The Authority's assets and deferred outflow of resources exceeded liabilities and deferred inflow by approximately \$165.4 million at September 30, 2018, a \$7.6 million increase from the September 30, 2017 balance.

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Assets:			
Current and other assets	\$ 26,519,696	\$ 28,207,579	\$ 27,913,102
Capital assets, net	<u>155,518,134</u>	<u>148,495,893</u>	<u>140,235,863</u>
Total Assets	<u>\$ 182,037,830</u>	<u>\$ 176,703,472</u>	<u>\$ 168,148,965</u>
Deferred outflow of resources	<u>\$ 2,193,603</u>	<u>\$ 1,498,282</u>	<u>\$ 1,762,329</u>
Liabilities:			
Other liabilities	\$ 4,174,702	\$ 6,730,717	\$ 5,316,854
Net pension and OPEB liability	<u>6,268,681</u>	<u>5,130,809</u>	<u>6,230,158</u>
Total Liabilities	<u>\$ 10,443,383</u>	<u>\$ 11,861,526</u>	<u>\$ 11,547,012</u>
Deferred inflow of resources	<u>\$ 362,215</u>	<u>\$ 898,026</u>	<u>\$ 566,385</u>
Net Position:			
Net investment in capital assets	\$ 155,518,134	\$ 148,495,893	\$ 140,235,863
Restricted	2,680,965	865,664	826,720
Unrestricted	<u>15,226,736</u>	<u>16,080,645</u>	<u>16,735,314</u>
Total net position	<u>\$ 173,425,835</u>	<u>\$ 165,442,202</u>	<u>\$ 157,797,897</u>

Summary of Net Position

The largest portion of the Authority’s net position each year represents its investment in capital assets (e.g., land, buildings, improvements and equipment), less the related indebtedness outstanding used to acquire and construct those capital assets. The Authority had no related debt for the years ended 2019, 2018 and 2017. The Authority uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending.

An additional portion of the Authority’s net position represents CFCs and PFCs that are restricted. CFCs are restricted by Federal regulations and the Final Agency Decision Letter from the FAA Airport District Office. CFCs are regulated at the state level. The remaining unrestricted net position may be used to meet any of the Authority’s ongoing obligations.

Airport Use Agreements

On October 1, 2018, the Authority entered into new five-year Airport Use Agreements with four of the principal commercial air carriers that serve the airport. For 2019 and 2018, the signatory airlines were Delta Air Lines, JetBlue Airways, American Airlines and United Airlines.

The signatory airlines are granted the non-exclusive use of the Airport for the purpose of operating an air transportation system for the carriage of persons, property, cargo and mail, according to the rules and regulations of the Authority.

Rate and Charges

Each of the signatory airlines lease space in the terminal for its exclusive use with the right to make certain leasehold improvements. Each of the signatory airlines pays monthly: (1) rentals for terminal building space, (2) landing fees, and (3) preferential apron space rental. Rentals and landing fees may be adjusted by the Authority, usually on an annual basis, to maintain a balanced budget. Rates and charges for recent years are as follows:

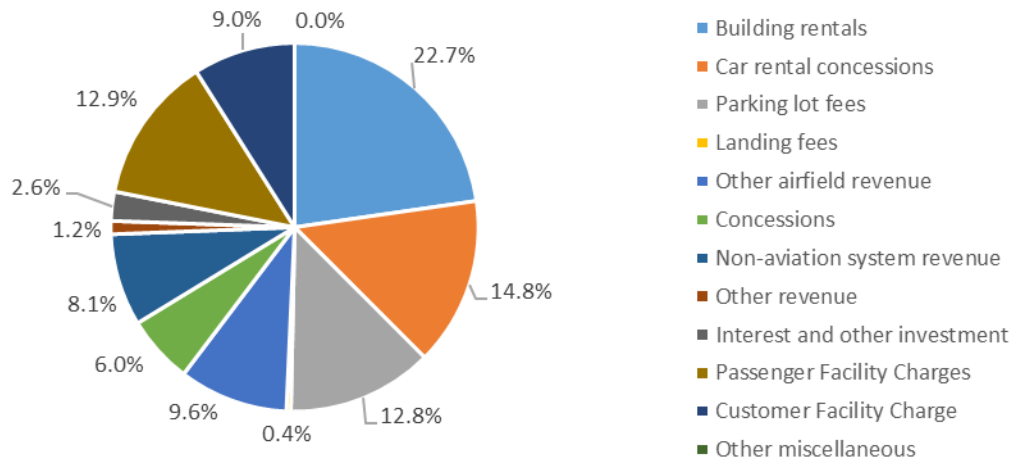
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Landing fee (per 1,000 lbs landed weight)			
Signatory	\$ 0.45	\$ 0.91	\$ 0.92
Non-Signatory	0.57	1.14	1.16
Average terminal rate (per square foot)			
Signatory	64.68	62.23	59.72
Non-Signatory	80.85	77.79	74.65
Apron fee rental (per linear foot)	264.77	252.13	242.71
Air cargo facility (per square foot)	11.22	11.22	11.22

Landing Fees

All costs of the airfield runway area, as well as the cost of unleased terminal space, are combined in a monthly landing fee based upon the signatory airline's aircraft arrivals during the month. The landing fee is computed by multiplying the maximum gross certified landing weight of the aircraft by a landing fee rate expressed in terms of thousand-pound units of landed weight.

	2019 Amount	Percent of Total	Increase (Decrease) from 2018	Percent Increase (Decrease)	Increase (Decrease) from 2017	Percent Increase (Decrease)
Operating Revenues:						
Building rentals	\$ 6,772,425	22.7%	\$ 807,368	14%	\$ (962,265)	-13.9%
Car rental concessions	4,404,986	14.8%	724,692	20%	180,092	5.1%
Parking lot fees	3,825,035	12.8%	1,080,030	39%	71,167	2.7%
Landing fees	117,080	0.4%	(35,928)	-23%	47,122	44.5%
Other airfield revenue	2,864,147	9.6%	463,372	19%	43,510	1.8%
Concessions	1,781,533	6.0%	441,997	33%	157,604	13.3%
Non-aviation system revenue	2,412,144	8.1%	779,386	48%	45,041	2.8%
Other revenue	346,296	1.2%	175,288	103%	24,689	16.9%
Total Operating Revenues	22,523,646	75.6%	4,436,205	25%	\$ (393,040)	-2.1%
Non-Operating Revenues:						
Interest and other investment income	763,967	2.6%	603,447	376%	(45,871)	-22.2%
Passenger Facility Charges	3,848,022	12.9%	1,220,354	46%	265,162	11.2%
Customer Facility Charges	2,676,869	9.0%	571,514	27%	902,673	75.1%
Other miscellaneous	-	0.0%	(1,174,790)	-100%	1,173,656	103.0%
Total Non-Operating Revenues	7,288,858	24.4%	1,220,525	20%	2,295,620	60.8%
Total Revenues	\$ 29,812,504	100.0%	\$ 5,656,730	23%	\$ 1,902,580	8.5%

The following chart shows the major sources and the percentage of revenues for the year ended September 30, 2019:

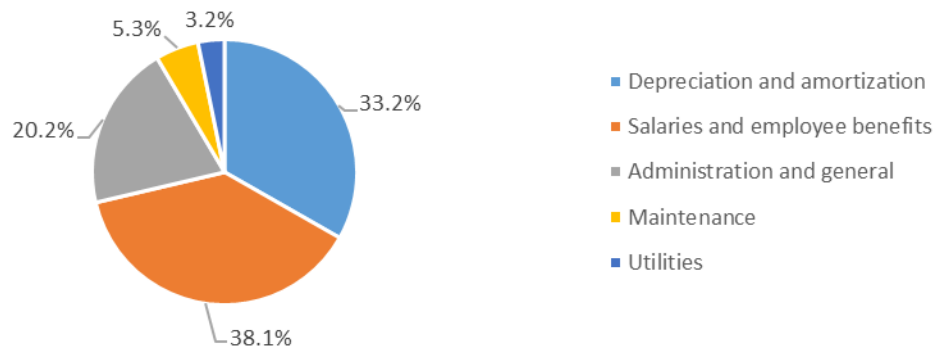


Expenses

A summary of expenses for the year ended September 30, 2019 and the amount and percentage of change in relation to 2018 and 2017 amounts are as follows:

	2019 Amount	Percent of Total	Increase (Decrease) from 2018	Percent Increase (Decrease)	Increase (Decrease) from 2017	Percent Increase (Decrease)
Operating Expenses:						
Depreciation and amortization	\$ 10,393,197	35.0%	\$ 1,390,505	15%	\$ 491,244	6%
Salaries and employee benefits	11,917,915	40.1%	1,027,727	9%	(101,935)	-1%
Administration and general	4,721,169	15.9%	1,359,698	40%	167,455	5%
Maintenance	1,647,629	5.5%	381,093	30%	(117,779)	-9%
Utilities	1,014,139	3.4%	46,370	5%	(1,041)	0%
Total Operating Expenses	<u>\$ 29,694,049</u>	<u>100.0%</u>	<u>\$ 4,205,393</u>	<u>16%</u>	<u>\$ 437,944</u>	<u>2%</u>

The following chart shows the major cost centers and the percentage of expenses for the year ended September 30, 2019:



Summary of Cash Flow Activities

The following show a summary of major sources and uses of cash and cash equivalents for the past three years. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments with an original maturity of three months or less.

	FY 2019	FY 2018	FY 2017
Cash Flows (used for) from Operating Activities	\$ (333,427)	\$ 510,301	\$ 600,020
Cash Flows from Capital and Related Financing Activities	(341,314)	(2,118,837)	(7,361,101)
Cash Flows from Non-Capital Financing Activities	-	-	1,134
Cash Flows from Investing Activities	(585,383)	(1,743,303)	(646,719)
Net decrease in Cash and Cash Equivalents	(1,260,124)	(3,351,839)	(7,406,666)
Cash and Cash Equivalents:			
Beginning of Year	<u>13,928,048</u>	<u>17,279,887</u>	<u>24,686,553</u>
End of Year	<u>\$ 12,667,924</u>	<u>\$13,928,048</u>	<u>\$17,279,887</u>

Summary of Cash Flow Activities (continued)

The Authority's available cash and cash equivalents decreased from approximately \$13.9 million at the end of fiscal year 2018 to approximately \$12.7 million at the end of fiscal year 2019 and decreased from approximately \$17.3 million at the end of fiscal year 2017 to approximately \$13.9 million at the end of fiscal year 2018.

Airport Statistics

The following operating and passenger data are provided for additional historical perspective, context and detail to assist in using the information in the Financial Statements and Notes to Financial statements to understand and assess the Authority's economic condition.

Fiscal Year Historical Passenger Enplanements

<u>Fiscal Year</u>	<u>Total</u>	<u>Yearly Percent Increase (Decrease)</u>	<u>Airport as Percent of U.S. Total</u>
2015	610,614	2.4%	0.09%
2016	602,488	-1.3%	0.09%
2017	593,913	-1.4%	0.09%
2018	642,486	8.2%	0.09%
2019	887,284	38.1%	0.09%

Calendar Year Historical Passenger Enplanements

<u>Calendar Year</u>	<u>Total</u>	<u>Yearly Percent Increase (Decrease)</u>	<u>Airport as Percent of U.S. Total</u>
2014	601,486	1.0%	0.08%
2015	612,438	1.8%	0.08%
2016	594,167	-3.0%	0.08%
2017	593,830	-0.1%	0.08%
2018	688,090	15.9%	0.08%

Airport Statistics (continued)

Fiscal Year	Airline Aircraft Departures		Enplaned Passengers per Departure
	Total Departures	Average Daily Departures	
2015	5,819	16	103
2016	5,875	16	104
2017	5,624	15	106
2018	6,343	17	94
2019	8,051	22	85

For fiscal year 2018, SRQ passenger traffic increased 8% over fiscal year 2017. This was primarily due to the addition of Allegiant Air which started service at SRQ on April 11, 2018, with service to three new destinations including Pittsburgh, Indianapolis, and Cincinnati. With the addition of Allegiant Air, the total number of air carriers operating at SRQ for fiscal year 2018 became seven.

For fiscal year 2019, SRQ passenger traffic increased 39% over fiscal year 2018. Frontier Airlines began service to SRQ on December 10, 2018, with service to three new destinations including Atlanta, Philadelphia, and Cleveland. With the addition of Frontier Airlines, the total number of air carriers operating at SRQ for fiscal year 2019 became eight. In addition to Frontier’s new service, other carriers operating at SRQ also increased service. Allegiant Air added nonstop service to nine new destinations including Asheville, Baltimore, Syracuse, Harrisburg, Richmond, Columbus, Cleveland, Grand Rapids, and Nashville. American Airlines started new seasonal service to Dallas-Ft. Worth, Chicago, and Philadelphia. American Airlines also up-gauged some of its Charlotte flights from regional jets to larger mainline jets. United Airlines announced it would add a second daily seasonal flight to Newark beginning on October 4, 2018, and would add nonstop service to Denver in March 2019. Elite Airways added new nonstop service to Traverse City on March 16, 2019. Delta Air Lines increased seat capacity by up-gauging aircraft equipment and adding additional frequency to Atlanta.

In fiscal year 2019, the top five airlines accounted for 94% of total enplanements. Delta Airlines ranked first in number of enplaned passengers (42%), with American Airlines ranking second (17%), Allegiant Air third (14%), United Airlines ranking fourth (12%) and JetBlue Airways fifth (9%). The tables below set forth information on passenger enplanements and landed weight by airlines. The Airport remains actively engaged in on-going marketing activities to enhance service by incumbent carriers as well as recruit service from airlines not currently serving the Airport Service Area.

Airport Statistics (continued)

Airline Passenger Enplanements					
Fiscal Years ended September 30, 2015 - 2019					
	2015	2016	2017	2018	2019
Delta	331,027	331,690	339,420	335,329	370,336
JetBlue	104,518	88,319	65,028	77,181	79,227
United	59,486	53,020	49,636	71,772	106,044
American	93,832	98,590	104,716	109,577	153,509
Allegiant	-	-	-	-	121,098
Frontier	-	-	-	-	28,856
Other Airlines ¹	21,751	30,869	35,113	48,627	28,214
Totals	<u>610,614</u>	<u>602,488</u>	<u>593,913</u>	<u>642,486</u>	<u>887,284</u>

Airline Market Shares					
Enplaned Passengers					
Fiscal Years ended September 30, 2015 - 2019					
	2015	2016	2017	2018	2019
Delta	54.2%	55.1%	57.1%	52.2%	41.7%
JetBlue	17.1%	14.7%	10.9%	12.0%	8.9%
United	9.7%	8.8%	8.4%	11.2%	12.0%
American	15.4%	16.4%	17.6%	17.1%	17.3%
Allegiant	-	-	-	-	13.6%
Frontier	-	-	-	-	3.3%
Other Airlines ¹	3.6%	5.0%	6.0%	7.5%	3.2%
Totals	<u>100.0%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

¹ Includes Air Canada, Elite, Raven Air, Republic, Sun Country & WestJet

Airport Statistics (continued)

Airline Landed Weights					
Fiscal Years ended September 30, 2015 - 2019					
(in thousand pounds)					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Delta	360,700	348,671	343,754	351,141	376,811
JetBlue	116,762	99,386	71,472	87,133	89,022
United	69,508	64,943	57,044	73,341	129,680
American	109,503	126,300	126,213	120,512	182,082
Allegiant	-	-	-	-	118,990
Frontier	-	-	-	-	28,485
Other Airlines ¹	<u>27,778</u>	<u>35,674</u>	<u>45,163</u>	<u>66,393</u>	43,708
Totals	<u><u>684,251</u></u>	<u><u>674,974</u></u>	<u><u>643,646</u></u>	<u><u>698,520</u></u>	<u>968,778</u>

Airline Market Shares					
Landed Weights					
Fiscal Years ended September 30, 2015 - 2019					
<u>Share of total landed weight</u>					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Delta	52.7%	51.7%	53.4%	50.3%	38.9%
JetBlue	17.1%	14.7%	11.1%	12.5%	9.2%
United	10.2%	9.6%	8.9%	10.5%	13.4%
American	16.0%	18.7%	19.6%	17.3%	18.8%
Allegiant	-	-	-	-	12.3%
Frontier	-	-	-	-	2.9%
Other Airlines ¹	<u>4.0%</u>	<u>5.3%</u>	<u>7.0%</u>	<u>9.4%</u>	<u>4.5%</u>
Totals	<u><u>100.0%</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>	<u>100%</u>

¹ Includes Air Canada, Elite, Raven Air, Republic, Sun Country & WestJet

Aircraft Operations

The volume of aircraft operations at the Airport, as reported by the FAA air traffic control tower, is presented below. Aircraft operations consist of aircraft landings and departures and are reported by the FAA in four categories: air carrier, air taxi and commuter airline, general aviation, and military. Aircraft operations for fiscal year 2019 totaled 129,508.

Aircraft Operations					
Fiscal Years ended September 30, 2015 - 2019					
Fiscal Year	Air Carrier	Air Taxi and Commuter	General Aviation	Military	Total
2015	11,156	6,975	82,361	2,575	103,067
2016	11,528	7,666	83,956	2,469	105,619
2017	11,000	7,708	80,098	1,769	100,575
2018	12,128	9,177	91,300	2,197	114,802
2019	15,867	10,183	101,036	2,422	129,508

Financial Statements

The Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board ("GASB"). The bulk of the operations of the Authority is recorded in a single enterprise fund, with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and, except for land, depreciated over their useful lives.

The accompanying financial statements include statements for the enterprise fund and the Authority's employee pension plan. The enterprise fund statements are composed of the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. Net position is displayed in three components: net investment in capital assets, restricted, and unrestricted. The component of net position comprising net investment in capital assets is net of accumulated depreciation.

The Statements of Cash Flows present information showing how the Authority's cash and cash equivalents changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments as resulting from operating activities, capital and related financing activities, non-capital financing activities, and investing activities.

The pension fund statements include Statements of Plan Net Position and Statements of Changes in Plan Net Position.

Capital Acquisitions and Construction Activities

During fiscal year 2019, the Authority expended approximately \$18.1 million on capital activities. \$6.3 million was expended for the new loading bridges; \$2.7 million was expended on terminal redesign/renovations; \$3 million on master signage, rehab of runway 14, and ARFF truck; \$2.3 million on general improvements; \$2.4 million on the north quad; and \$1.2 million on the T-Hangars. Additionally, \$0.2 million was expended for capital equipment purchases.

During fiscal year 2019, many projects came to completion and were closed from construction-in-progress to their respective capital accounts. These projects totaled approximately \$36.6 million and were as follows:

Loading Bridges	\$	11,453,000
ATCT		9,656,000
T-Hangars		4,981,000
Ready Return Lot		4,639,000
Terminal Redesign		2,764,000
Airport Signage		1,262,000
ARFF Truck		821,000
General Improvements		600,000
IT Projects		433,000

Capital projects are funded using a variety of financing techniques, including federal grants with matching state grants, CFCs, PFCs and airport funds. Additional information on the Authority's capital asset commitments can be found in Note 9 – Commitments and Contingencies of the Notes to the Financial Statement.

Passenger Facilities Charges (PFC)

On June 29, 1992, the Authority received approval from the FAA of its first application to impose a \$3.00 PFC at the Airport effective September 1, 1992. The authorization to impose the PFC is contingent on continued compliance with the terms of Federal Aviation Regulations. A second application to use the proceeds of the first application was filed with the FAA and approval was granted in its Record of Decision dated January 31, 1995. Applications three and four were combined "impose and use" PFC applications and were approved by the FAA in Records of Decision dated December 15, 1995 and October 3, 2000, respectively. On February 22, 2002, an amendment to the fourth application was administratively approved by the FAA that increased the charge level from \$3.00 to \$4.50 per enplaned passenger and increased the approved collection amount.

On June 17, 2009, amendments to application numbers one, two and three were administratively approved by the FAA. The effect of these amendments was to decrease the allowed collection amounts in each application to the amounts already imposed and used for each project within those applications, effectively closing each one. At that time, PFC collections held in trust fund accounts totaled approximately \$5 million. These funds were then immediately available to be used for Application Four. On July 23, 2009, an amendment to Application Four was approved by the FAA that increased the allowed impose and use amount by \$22,194,844. The Authority again amended Application Four to reduce the allowed impose and use amount by \$887,886 and extend the estimated charge expiration date to February 2023. The charge expiration date was extended, despite the reduced impose and use amount, due to a reduction in actual and forecast enplanements from prior projections used to estimate the date in the FAA's approval of the prior

Passenger Facilities Charges (PFC) (continued)

amendment to PFC #4. On May 7, 2019, the Authority received approval for Application Five for \$8,817,424 to recover its costs in constructing the new Air Traffic Control Tower and construction and installation of 13 (thirteen) new loading bridges with a projected charge expiration date of February 2023.

Since inception of the PFC program, the Authority has collected approximately \$68.8 million, including interest earnings, and expended approximately \$68.5 million of these locally generated funds.

Economic Factors and Next Year's Budgets and Rates

For fiscal year 2018, SRQ passenger traffic increased 7.98% over fiscal year 2017. The fiscal year did not start out well as Hurricane Irma hit Florida in September 2017 causing over 80 cancelled flights at SRQ. WestJet announced it would cease operations, bringing the total number of air carriers at SRQ to six. Delta Air Lines cancelled one daily MD 88 arrival/departure through December 20, 2017 due to low bookings caused by the storm. In January 2018, things began to turn around with Allegiant Air announcing it would begin service at SRQ with three new nonstop destinations to Cincinnati (CVG), Indianapolis (IND), and Pittsburgh (PIT) starting in April 2018. This brought the total number of airlines serving SRQ to seven. For the summer of 2018, United Airlines decided to keep both the Chicago (ORD) and Newark (EWR) daily flights year-round, significantly increasing passenger traffic at SRQ.

For fiscal year 2019, SRQ passenger traffic increased 39% over fiscal year 2018. Frontier Airlines began service to SRQ on December 10, 2018, with service to three new destinations including Atlanta, Philadelphia, and Cleveland. With the addition of Frontier Airlines, the total number of air carriers operating at SRQ for fiscal year 2019 became eight. In addition to Frontier Airlines new service, other carriers operating at SRQ also increased service. Allegiant Air added nonstop service to nine new destinations including Asheville, Baltimore, Syracuse, Harrisburg, Richmond, Columbus, Cleveland, Grand Rapids, and Nashville. American Airlines started new seasonal service to Dallas-Ft. Worth, Chicago, and Philadelphia. American Airlines also up-gauged some of its Charlotte flights from regional jets to larger mainline jets. United Airlines announced it would add a second daily seasonal flight to Newark beginning on October 4, 2018 and would add nonstop service to Denver in March 2019. Elite Airways added new nonstop service to Traverse City on March 16, 2019. Delta Air Lines increased seat capacity by up-gauging aircraft equipment and adding additional frequency to Atlanta.

Airport management will continue to closely monitor the level of airline and passenger activity at SRQ to determine impacts on operating requirements and the fiscal year budget. The Authority reviews its airline rates and charges as part of the annual budget development and adoption process. The fiscal year 2019 budget rates and charges resulted in a decrease of 50.6% to Signatory landing fees and an increase of 3.9% in average terminal building rental rates.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional information should be addressed in writing to the Executive Vice President, Chief Financial Officer, Sarasota Manatee Airport Authority, 6000 Airport Circle, Sarasota, FL 34243 or by email to martin.lange@srq-airport.com.

Sarasota Manatee Airport Authority
 Statements of Net Position
 September 30, 2019 and 2018

Assets	2019	2018
Current Assets		
Cash and cash equivalents	\$ 10,534,653	\$ 13,632,620
Investments	11,106,473	9,757,123
Accounts receivable	712,538	459,458
Grants receivable	914,825	2,660,634
Inventory of materials and supplies	157,999	166,834
Prepaid expenses and other current assets	412,243	432,265
Total current assets	23,838,731	27,108,934
Non-Current Assets		
Restricted cash and cash equivalents	2,133,271	295,428
Restricted accounts receivable	547,694	570,236
Notes receivable	-	232,981
Capital assets, net	155,518,134	148,495,893
Total non-current assets	158,199,099	149,594,538
Total Assets	182,037,830	176,703,472
Deferred Outflow of Resources		
Deferred actuarial losses - pension	2,193,603	1,498,282
Total deferred outflow of resources	2,193,603	1,498,282

The accompanying notes are an integral part of these financial statements.

Sarasota Manatee Airport Authority
 Statements of Net Position (continued)
 September 30, 2019 and 2018

Liabilities	<u>2019</u>	<u>2018</u>
Current Liabilities		
Payable from unrestricted assets		
Accounts payable	\$ 2,630,219	\$ 5,017,986
Accrued expenses and other liabilities	1,544,483	1,667,547
Unearned revenue	-	45,184
	<u>4,174,702</u>	<u>6,730,717</u>
Total current liabilities		
Non-Current Liabilities		
Net pension liabilities	6,008,085	4,874,455
Total OPEB liabilities	<u>260,596</u>	<u>256,354</u>
Total non-current liabilities	<u>6,268,681</u>	<u>5,130,809</u>
Total liabilities	<u>10,443,383</u>	<u>11,861,526</u>
Deferred Inflow of Resources		
Deferred actuarial gains - pensions	265,168	776,717
Deferred actuarial gains - OPEB	<u>97,047</u>	<u>121,309</u>
Total deferred inflow of resources	<u>362,215</u>	<u>898,026</u>
Net Position		
Net investment in capital assets	155,518,134	148,495,893
Restricted	2,680,965	865,664
Unrestricted	<u>15,226,736</u>	<u>16,080,645</u>
Total net position	<u>\$ 173,425,835</u>	<u>\$ 165,442,202</u>

The accompanying notes are an integral part of these financial statements.

Sarasota Manatee Airport Authority
 Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Building rentals	\$ 6,772,425	\$ 5,965,057
Car rental concessions	4,404,986	3,680,294
Parking lot fees	3,825,035	2,745,005
Other airfield revenue	2,864,147	2,400,775
Concessions	1,781,533	1,339,536
Non-aviation system revenue	2,412,144	1,632,758
Landing fees	117,080	153,008
Other revenue	346,296	171,008
Total operating revenues	<u>22,523,646</u>	<u>18,087,441</u>
Operating Expenses		
Depreciation and amortization	10,393,197	9,002,692
Salaries and employee benefits	11,917,915	10,890,188
Administration and general	4,721,169	3,361,471
Maintenance	1,647,629	1,266,536
Utilities	1,014,139	967,769
Total operating expenses	<u>29,694,049</u>	<u>25,488,656</u>
Operating Loss	<u>(7,170,403)</u>	<u>(7,401,215)</u>
Non-Operating Revenues (Expenses)		
Interest and other investment income	763,967	160,520
Passenger Facility Charges	3,848,022	2,627,668
Customer Facility Charge	2,676,869	2,105,355
(Loss)gain on disposal of capital assets	(21,135)	1,174,790
Total non-operating revenues	<u>7,267,723</u>	<u>6,068,333</u>
Loss before Capital Contributions	<u>97,320</u>	<u>(1,332,882)</u>
Capital Contributions		
Federal and state grants	7,886,313	8,977,187
Total capital contributions	<u>7,886,313</u>	<u>8,977,187</u>
Change in Net Position	<u>7,983,633</u>	<u>7,644,305</u>
Total net position, beginning of year	<u>165,442,202</u>	<u>157,797,897</u>
Total net position, end of year, as restated	<u>\$ 173,425,835</u>	<u>\$ 165,442,202</u>

The accompanying notes are an integral part of these financial statements.

Sarasota Manatee Airport Authority
 Statements of Cash Flows
 For the Years Ended September 30, 2018 and 2017

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 22,303,589	\$ 18,493,716
Cash paid to employees	(11,984,030)	(11,430,119)
Cash paid to suppliers for goods and services	(10,652,986)	(6,553,296)
Net cash (used in) provided by operating activities	<u>(333,427)</u>	<u>510,301</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(16,520,869)	(14,958,543)
Purchases of intangible assets	-	(13,300)
Proceeds from sale of capital assets	-	1,202,373
Capital contributions and grants	15,608,041	10,747,960
Customer Facility Charges	571,514	902,673
Net cash used in capital and related financing activities	<u>(341,314)</u>	<u>(2,118,837)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(1,036,629)	(2,107,303)
Interest on investments	451,246	364,000
Net cash used in investing activities	<u>(585,383)</u>	<u>(1,743,303)</u>
Net Decrease in Cash and Cash Equivalents	(1,260,124)	(3,351,839)
Cash and Cash Equivalents, beginning of year	13,928,048	17,279,887
Cash and Cash Equivalents, end of year	<u>\$ 12,667,924</u>	<u>\$ 13,928,048</u>
Cash and Cash Equivalents:		
Unrestricted	\$ 10,534,653	\$ 13,632,620
Restricted	2,133,271	295,428
	<u>\$ 12,667,924</u>	<u>\$ 13,928,048</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	\$ (7,170,403)	\$ (7,401,215)
Adjustment to reconcile operating loss to net cash provided by Operations:		
Depreciation	10,179,664	8,871,000
Amortization	213,533	131,692
Decrease change in pension and OPEB	(93,260)	(503,661)
(Decrease) increase in accounts and notes receivable	(20,099)	387,347
Increase (decrease) in inventory, prepaid expenses and other assets	28,857	(70,263)
Decrease in accounts payable and accrued expenses	(3,471,719)	(904,599)
Net cash provided by operating activities	<u>\$ (333,427)</u>	<u>\$ 510,301</u>
Non cash investing activities		
Unrealized (loss) on investments	<u>\$ (312,721)</u>	<u>\$ (203,480)</u>
Non cash capital activities		
Purchase of capital assets through accounts payable	<u>\$ (915,704)</u>	<u>\$ (2,318,462)</u>
Gain on sale of capital assets	<u>\$ -</u>	<u>\$ 1,174,790</u>

The accompanying notes are an integral part of these financial statements.

Sarasota Manatee Airport Authority
Statements of Plan Net Position
Pension Trust Fund - Employee Retirement Fund
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Investments, at fair value		
Equity investments	\$ 8,295,177	\$ 8,242,615
Bonds/Fixed income	<u>16,190,128</u>	<u>14,855,844</u>
Total assets	<u>\$24,485,305</u>	<u>\$23,098,459</u>
Net Position		
Restricted for Pensions	<u>\$24,485,305</u>	<u>\$23,098,459</u>

Sarasota Manatee Airport Authority
 Statements of Changes in Plan Net Position
 Pension Trust Fund - Employee Retirement Fund
 For the Years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Additions		
Contributions		
Employer	<u>\$ 1,071,006</u>	<u>\$ 936,156</u>
Investment income		
Net depreciation in fair value of investments	<u>1,430,228</u>	<u>851,104</u>
Total additions	<u>2,501,234</u>	<u>1,787,260</u>
Deductions		
Benefits paid	<u>1,109,161</u>	<u>973,349</u>
Administrative expenses	<u>5,227</u>	<u>4,890</u>
Total deductions	<u>1,114,388</u>	<u>978,239</u>
Change in net position	<u>1,386,846</u>	<u>809,021</u>
Net Position		
Restricted for Pensions		
Beginning of year	<u>23,098,459</u>	<u>22,289,438</u>
End of year	<u>\$ 24,485,305</u>	<u>\$ 23,098,459</u>

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Nature of Entity

The Sarasota Manatee Airport Authority (the “Authority”) is an independent special district pursuant to the constitution and laws of Florida, particularly Chapter 2003-309, Laws of Florida, as amended (the “Act”), revising and consolidating Chapter 31263, Special Laws of Florida, 1955, which, by the Act, authorized the Authority to own and operate the Sarasota Bradenton International Airport (the “Airport”). The Authority has jurisdiction, control, supervision and management of the Airport.

The Authority’s Board consists of six members who are appointed on a non-partisan basis to four-year staggered terms. The Act requires that three members of the Authority be residents of, and be appointed within, each of Sarasota and Manatee Counties. It is mandated that the Chairperson elected by the members thereof alternates county representation on an annual basis.

The Airport is situated on approximately 1,100 acres located in Sarasota and Manatee Counties and the City of Sarasota. It is classified as a small hub airport by the Federal Aviation Administration (“FAA”).

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Authority’s financial statements are presented in the form of a single enterprise fund which encompasses all financial activity relative to owning, operating, and improving the Airport facilities plus a pension trust fund for the employee defined benefit pension plan.

Governmental proprietary operations (enterprise funds) and pension trust funds are accounted for using a flow of economic resources measurement focus on an accrual basis of accounting. Revenues are recognized in the period in which they are earned, and expenses are recognized in the period incurred.

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions which are capital, financing or investing related are reported as non-operating revenues. All expenses related to operating the Airport are reported as operating expenses.

Net position for enterprise funds on the accompanying Statements of Net Position is required to be segregated into the following three categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding debt balances attributable to the acquisition, construction or improvement of those assets.
- Restricted: Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations, or that expire by the passage of time. Such position included the Authority’s Customer Facility Charges (“CFCs”) and Passenger Facility Charges (“PFCs”).

Significant Accounting Policies (continued)

- Unrestricted: Net position that is not subject to externally imposed stipulations and is not invested in capital assets. Unrestricted net position may be designated for specific purposes by action of management or the Commissioners or may otherwise be limited by contractual agreements with outside parties.

Reporting Entity

The accompanying financial statements present the financial position, results of operations and cash flows of the Authority in accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended.

New Accounting Guidance

GASB 84: Fiduciary Activities

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2020.

GASB 87: Leases

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously 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. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2021.

GASB 89: Accounting for Interest Cost Incurred before the End of a Construction Period

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Authority's financial statements for the September 30, 2019 fiscal year.

Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

The Authority's investments are managed by the Executive Vice President, Chief Financial Officer in conjunction with the Sarasota County Clerk's Office. Investments in commercial paper are recorded at cost, which approximates fair value. Investments in U.S. Treasury and government agency securities are recorded at fair value, as determined by quoted market prices. All investment income of the enterprise fund, including changes in the fair value of investments, is reported as interest and other investment income in the Statements of Revenues, Expenses and Changes in Net Position.

Receivables

Accounts and grants receivable are reported at realizable value. All receivables are expected to be collected. As such, no allowance for doubtful accounts has been reflected.

Inventories of Materials, Supplies and Fuel

Inventories of materials and supplies are valued at First In First Out ("FIFO"), and fuel is valued at weighted-average cost.

Restricted Assets

Certain assets are restricted in accordance with FAA restrictions, or as required by law. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

Capital Assets

Assets with a cost of \$2,000 or more are capitalized and recorded at cost or at acquisition value for receipt for contributions. They are depreciated under the straight-line method over the following estimated useful lives:

Runways, taxiways and ramps	20-30 years
Building and structures	10-40 years
Site prep, utilities and drainage	10-40 years
Land improvements	10-20 years
Fencing	7-10 years
Lights and signs	5-10 years
Equipment, furniture and fixtures	3-10 years
Computers and other intangibles	3-5 years

Significant Accounting Policies (continued)

Project costs are capitalized and included in construction in progress as the costs are incurred, and maintenance and repair costs are expensed as incurred. The accumulated project costs are transferred to depreciable capital assets upon completion. The gain or loss recognized on assets retired or otherwise disposed of is reflected in the Statements of Revenues, Expenses and Changes in Net Position as non-operating revenue (expense) and the associated cost and related accumulated depreciation are removed from the accounts.

Construction in progress consists mainly of terminal modifications to enhance administrative offices, construction of new loading bridges, new control tower costs, development of real estate parcels, parking improvements and expansions, baggage belt improvements, security and video enhancement, design and construction of ARFF facility, taxiway evaluation, rehab and construction, fuel farm expansion, north quad access road and a master drainage plan.

The costs of various easement rights, including the expenses incurred in sound proofing residences, are reported as aviation easements. Easements have indefinite lives and therefore are not amortized.

Deferred Outflow/Inflow of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflow of resources. This separate Financial Statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate Financial Statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until that time.

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sarasota Manatee Airport Authority Pension Plan (the “Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan.

For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value or net asset value.

Other Post-Employment Benefits (“OPEB”)

In the Statements of Net Position, a liability is recognized for the Authority’s OPEB liability as determined by an actuarial review of the healthcare coverage purchased by retirees to continue participation in the Authority’s self-insured health plan. The Authority is responsible for covering the excess of retiree claims over premium payments made by retirees to the Authority, which creates another post-employment benefit. OPEB expense is recognized immediately for changes in the OPEB liability resulting from current-period service cost, interest on the total OPEB liability and changes of benefit terms.

Significant Accounting Policies (continued)

Capital Contributions

Capital contributions consist primarily of grants and contributions from federal and state governmental agencies. Contributions and grants are funds donated by various governmental agencies and Airport tenants for specific improvements to the Airport facilities (“Improvements”). In the normal course of business, the Authority applies for and receives money from the FAA under Airport Improvement Program grant agreements. Costs incurred under these agreements are subject to review and approval by the FAA. Contributions and grants for improvements are reported in the Statements of Revenues, Expenses and Changes in Net Position after non-operating revenues and expenses as capital contributions.

Passenger Facility Charges

On June 29, 1992, the Authority received approval from the FAA to impose a \$3.00 Passenger Facility Charge (“PFC”) at the Airport effective September 1, 1992. The authorization to impose the PFC is contingent on continued compliance with the terms of the Federal Aviation Regulations. A use application was filed with the FAA, and a decision of approval was granted on December 15, 1995. In addition, another impose and use PFC application was filed and approved by the FAA in its Record of Decision dated October 3, 2000. On February 22, 2002, an amendment to that application was administratively approved by the FAA that increased the charge level from \$3.00 to \$4.50 per enplaned passenger and increased the approved collection amount. PFCs are restricted to expenditures for specified capital assets, or debt service thereon, and are reported as non-operating revenue on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

On June 17, 2009, amendments to application numbers one, two and three were administratively approved by the FAA. The effect of these amendments was to decrease the allowed collection amounts in each application to the amounts already imposed and used for each project within those applications, effectively closing each one. On July 23, 2009, an amendment to Application Four was approved by the FAA that increased the allowed impose and use amount by \$22,194,844. The Authority estimated this action has extended the charge expiration date to February 2022. The Authority again amended Application Four to reduce the allowed impose and use amount by \$877,886 and extend the estimated charge expiration date to February 2023. The impose and use reduction was due to savings realized from a debt refinancing and defeasement; the charge expiration date was extended due to a reduction in actual and forecast enplanements from prior projections used to estimate the date in the FAA’s approval of the 2009 amendment to Application Four. The Authority filed another PFC application (Application Five) to recover its costs in constructing the new Air Traffic Control Tower, and construction and installation of 13 (thirteen) new loading bridges. On May 7, 2019, the Authority received approval for Application Five for \$8,817,424 to recover its costs in constructing the new Air Traffic Control Tower, and construction and installation of 13 (thirteen) new loading bridges with a projected charge expiration date of February 2023. Application Five will take effect upon the expiration of Application Four.

Customer Facility Charge

An amendment to the Rental Car Company (RAC) Concession Agreements was approved by the Authority Board at its regular meeting on January 23, 2017. The primary purpose of the amendment was to impose a RAC Customer Facility Charge (CFC) to reimburse the Authority for its costs to install shade structures and three air-conditioned kiosks in the RAC ready/return lot. The CFC was to be \$3.00 per rental day (or portion thereof), may be adjusted from time to time by the Authority, and was to start and stop within 30

Significant Accounting Policies (continued)

(thirty) days of dates determined by the Authority. The effective date of the start of CFC collections was set at March 1, 2017. The Authority committed to provide an annual sources and uses of the CFC, and to provide a final accounting at the end of the project.

The shade structure and kiosk addition project was completed March 2019 at a cost of \$4.6 million. On May 20, 2019, the Authority negotiated a two-year extension to both the concession and land lease agreements to extend the expiration dates to September 30, 2021. The CFC was also increased to \$4.50 per rental day to continue further projects aimed at providing RAC customers a higher level of customer service and for the construction of a Consolidated Rental Car Facility to provide a joint storage and service facility. The cost of this facility is projected at \$12,808,499 and will be completed by approximately December 2022.

Revenue Recognition

Airfield Landing Fee Charges – Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The estimated landing fee structure is determined annually pursuant to an agreement between the Authority and the signatory airlines based on the operating budget of the Authority and is adjusted at year end for the actual landed weight of all aircraft. Landing fees are recognized as revenue when the related facilities are utilized.

Terminal Rents, Out Parcel Rentals, Concessions and Ground Transportation – Rental and Concession fees are generated from airlines, parking lots, food and beverage, retail, rental cars, advertising and other commercial tenants. Leases are for terms from one to fifty years and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized over the life of the respective leases, and concession revenue is recognized based on reported concessionaire revenue.

Parking Lot – Per the management agreement with Republic Parking, Authority revenue is recognized as gross parking sales net of operating expenses, including the management fee.

Other – All other types of revenues are recognized when earned.

2. Concentrations of Credit Risk

The Authority maintains its cash and cash equivalents with a large financial institution. All accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 per bank. Cash deposits that exceed the federally insured amount are covered under Florida Statutes Chapter 280 (see Note 3).

Additionally, the Authority has unrestricted investments in federal government agencies that have a high credit standing. The Authority does not believe there is a significant risk of non-performance from these agencies.

3. Cash, Cash Equivalents and Investments

Deposits

All of the Authority's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280. Qualified public depositories are required to pledge collateral to the State Treasurer with a market value equal to 50% of the average daily balance of all public deposits in excess of any federal deposit insurance. In addition, to the extent that total public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits. In event of default by a qualified public depository, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Therefore, the cash and time deposits are fully insured or collateralized.

The carrying value of the Authority's deposits at September 30, 2019 and 2018 is approximately \$12.7 million and \$13.9 million, respectively.

In addition to cash deposits, the Authority maintains cash on hand for the purpose of making change on transactions. The amount of cash on hand as of September 30, 2019 and 2018 was \$725.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value determinations are made based upon a hierarchy that prioritizes the inputs to valuation techniques. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability, and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Cash, Cash Equivalents and Investments (continued)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

- Bonds – Includes Corporate Obligations and U.S. Government/Agency Bonds that are valued on quoted prices, classified as Level 2
- Fixed Income Investments – This investment is valued using the net asset value “NAV” provided by the administrator of the fund as a practical expedient. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is excluded from the valuation hierarchy.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. While the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Cash, Cash Equivalents and Investments (continued)

As of September 30, 2019, and 2018 the Authority has the following investments and maturities:

Investment Type	FY 2019 Fair Value	Less Than 1 Year	1-3 Years	More Than 3 Years	Effective Duration	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)
Unrestricted						
Fed. Nat'l Mortgage Assoc.	\$ 7,959,640	\$ -	\$ 7,959,640	\$ -	1.46	\$ 7,959,640
Fed Home Ln Mtg. Corp	999,110	999,110	-	-	0.16	999,110
Certificate of Deposit	2,147,723	-	2,147,723	-	1.18	2,147,723
Total Unrestricted	<u>\$ 11,106,473</u>	<u>\$ 999,110</u>	<u>\$ 10,107,363</u>	<u>\$ -</u>		<u>\$ 11,106,473</u>

Investment Type	FY 2018 Fair Value	Less Than 1 Year	1-3 Years	More Than 3 Years	Effective Duration	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)
Unrestricted						
Fed. Nat'l Mortgage Assoc.	\$ 7,649,820	\$ -	\$ 6,702,290	\$ 947,530	2.80	\$ 7,649,820
Certificate of Deposit	2,107,303	-	2,107,303	-	2.18	2,107,303
Total Unrestricted	<u>\$ 9,757,123</u>	<u>\$ -</u>	<u>\$ 8,809,593</u>	<u>\$ 947,530</u>		<u>\$ 9,757,123</u>

Investments of the Authority conform to the provisions of Section 5(21) of Chapter 2003-309 Laws of Florida (the "Sarasota-Manatee Airport Authority Act"), and an investment policy adopted pursuant to Florida Statutes, Section 218.415.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits its risk by maintaining an investment portfolio with limited volatility. Accordingly, no security shall have an estimated average return of principal exceeding five years. The weighted-average duration of principal return for the portfolio shall generally be less than two years. However, securities in restricted accounts will have a maximum maturity consistent with the nature of the restricted accounts.

Credit Risk – The Authority is authorized under Florida Statutes, Section 218.415(16) and Section 5(21) of Chapter 2003-309, Laws of Florida; to invest in certain investments. All of the Authority's investments carried a credit rating of AA+ by Standard & Poor's and Aaa by Moody's as of September 30, 2019.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of 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 by an independent third-party custodian.

Concentration of Credit Risk – The Authority's investment policy established limitations of portfolio composition in order to control concentration of credit risk. The policy allows 100% of the portfolio to be invested in U.S. Treasury bills or notes, 75% to be invested in near cash accounts such as the State investment pool or money market and accounts, 65% to be invested in other U.S. government agencies, 75% to be invested in certificates of deposit, 30% to be invested in commercial paper, and 25% to be invested in bankers acceptances.

Cash, Cash Equivalents and Investments (continued)

No more than 30% of the entire portfolio may be purchased through one security dealer or bank. The Authority purchased 12.6% from Jeffries, 9% from Gateway, and 25.2% from FTN Financial during the years ended September 30, 2019 and 2018. The Authority places no limit on the amount it may invest in any one issuer.

Deposits and Investments – Pension Trust Fund

Deposits – At September 30, 2019 and 2018, the plan held no deposits.

Investments – The investment manager has been delegated with investment discretion for plan assets by the Authority. Investment balances in the plan are not allocated to individual participants, nor are investments subject to custodial credit risk or foreign currency risk. At September 30, 2019 and 2018, the plan held investments as indicated below:

	Fair Value	Effective	Measured
	2019	Duration	at NAV
	2019		2019
Investments Measured at Net Asset Value (NAV)			
Large U.S. Equity	\$ 4,293,780.00	N/A	\$ 4,293,780
Small/Mid U.S. Equity	775,928	N/A	775,928
International Equity	2,737,279	N/A	2,737,279
Balanced/Asset Allocation	488,190	N/A	488,190
Fixed Asset Investments	<u>16,190,128</u>	<u>4.90</u>	<u>16,190,128</u>
Total Investments	<u>\$ 24,485,305</u>		<u>\$ 24,485,305</u>

	Fair Value	Effective	Measured
	2018	Duration	at NAV
	2018		2018
Investments Measured at Net Asset Value (NAV)			
Large U.S. Equity	\$ 4,495,542	N/A	\$ 4,495,542
Small/Mid U.S. Equity	798,481	N/A	798,481
International Equity	2,474,840	N/A	2,474,840
Balanced/Asset Allocation	473,752	N/A	473,752
Fixed Asset Investments	<u>14,855,844</u>	<u>5.10</u>	<u>14,855,844</u>
Total Investments	<u>\$ 23,098,459</u>		<u>\$ 23,098,459</u>

Cash, Cash Equivalents and Investments (continued)

The valuation method for investments measured at the NAV per share is presented in the following tables:

September 30, 2019	Fair Value	Unfunded	Redemption	
			Commitments	Notice
	2019		Frequency	Period
Investments by Fair Value Level				
Large U.S. Equity (a)	4,293,780	-	Daily	1 Day
Small/Mid U.S. Equity (b)	775,928	-	Daily	1 Day
International Equity (c)	2,737,279	-	Daily	1 Day
Balanced/Asset Allocation (d)	488,190	-	Daily	1 Day
Fixed Asset Investments (e)	16,190,128	-	Daily	1 Day
Total Investments	<u>\$ 24,485,305</u>			

September 30, 2018	Fair Value	Unfunded	Redemption	
			Commitments	Notice
	2018		Frequency	Period
Investments by Fair Value Level				
Large U.S. Equity (a)	\$ 4,495,542	-	Daily	1 Day
Small/Mid U.S. Equity (b)	798,481	-	Daily	1 Day
International Equity (c)	2,474,840	-	Daily	1 Day
Balanced/Asset Allocation (d)	473,752	-	Daily	1 Day
Fixed Asset Investments (e)	14,855,844	-	Daily	1 Day
Total Investments	<u>\$ 23,098,459</u>			

(a) Large U.S. Equity

Equity Income Sep Acct-R6 - The investment seeks to provide current income and long-term growth of income and capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in dividend-paying equity securities at the time of purchase. It usually invests in equity securities of companies with large and medium market capitalizations. The fund invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued.

LargeCap S&P 500 Index Separate Account-R6 - The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the separate account before expenses and that of the S&P 500 Index.

LargeCap Growth I Separate Account-R6 - The investment seeks long-term growth of capital. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with large market capitalizations at the time of purchase. It invests in growth equity securities; growth orientation emphasizes buying equity securities of companies whose potential for growth of capital and earnings is expected to be above average.

Cash, Cash Equivalents and Investments (continued)

(b) Small/Mid U.S. Equity

MidCap Growth III Separate Account-R6 - The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with medium market capitalizations at the time of purchase. It invests in growth equity securities; growth orientation emphasizes buying equity securities of companies whose potential for growth of capital and earnings is expected to be above average.

MidCap Value I Account-R6 - The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with medium market capitalizations at the time of purchase. It invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued. The fund also invests in real estate investment trusts.

SmallCap Value II Separate Account-R6 - The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with small market capitalizations at the time of purchase. It invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued. The fund also invests in real estate investment trusts ("REITs").

SmallCap Growth I Separate Account-R6 - The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with small market capitalizations at the time of purchase. The management invests up to 30% of the fund's assets in equity securities in an attempt to match or exceed the performance of the Russell 2000(R) Growth Index by purchasing securities in the index while slightly overweighting and underweighting certain individual equity securities relative to their weight in the index.

(c) International Equity

International Emerging Markets Separate Account-R6 - The investment option normally invests the majority of assets in equities of companies in emerging market countries. It invests in securities of companies with their principal place of business or principal office in emerging market countries; companies for which the principal securities trade in an emerging market; or companies, regardless of where their securities are traded, that derive 50% of their total revenue from either goods or services produced in emerging market countries. The fund may invest in securities of companies with small to medium market capitalizations.

Overseas Separate Account-R6 - The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities that are tied economically to countries outside the U.S. at the time of purchase. It invests in emerging market countries. The fund invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued. It invests in equity securities of small, medium, and large market capitalization companies.

Cash, Cash Equivalents and Investments (continued)

International SmallCap Separate Account-R6 - The investment seeks long-term growth of capital by investing primarily in stocks of non-U.S. companies with relatively small capitalizations. It invests in securities of companies with their principal place of business or principal office outside the U.S.; companies for which the principal securities market is outside the US; or companies, regardless of where their securities are traded, that derive 50% of their total revenue outside of the U.S. Under normal market conditions, it invests at least 80% in companies similar in size to companies included in the Citigroup Extended Market Index (EMI) World ex U.S.

(d) Balanced/Asset Allocation

Diversified Real Asset Separate Account-R6 - The investment seeks a long-term total return in excess of inflation. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in investments related to real assets and real asset companies. It seeks to achieve its investment objective by allocating its assets among general investment categories related to real assets and real asset companies (which include tangible assets and investments that are expected to perform well in periods of rising or high inflation).

(e) Fixed Income

High Income Separate Account-R6 - The investment seeks high current income. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in below-investment-grade bonds and bank loans (sometimes called "high yield" or "junk"), which are rated at the time of purchase at Ba1 or lower by Moody's and BB+ or lower by S&P Global. It also invests in investment-grade bank loans (also known as senior floating rate interests), securities of foreign issuers, and exchange-traded funds ("ETFs").

Bond Market Index Separate Account-R6 - The investment seeks to provide current income. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in debt securities held by the Barclays U.S. Aggregate Bond Index at the time of purchase. The index is composed of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more. It employs a passive investment approach designed to attempt to track the performance of the index.

Income Separate Account-R6 - The investment seeks to provide a high level of current income consistent with preservation of capital. The fund invests primarily in a diversified pool of investment-grade fixed-income securities, including corporate securities, U.S. government securities, asset-backed securities and mortgage-backed securities. It maintains an average portfolio duration that is within the range from 75% to 125% of the duration of the Bloomberg Barclays U.S. Aggregate Bond Index.

U.S. Property Separate Account-R6 - The investment invests the majority of assets in commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable value. The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing, and retail sectors. This investment option is subject to investment and liquidity risk and other risks inherent in real estate, such as those associated with general and local economic conditions. You may not be able to immediately withdraw funds contributed to this separate account. A contractual limitation in the group annuity contract that provides access to this separate account may be implemented, which will allow management of this separate account, and satisfy withdrawal requests over time and fairly amongst all those who request a withdrawal.

Cash, Cash Equivalents and Investments (continued)

Credit Risk – The fixed-income investment accounts above are not rated for credit risk.

Concentration of Credit Risk – At September 30, 2019 and 2018, each of the fixed-income investments, as previously disclosed, that represent 5% or more of net position available for benefits is as follows:

	<u>2019</u>	<u>2018</u>
Principal Financial Group ("PFG")	\$ 24,485,305	\$23,098,459

Custodial Credit Risk – All pension plan investments are held by PFG.

4. Capital Assets

A summary of changes in capital assets for the years ended September 30, 2019 and 2018 is as follows:

	Balance at September 30, 2018	Additions	Transfers and Deletions	Balance at September 30, 2019
Capital assets, not being depreciated:				
Land	\$ 22,504,889	\$ 78,663	\$ -	\$ 22,583,552
Aviation easements	19,662,419	-	-	19,662,419
Construction in progress	28,842,844	17,822,714	(36,609,910)	10,055,648
Total capital assets not being depreciated	71,010,152	17,901,377	(36,609,910)	52,301,619
Capital assets, being depreciated and amortized:				
Intangibles	1,774,890	-	96,377	1,871,267
Site prep, utilities and drainage	13,887,064	-	-	13,887,064
Buildings and structures	100,117,692	-	25,760,873	125,878,565
Runways, taxiways and ramps	85,051,367	-	-	85,051,367
Land improvements	20,335,685	-	7,584,539	27,920,224
Fencing	566,984	6,139	58,418	631,541
Light and signs	4,699,565	24,693	867,387	5,591,645
Computers	2,149,717	30,454	336,769	2,516,940
Equipment, furniture and fixtures	20,219,281	173,910	(2,876,414)	17,516,777
Total capital assets, being depreciated and amortized	248,802,245	235,196	31,827,949	280,865,390
Less accumulated depreciation and amortization for:				
Intangibles	(1,277,676)	(213,533)		(1,491,209)
Site prep, utilities and drainage	(13,887,064)	-		(13,887,064)
Buildings and structures	(55,666,255)	(4,664,137)	24,931	(60,305,461)
Runways, taxiways and ramps	(65,171,026)	(2,588,102)		(67,759,128)
Land improvements	(15,214,436)	(888,833)		(16,103,269)
Fencing	(449,386)	(17,565)		(466,951)
Light and signs	(3,620,225)	(314,063)		(3,934,288)
Computers	(949,340)	(554,190)	22,346	(1,481,184)
Equipment, furniture and fixtures	(15,081,096)	(1,152,774)	4,013,549	(12,220,321)
Total accumulated depreciation and amortization	(171,316,504)	(10,393,197)	4,060,826	(177,648,875)
Capital assets, net	\$ 148,495,893	\$ 7,743,376	\$ (721,135)	\$155,518,134

Capital Assets (continued)

	Balance at September 30, 2017	Additions	Transfers and Deletions	Balance at September 30, 2018
Capital assets, not being depreciated:				
Land	\$ 22,532,250	\$ -	\$ (27,361)	\$ 22,504,889
Aviation easements	19,662,419	-	-	19,662,419
Construction in progress	33,639,898	16,986,174	(21,783,228)	28,842,844
Total capital assets not being depreciated	<u>75,834,567</u>	<u>16,986,174</u>	<u>(21,810,589)</u>	<u>71,010,152</u>
Capital assets, being depreciated and amortized:				
Intangibles	1,460,448	13,300	301,142	1,774,890
Site prep, utilities and drainage	13,887,064	-	-	13,887,064
Buildings and structures	80,482,807	-	19,634,885	100,117,692
Runways, taxiways and ramps	85,051,367	-	-	85,051,367
Land improvements	20,296,485	-	39,200	20,335,685
Fencing	456,914	-	110,070	566,984
Light and signs	4,553,240	19,111	127,214	4,699,565
Computers	1,637,557	23,007	489,153	2,149,717
Equipment, furniture and fixtures	19,938,484	248,712	32,085	20,219,281
Total capital assets, being depreciated and amortized	<u>227,764,366</u>	<u>304,130</u>	<u>20,733,749</u>	<u>248,802,245</u>
Less accumulated depreciation, and amortization for:				
Intangibles	(1,145,983)	(131,692)	-	(1,277,675)
Site prep, utilities and drainage	(13,887,064)	-	-	(13,887,064)
Buildings and structures	(53,108,356)	(3,512,579)	954,680	(55,666,255)
Runways, taxiways and ramps	(62,582,924)	(2,588,102)	-	(65,171,026)
Land improvements	(14,275,406)	(939,029)	-	(15,214,435)
Fencing	(448,058)	(1,329)	-	(449,387)
Light and signs	(3,326,661)	(293,564)	-	(3,620,225)
Computers	(514,254)	(435,086)	-	(949,340)
Equipment, furniture and fixtures	(14,074,364)	(1,101,311)	94,578	(15,081,097)
Total accumulated depreciation, and amortization	<u>(163,363,070)</u>	<u>(9,002,692)</u>	<u>1,049,258</u>	<u>(171,316,504)</u>
Capital assets, net	<u>\$ 140,235,863</u>	<u>\$ 8,287,612</u>	<u>\$ (27,582)</u>	<u>\$ 148,495,893</u>

Depreciation expense for the years ended September 30, 2019 and 2018 on the capital assets above was \$10,179,664 and \$8,871,000 respectively. Amortization expense for the year ended September 30, 2019 and 2018 on the above capital assets was \$213,533 and \$131,692 respectively.

5. Pension Plan

Pension Description

The Sarasota Manatee Airport Authority Pension Plan (the “Plan”) is a single-employer defined benefit pension plan controlled by the provisions adopted pursuant to the Authority Agreement for employees hired before October 1, 2007. The Plan is governed by the Authority, which is responsible for the management of plan assets. The Authority consists of 6 (six) members who are appointed by the Governor of Florida on a non-partisan basis to four-year terms. The Plan is administered by The Principal Financial Group. Active members of the Plan do not contribute to the Plan.

Pension Plan (continued)

Benefits Provided

The Plan provides a retirement benefit at no cost to full-time eligible employees. Part-time employees may be eligible depending on number of hours worked. After 6 (six) months of employment, an employee 21 years or older may be eligible to be enrolled depending upon hours worked in the Plan year. Employees under 55 do not vest during the first five years of employment. Employees over 55 vest after two years. Benefits are calculated as 2.25% of the member's final five-year average compensation multiplied by accrual service with a maximum of 30 (thirty) years. Maximum benefit is \$15,000. Members are eligible for normal retirement after they have attained age 62 and completed two years of service; however, there is a benefit reduction for each year prior to normal retirement age. The Plan also provides death and disability benefits.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the years ended September 30, 2019 and 2018, the Authority reported a liability for the net pension liability of \$6,008,085 and \$4,874,455, respectively. The net pension liability was measured as of October 1, 2018 and October 1, 2017, respectively, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of these dates.

For the years ended September 30, 2019 and 2018, the Authority recognized pension expense of \$1,001,766 and \$457,885, respectively, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>		<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 124,962	\$ (265,168)	\$ 8,517	\$ (717,436)
Effects of changes in assumptions	628,861	-	448,803	(59,281)
Net difference between expected and net investment income	368,774	-	104,806	-
Contribution after measurement period	<u>1,071,006</u>	<u>-</u>	<u>936,156</u>	<u>-</u>
Total	<u>\$2,193,603</u>	<u>\$ (265,168)</u>	<u>\$ 1,498,282</u>	<u>\$ (776,717)</u>

For the years ended September 30, 2019 and 2018, the Authority reported \$1,071,006 and \$936,156, respectively, in deferred outflows of resources, resulting from contributions subsequent to the measurement dates that will be recognized as a reduction of the net pension liability for the years ending September 30, 2020, and 2019, respectively.

Pension Plan (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2019 will be recognized in pension expense as follows:

Year Ended September 30	
2020	\$ 576,424
2021	158,726
2022	21,663
2023	100,616
2024	-

Plan Membership

The Plan provides retirement benefits to eligible employees hired before October 1, 2007 except for those employees employed by the Authority on September 30, 2006 and employed by Rural Metro for services at the Sarasota Bradenton International Airport no later than October 2, 2006 and continuously through September 30, 2009 and rehired by the Authority on October 1, 2009.

The Plan's membership consisted of:

	<u>2019</u>	<u>2018</u>
Active employees	41	42
Retirees and beneficiaries currently receiving benefits	71	69
Terminated employees entitled to benefits, not yet receiving	13	13
Disabled plan members entitled to benefits	1	1
Total	<u>126</u>	<u>125</u>

Contributions

The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the Plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses.

The contribution requirements of the Plan are established and may be amended by the Board Members of the Authority. The Authority is required to contribute an actuarially determined fixed amount annually.

The following is three-year trend information for the Plan:

Year Ended 30-Sep	Pension Cost (PC)	% of PC Contributed	Net Pension Obligation
2017	\$ 1,044,759	100%	\$ -
2018	936,156	100%	-
2019	\$ 1,071,006	100%	-

Pension Plan (continued)

Investment Policy

The Authority has an investment policy for the Plan. The President, with recommendation from the Executive Vice President, Chief Financial Officer, has the authority with the assistance of the Plan administrator's financial consultants, to select which funds to invest in.

Asset allocation is a strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio. Based on the principle that asset types perform differently in different market and economic conditions, asset allocation is an important factor in determining returns for an investment portfolio. Target asset allocations are set by ranges by the Executive Vice President, Chief Financial Officer and President, with the assistance of the Plan administrator's financial consultants and adjusted within those ranges periodically to adjust to market conditions.

Fair value of investments is based on quoted market prices.

Money-weighted Rate of Return

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses.

The annual money-weighted rate of return on plan investments for the fiscal years ended September 30, 2019 and 2018 was 3.77% and 8.14% respectively.

Actuarial Assumptions

The following is a summary of actuarial methods and assumptions used in the actuarial valuations as of September 30, 2019 and 2018:

Mortality rates during the benefit payment period are based on IRS Prescribed Mortality-Generational Annuitant, male and female and before the benefit payment period are based on IRS Prescribed Mortality-Generational Non-annuitant, male and female. RP-2000 – 50% blue collar, 50% white collar for males and 100% white collar for females.

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period from October 1, 2018, to September 30, 2019.

- There were no assumption changes since the last plan year.

The actuarial assumptions used in September 30, 2018 valuation were based on the results of an actuarial experience study for the period from October 1, 2017, to September 30, 2018. The assumption changes are:

- The long-term rate of return on investments was changed to reflect current expectations of the Plan's long-term investment performance based on the investment mix.

Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.75% for 2019 and 6.00% for 2018. The long-term rate of return was used to calculate the actuarial present value of projected benefit payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Changes in Net Pension Liability

The net pension liability at September 30, 2019 was measured as of September 30, 2018, using the total pension liability that was determined by an actuarial valuation as of September 30, 2019.

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at October 1, 2018	\$ 27,163,893	\$ 22,289,438	\$ 4,874,455
Changes for the year			
Service cost	334,145	-	334,145
Interest	1,619,917	-	1,619,917
Differences between expected and actual experience	212,964	-	212,964
Changes in assumptions	748,974	-	748,974
Contributions - employer	-	936,156	(936,156)
Net investment income	-	851,104	(851,104)
Benefits payments, including refunds of employee contributions	(973,349)	(973,349)	-
Administrative expense	-	(4,890)	4,890
Total changes for the year	<u>1,942,651</u>	<u>809,021</u>	<u>1,133,630</u>
Balances at September 30, 2019	<u>\$ 29,106,544</u>	<u>\$ 23,098,459</u>	<u>\$ 6,008,085</u>

Pension Plan (continued)

The net pension liability at September 30, 2018 was measured as of September 30, 2017, using the total pension liability that was determined by an actuarial valuation as of September 30, 2018.

	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
Balances at October 1, 2017	\$ 26,306,683	\$ 20,475,578	\$ 5,831,105
Changes for the year			
Service Cost	420,392	-	420,392
Interest	1,641,276	-	1,641,276
Differences between expected and actual experience	(991,666)	-	(991,666)
Changes in assumptions	708,226	-	708,226
Contributions - employer	-	1,044,759	(1,044,759)
Net investment income	-	1,699,321	(1,699,321)
Benefits payments, including refunds of employee contributions	(921,018)	(921,018)	-
Administrative expense	-	(9,202)	9,202
Total changes for the year	<u>857,210</u>	<u>1,813,860</u>	<u>(956,650)</u>
Balances at September 30, 2018	<u>\$ 27,163,893</u>	<u>\$ 22,289,438</u>	<u>\$ 4,874,455</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority, calculated under GASB Statement No. 68 using the discount rate of 5.75% for 2019 and 6.00% for 2018, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1percentage point higher than the current rate:

	2019			2018		
	1% Decrease	Current Discount	1% Increase	1% Decrease	Current Discount	1% Increase
	4.75%	5.75%	6.75%	5.00%	6.00%	7.00%
Authority's net pension liability	\$ 9,325,844	\$ 6,008,085	\$ 3,181,884	\$ 8,016,214	\$ 4,874,455	\$ 2,199,323

Long-Term Rate of Return

The long-term interest rate assumption is developed as a weighted-average rate based on the target asset allocation of the Plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including but not

Pension Plan (continued)

limited to historical analysis, stock valuation models such as dividend discount models and earnings yields, models, expected economic growth outlook, and market yield analysis.

Best estimates of expected real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 and 2018 are summarized in the following table:

Asset Class	2019		2018	
	Expected		Expected	
	Real Rate	Target	Real Rate	Target
	Return	Allocation	Return	Allocation
U.S. Equity - Large Cap	5.85%	19.94%	5.85%	21.60%
U.S. Equity - Mid Cap	6.10%	2.27%	6.10%	2.39%
U.S. Equity - Small Cap	6.55%	1.11%	6.55%	1.21%
Non-U.S. Equity - Developed	6.10%	10.72%	6.10%	8.85%
REITS	5.95%	0.41%	5.95%	0.41%
Real Estate (Direct Property)	3.80%	6.13%	3.80%	6.01%
TIPS	1.05%	0.61%	1.05%	0.61%
Core Bond	1.75%	52.78%	1.75%	52.91%
High Yield	4.70%	6.03%	4.70%	6.01%
		<u>100.00%</u>		<u>100.00%</u>

Other

The actuarial value of plan assets is determined using a four-year smoothing technique. Administrative and investment expenses are funded with contributions and investment income.

Pension Plan Reporting: Net Pension Liability

GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, requires pension plans to include certain disclosures about the plan as well as the net pension liability in the notes to the financial statements. As the retirement systems do not issue separate financial statements, the required disclosures for pension plan reporting are found in this section of the notes to the financial statements and in the required supplementary information section.

The net pension liability is calculated as the total pension liability less the pension plan's net fiduciary position. The total pension liability is the present value of pension benefits attributable to past service of the pension plan's and the net fiduciary position is the resources currently available in the pension plan's trusts to pay benefits.

Pension Plan (continued)

Net Pension Liability Components (Pension Plan Reporting)

The components of the net pension liability of the retirement systems at September 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 30,294,936	\$ 29,106,544
Plan fiduciary net position	24,485,305	23,098,459
Retirement plan's net pension liability	<u>\$ 5,809,631</u>	<u>\$ 6,008,085</u>
Plan fiduciary net position as a percentage of the total pension liability	80.82%	79.36%

Actuarial Assumptions (Pension Plan Reporting)

The total pension liability was determined based on a roll-forward of the entry age normal liabilities from the October 1, 2018 and October 1, 2017 actuarial valuations. The pension plans use the Entry Age Normal Actuarial Cost Method with a level percent closed amortization method. Under the Entry Age Normal Cost Method, an annual Normal Cost is determined for each covered active member, which is the contribution required to provide all the projected pension benefits assuming this contribution is payable over a period ending on the date of retirement and expressed as a level percentage of compensation.

The total pension liability for the pension plan as of September 30, 2019 and 2018 was determined based on a roll-forward of entry age normal liabilities from the October 1, 2018 and October 1, 2017, actuarial valuation, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2019</u>	<u>2018</u>
Long-term inflation:	2.25%	2.00%
Salary increases range from:	4.13% to 6.43% depending on age	4.13% to 6.43% depending on age
Long-term rate of return:	5.75%	5.75%
Mortality rate table:	RP-2000 - 50% blue collar, 50% white collar for males and 100% white collar for females - Mortality	RP-2000 - 50% blue collar, 50% white collar for males and 100% white collar for females - Mortality

Actuarial changes from the prior year for 2019:

The long-term inflation before and during benefit payment period have increased from 2.00 to 2.25. This rate is used in the calculation of the Plan's benefit liability.

Pension Plan (continued)

Actuarial changes from the prior year for 2018:

The interest rates before and during benefit payment period have decreased from 6.00 to 5.75. This rate is used in the calculation of the plan's benefit liability.

Long-Term Rate of Return

The long-term interest rate assumption is developed as a weighted-average rate based on the target asset allocation of the Plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earnings yield, models, expected economic growth outlook, and market yield analysis.

Best estimates of expected real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 and 2018 are summarized in the following table:

Asset Class	2019		2018	
	Expected Real Rate Return	Target Allocation	Expected Real Rate Return	Target Allocation
U.S. Equity - Large Cap	5.70%	19.28%	5.70%	19.93%
U.S. Equity - Mid Cap	5.95%	2.26%	5.95%	2.27%
U.S. Equity - Small Cap	6.50%	1.01%	6.50%	1.11%
Non-U.S. Equity - Developed	5.95%	10.92%	5.95%	10.72%
REITS	5.60%	0.40%	5.60%	0.42%
Real Estate (Direct Property)	3.55%	6.11%	3.55%	6.13%
TIPS	1.50%	0.60%	1.50%	0.61%
Core Bond	2.00%	55.66%	2.00%	52.78%
High Yield	4.45%	3.76%	4.45%	6.03%
		<u>100.00%</u>		<u>100.00%</u>

Discount Rate

The discount rate used to measure the total pension liability was 5.75% for 2019 and 2018. The long-term rate of return was used to calculate the actuarial present value of projected benefit payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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 Plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority, calculated under GASB Statement No. 67 using the discount rate of 5.75% for 2019 and 2018, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.75%) or 1 percentage point higher (6.75%) than the current rate:

	2019			2018		
	1%	Current	1%	1%	Current	1%
	Decrease	Discount	Increase	Decrease	Discount	Increase
	4.75%	5.75%	6.75%	4.75%	5.75%	6.75%
Authority's net pension liability	\$ 9,176,503	\$ 5,809,631	\$ 2,933,541	\$ 9,325,844	\$ 6,008,085	\$ 3,181,384

6. Compensation Plans

Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan (the “457 Plan”) created in accordance with IRS Code Section 457. The 457 Plan, which is available to all employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Investments are managed by the 457 Plan’s trustee under one of several investment options, or a combination thereof. The choice of the investment options(s) is made by the employee.

All 457 Plan assets are held by trustees for the exclusive benefits of the participants and beneficiaries. Thus, the assets and liabilities relating to the 457 Plan are not reflected on the Authority’s Statements of Net Position. The fair values of the 457 Plan investments were \$3.6 million and \$3.7 million, as of September 30, 2019 and 2018, respectively.

Defined Contribution Plan

The Authority also provides a defined contribution plan (the “401(a) Plan”). Employees 21 (twenty-one) years or older may be eligible to be enrolled depending upon hours worked in the plan year. Employees do not vest during the first five years of employment. The Authority’s annual contribution is a percentage of annual salary, as designated by the Board each fiscal year. If employees elect to participate in the 457 Plan, the Authority will match the employee’s annual contribution by a percentage designated by the Board each year, of the employee’s annual salary. The Authority match is deposited into the 401(a) Plan. The 401(a) compensation is not available to employees until termination, retirement or death. Investments are managed by the 401(a) Plan’s trustee under one of several investment options, or a combination thereof. The choice of the investment options is made by the employee. All 401(a) Plan assets are held by trustees for the exclusive benefits of the participants and beneficiaries. Thus, the assets and liabilities relating to the 401(a) Plan are not reflected on the Authority’s Statements of Net Position. The fair values of the 401(a) Plan’s investments were \$1.7 million and \$1.6 million as of September 30, 2019 and 2018, respectively. For the years ended September 30, 2019 and 2018, the Authority recognized pension expense of \$277,950 and \$216,306, respectively.

Compensation Plans (continued)

7. Post-Employment Health and Other Benefits

The Authority administers the Sarasota Manatee Airport Authority Plan. The plan provides medical, dental and vision insurance benefits for eligible retirees and their dependents. The Authority's OPEB plan is a single-employer defined OPEB plan administered by the Authority and does not issue a separate financial statement. No assets are accumulated in a trust. To be eligible for retiree benefits, the employee must be covered in the medical plan as an active participant immediately prior to retirement. Participants who are not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Retirees opting to participate are required to pay a premium amount that is equal to the cost the Authority pays for the insurance. The Authority does not subsidize any of the premium.

Retiree and spousal coverage is provided for the lifetime of the participants, but once they no longer choose to participate in the plans, they may not re-enter at a later date.

The Authority values its post-retirement health and other benefits every two years. The most recent actuarial valuation date was the fiscal year ended September 30, 2018.

The Authority's total OPEB liability of \$260,596 was measured as of September 30, 2019, and was determined by an actuarial valuation as of that date.

Employees covered by benefit terms. At September 30, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	4
Inactive employees entitled to receive benefit payments	-
Active employees	<u>111</u>
	<u><u>115</u></u>

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<u>Assumptions and Other Input</u>	<u>2019</u>
Inflation	2.00%
Salary Increases	1.88-5.1%
Payroll Growth*	2.25%
Discount Rate	3.63%
Health Care Cost Trend Rates	8.50% Decreasing to an ultimate rate of 5%
* Includes an inflation assumption of 2%	

Post-Employment Health and Other Benefits (continued)

The healthcare coverage election rate used was 11% for active employees with current coverage and 0% for active employees with no coverage.

The discount rate was based on yield for 20-year tax-exempt General Obligation Municipal Bonds.

Mortality rates were based on the RPH-2017 Dataset Table.

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period from October 1, 2016 to September 30, 2018.

Changes in the Total OPEB Liability

Balance at September 30, 2018	\$ 256,354
Changes for the year:	
Service Cost	6,307
Interest	9,330
Changes of benefit terms	-
Differences between expected and actual experience	
Changes in assumptions or other input	
Benefit Payments	<u>(11,395)</u>
Net Changes	<u>4,242</u>
Balance at September 30, 2019	<u>\$ 260,596</u>

Changes of assumptions and other inputs reflect no change in the discount rate of 3.63% for 2019 and 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority at the current discount rate (3.63%), as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) or 1 percentage point higher (4.63%) than the current rate:

	<u>2019</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>2.63%</u>	<u>3.63%</u>	<u>4.63%</u>
Total OPEB liability	\$ 274,261	\$ 260,596	\$ 240,111

Post-Employment Health and Other Benefits (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.5 % decreasing to 4.0 %) or 1 percentage point higher (9.5 % decreasing to 6 %) than the current healthcare cost trend rates:

2019			
Healthcare Cost Trend			
		Rates	1% Increase
1% Decrease	7.5% Decreasing to 4%	8.5% Decreasing to 5%	9.5% Decreasing to 6%
Total OPEB liability	\$ 240,510	\$ 260,596	\$ 273,709

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2018, the Authority recognized OPEB benefit of \$1,360. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2019		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (49,054)
Changes of assumptions or other inputs	-	(47,993)
Total	<u>\$ -</u>	<u>\$ (97,047)</u>

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

Year Ended September 30	
2020	\$ (24,262)
2021	(24,262)
2022	(24,262)
2023	(24,261)
Thereafter	-

8. Leases

The Authority has entered into Airport Use Agreements with four of the principal commercial air carriers that serve the airport. For 2019 and 2018, the signatory airlines were Delta Air Lines, JetBlue Airways, American Airlines and United Airlines.

The airline leases require an annual year-end adjustment to the actual amount of airline rates and charges, wherein charges calculated using budgeted data at the beginning of the fiscal year are reconciled to actual year-end costs, resulting in an under- or over-collection of revenues with the airlines signatory to the lease agreements.

The fiscal year 2019 year-end adjustment to actual was an over-collection of \$776,417. This amount is due to the signatory airlines and is included in accounts payable at September 30, 2019. The fiscal year 2018 year-end adjustment to actual was an over- collection of \$1,342,846.

A portion of the Authority's revenue is provided by non-airline lease and concession agreements. These agreements relate to a portion of the Authority's buildings, land, and the privilege to do business at the Airport and have terms ranging from 1 (one) to 99 (ninety-nine) years.

Many of the non-airline agreements contain contingent rental provisions whereby additional amounts, in excess of stated minimums, are due based upon the lessees' gross revenue. Minimum future lease payments to be received on the operating lease agreements are as follows:

Year Ending September 30,	Car Rental			Total
	Restaurants	Agencies	Other	
2020	\$ 476,926	\$ 3,394,987	\$ 2,066,524	\$ 5,938,437
2021	476,926	3,394,987	1,925,325	5,797,238
2022	437,182	-	1,777,912	2,215,094
2023	-	-	1,382,489	1,382,489
2024	-	-	1,370,245	1,370,245
2025 - 2029	-	-	6,399,296	6,399,296
2030 - 2034	-	-	6,059,292	6,059,292
2035 - 2039	-	-	5,155,426	5,155,426
2040 - 2044	-	-	1,467,690	1,467,690
2045 - 2049	-	-	1,257,796	1,257,796
2050 - 2054	-	-	1,257,796	1,257,796
2055 - 2059	-	-	874,636	874,636
2060 - 2064	-	-	758,022	758,022
2065 - 2069	-	-	362,076	362,076
2070 - 2074	-	-	148,874	148,874
2075 - 2076	-	-	2,481	2,481
Total	<u>\$ 1,391,034</u>	<u>\$ 6,789,974</u>	<u>\$ 32,265,880</u>	<u>\$ 40,446,888</u>

Rents received from non-airline leases and concession agreements amounted to approximately \$5,695,000 and \$5,498,000 for the years ended September 30, 2019 and 2018, respectively. Amounts received under contingent rental clauses were approximately \$1,459,000 and \$856,000 for the years ended September 30, 2019 and 2018, respectively.

9. Commitments and Contingencies

The Authority has entered into contracts to purchase property, plant and equipment aggregating approximately \$44 million as of September 30, 2019. Of that amount, approximately \$21.4 million has been expended, with the remaining amount anticipated to be expended over the next two years. The majority of these expenditures are expected to be reimbursed to the Authority through grant funding.

The Authority is involved in certain legal actions and claims arising in the ordinary course of its business. It is the opinion of management (based on the advice of legal counsel) that such litigation and claims will be resolved without material adverse effect on the Authority's net position, results of operations or cash flows.

Grant monies received and disbursed by the Authority are for specific purposes and are subject to review by the grantor agencies. Such audits may result in request for reimbursement due to disallowance of expenditures. Based on prior experience, the Authority does not believe that such disallowances, if any, would have a material effect on the financial position of the Authority.

10. Major Airline User

The Authority derived a significant portion of its revenues from a major airline user for the year ended September 30, 2019. During 2019, this major airline user handled approximately 34% of the total airline revenue at the Airport. Additionally, this major airline user has a number of separate agreements with the Authority covering various types of property and buildings. Several of those agreements allocate charges to the carrier based upon the airline's market share of passengers and flight activity.

11. Risk Management

The Authority is a member of the Public Risk Management of Florida ("PRM"), a liability risk pool. PRM administers insurance activities relating to workers' compensation, property, liability, and automobiles. PRM absorbs the risk of loss up to a specified amount annually and purchases excess and other specific coverage from third-party carriers. PRM assesses each member its pro rata shares of the estimated amount required to meet current year losses and operating expenses. During the fiscal years ended September 30, 2019 and 2018, the Authority had no significant reductions in insurance coverage from the prior years. In addition, there have been no settlements that exceeded the Authority's insurance coverage in any of the past three fiscal years. Additionally, the Authority continues to utilize the services of an Independent Risk Management Consultant to advise on appropriate terms, conditions, and coverage needs.

12. Reclassification of Prior Year Presentation

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. These reclassifications had no effect on the reported results of operations.

Sarasota Manatee Airport Authority
Required Supplementary Information

For the Year Ended September 30, 2019

**Schedule of Changes in the Authority's
 Net Pension Liability and Related Ratios
 Last 10 Fiscal Years**

	2019	2018	2017	2016	2015	2014	Previous Years Not Available
Total pension liability							
Service cost	\$ 338,952	\$ 334,145	\$ 420,392	\$ 450,261	\$ 380,235	\$ 432,411	
Interest	1,659,271	1,619,917	1,641,276	1,592,327	1,501,532	1,425,682	
Differences between expected and actual experience	299,330	212,964	(991,666)	(306,138)	221,460	188,470	
Changes of assumptions	-	748,974	708,226	(89,187)	(867,045)	954,595	
Benefit payments	(1,109,161)	(973,349)	(921,018)	(764,203)	(603,915)	(555,406)	
Net change in total pension liability	1,188,392	1,942,651	857,210	883,060	632,267	2,445,752	
Total pension liability beginning	29,106,544	27,163,893	26,306,683	25,423,623	24,791,356	22,345,604	
Total pension liability ending (a)	\$ 30,294,936	\$ 29,106,544	\$ 27,163,893	\$ 26,306,683	\$ 25,423,623	\$ 24,791,356	
Plan fiduciary net position							
Contributions - Employer	\$ 1,071,006	\$ 936,156	\$ 1,044,759	\$ 1,105,021	\$ 1,001,004	\$ 1,200,366	
Net Investment Income	1,430,228	851,104	1,699,321	1,351,302	(43,535)	1,234,170	
Benefit payments	(1,109,161)	(973,349)	(921,018)	(764,203)	(603,915)	(555,406)	
Administrative expense	(5,227)	(4,890)	(9,202)	(3,263)	(13,652)	(23,888)	
Net change in plan fiduciary net position	1,386,846	809,021	1,813,860	1,688,857	339,902	1,855,242	
Plan fiduciary net position - beginning	23,098,459	22,289,438	20,475,578	18,786,721	18,446,819	16,591,577	
Plan fiduciary net position - ending (b)	\$ 24,485,305	\$ 23,098,459	\$ 22,289,438	\$ 20,475,578	\$ 18,786,721	\$ 18,446,819	
Authority's net position liability ending (a) - (b)	\$ 5,809,631	\$ 6,008,085	\$ 4,874,455	\$ 5,831,105	\$ 6,636,902	\$ 6,344,537	
Plan fiduciary net position as a percentage of the total pension liability	80.82%	79.36%	82.06%	77.83%	73.89%	74.41%	
Covered payroll	\$ 3,178,265	\$ 3,081,986	\$ 3,449,801	\$ 3,540,676	\$ 3,875,727	\$ 3,949,576	
Authority's net position liability as a percentage of covered payroll	182.79%	194.94%	141.30%	164.69%	171.24%	160.64%	
Notes to Schedule for Changes in Assumptions:							
Long-term rate of return on assets	5.75%	5.75%	6.00%	6.25%	6.25%	6.75%	
Discount rate	5.75%	5.75%	6.00%	6.25%	6.25%	6.04%	

This schedule is presented to illustrate the requirements to show information 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.

Sarasota Manatee Airport Authority
Required Supplementary Information

Schedule of Authority
Contributions
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 1,071,006	\$ 936,156	\$ 1,044,759	\$ 1,105,021	\$ 1,001,004	\$ 1,200,366	\$ 1,351,949	\$ 1,386,614	\$ 1,101,584	\$ 924,367
Contributions in relation to the actuarially determined contribution	1,071,006	936,156	1,044,759	1,105,021	1,001,004	1,200,366	1,351,949	1,386,614	1,101,584	924,367
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,178,265	\$ 3,081,986	\$ 3,449,801	\$ 3,540,676	\$ 3,875,727	\$ 3,949,576	\$ 3,923,379	\$ 4,681,625	\$ 4,976,793	\$ 4,844,115
Contributions as a percentage of covered payroll	33.70%	30.38%	30.28%	31.21%	25.83%	30.39%	34.46%	29.62%	22.13%	19.08%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization period	15 years
Amortization method	Level dollar amortization
Asset valuation method	Market value
Inflation	2.25%
Cost of Living Adjustment	0%
Retirement Age	65
Investment Rate of Return	5.75%, net of pension plan investment expense
Mortality Table	RP 2000 (Table is what the state of Florida is using in its valuation)

Sarasota Manatee Airport Authority
Required Supplementary Information

Schedule of
Investment Returns
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual money-weighted rate of return net of investment expense	6.11%	3.77%	8.14%	7.03%	-0.23%	7.21%	7.11%	15.11%	1.48%	11.11%

**Schedule of Changes in the Authority's
 Total OPEB Liability and Related Ratios
 Last 10 Fiscal Years**

	2019	2018	Previous Years Not Available
Service cost	\$ 6,307	\$ 10,514	
Interest	9,330	12,388	
Changes of benefit terms	-	-	
Difference between expected and actual experience	-	(73,580)	
Changes of assumptions or other input	-	(71,991)	
Benefit payments	(11,395)	(20,030)	
Net change in total OPEB liability	4,242	(142,699)	
Total OPEB liability beginning	256,354	399,053	
Total OPEB liability ending	\$ 260,596	\$ 256,354	
Covered payroll	\$ 6,108,001	6,108,001	
Total OPEB liability as a percentage of covered payroll	4.27%	4.20%	

Changes of assumptions and other inputs reflect no change in the discount rate.

No assets are accumulated in a trust.

This schedule is presented to illustrate the requirements to show information 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.

Sarasota Manatee Airport Authority

Supplemental Schedules

For the Year Ended September 30, 2019

Sarasota Manatee Airport Authority
Schedule of Operating Expenses

	Year Ended September 30	
	<u>2019</u>	<u>2018</u>
Depreciation and amortization	\$ 10,393,197	\$ 9,002,692
Salaries and wages	8,105,705	7,616,585
Health insurance	1,688,120	1,761,594
Operating supplies, maintenance and repairs	1,634,383	1,264,946
Marketing	1,459,860	595,620
Retirement benefit plans	1,310,859	715,641
Legal	723,827	252,857
General insurance	614,234	571,660
Electricity	604,081	571,834
Social Security	565,561	557,242
Service contract	547,256	628,687
Professional services	265,416	280,326
Data processing supplies	251,639	219,286
Workers' compensation insurance	238,779	230,643
Telephone	223,387	228,956
Advertising and entertainment	169,632	129,505
Travel	137,705	144,482
Customs	136,029	135,057
Water and sewer	94,563	90,832
Sanitation	92,108	76,147
Dues and subscriptions	88,074	81,107
Uniforms and identification	65,581	43,614
Office supplies, postage and publishing	50,013	36,004
Training	49,514	56,809
Accounting and audit fees	44,750	43,250
Public relations	31,727	25,977
Taxes	26,789	14,448
Miscellaneous	23,346	30,523
Banking fees	19,375	12,680
Car allowance	16,812	9,816
Disability	4,915	6,123
Shuttle service	4,561	15,276
Unemployment	3,976	-
Equipment rental	3,194	5,284
Employee service awards	2,505	3,373
Interior plants	1,546	7,595
Bad debt	1,030	22,185
Total Operating Expenses	<u>\$ 29,694,049</u>	<u>\$ 25,488,656</u>

Sarasota Manatee Airport Authority
Schedule of Application of Revenues
For the Year Ended September 30, 2019

	Revenue	Operations & Maintenance Account	Operation & Maintenance Reserve	Renewal & Replacement Reserve	Authority General Purpose Account	Total
Beginning Balances:						
September 30, 2018	\$ -	\$ -	\$ 2,998,925	\$ 2,000,000	\$ 18,390,818	\$ 23,389,743
Receipts:						
Operating revenue	27,177,252	-	-	-	-	27,177,252
FAA & FDOT Grants	9,783,324	-	-	-	-	9,783,324
Portfolio Activity	1,763,806	-	-	-	-	1,763,806
Transfer from/(to) restricted assets	2,780,179	-	-	-	-	2,780,179
	<u>41,504,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,504,561</u>
Transfers (Net):	(4,150,456)	241,718	304,462	-	1,702,827	-
Disbursements:						
Capital	-	-	-	-	\$ (19,081,350)	(19,081,350)
Operating	-	(24,171,828)	-	-	-	(24,171,828)
Ending Balances:						
September 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,303,387</u>	<u>\$ 2,000,000</u>	<u>\$ 16,337,739</u>	<u>\$ 21,641,126</u>

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

To Management and the Members of the Board
Sarasota Manatee Airport Authority

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 the Enterprise Fund and the Pension Trust Fund of the Sarasota Manatee Airport Authority (the "Authority") as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 10, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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. 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 from 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 results of that testing, and not to provide an opinion on the effectiveness of 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

January 10, 2020

Report on Compliance for the Major Federal Program, State Financial Assistance Project, and Passenger Facility Charge Program as required by the Uniform Guidance, Chapter 10.550, Rules of Auditor General, and Passenger Facility Charge Audit Guide for Public Agencies, respectively; Report on Internal Control Over Compliance

Independent Auditor's Report

To the Members of the Board
Sarasota Manatee Airport Authority

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

We have audited Sarasota Manatee Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the requirements described in the Florida Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on the Authority's major federal program and state financial assistance projects for the year ended September 30, 2019. In addition, we audited compliance with the applicable requirements described in *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, for the year ended September 30, 2019. The Authority's major federal program and state financial assistance project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The passenger facility charge program is identified in the schedule of passenger facility charges collected and expended.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal program, state financial assistance project, and the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs, state financial assistance projects, and the passenger facility charge program based on our audit of the types of compliance requirements referred to above.

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

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

To the Members of the Board
Sarasota Manatee Airport Authority

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

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

Report on Internal Control Over Compliance

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

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

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, Chapter 10.550, and the Guide. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

January 10, 2020

Sarasota Manatee Airport Authority

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2019

Program Title/Project Number/Subrecipient Name	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Transportation, Federal				
Aviation Administration - Direct Program:				
Airport Improvement Program:				
3-12-0071-52	20.106	N/A	\$ -	\$ 6,242
3-12-0071-53	20.106	N/A	-	1,957,489
3-12-0071-54	20.106	N/A	-	1,470,323
3-12-0071-55	20.106	N/A	-	9,262
3-12-0071-56	20.106	N/A	-	10,321
3-12-0071-57	20.106	N/A	-	-
Total Federal Awards			\$ -	\$ 3,453,637

Sarasota Manatee Airport Authority

Schedule of Expenditures of State Financial Assistance Projects

Year Ended September 30, 2019

Program Title/Project Number/Subrecipient Name	State CSFA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	State Expenditures
Florida Department of Transportation:				
Aviation Development Grants:				
434826-1-94-01	55.004	N/A	\$ -	\$ 129,091
437061-1-94-01	55.004	N/A	-	1,104,828
439507-1-94-01	55.004	N/A	-	347
439513-1-94-01	55.004	N/A	-	2,255,788
439514-1-94-01	55.004	N/A	-	37,467
439539-1-94-01	55.004	N/A	-	8,544
439540-1-94-01	55.004	N/A	-	568,372
440307-1-94-01	55.004	N/A	-	56,661
441858-1-94-01	55.004	N/A	-	6,821
444189-1-94-01	55.004	N/A	-	36,735
444913-1-94-01	55.004	N/A	-	62,500
445152-1-94-01	55.004	N/A	-	75,000
Florida Department of Economic Opportunity				
HL113			-	361
Total State Awards			\$ -	\$ 4,342,515

**Notes to Schedule of Expenditures of Federal Awards and
State Financial Assistance Projects**

September 30, 2019

Note 1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance projects (the "Schedules") include the federal grant and state project activity of Sarasota Manatee Airport Authority (the "Authority") under programs of the federal and state governments for the year ended September 30, 2019. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"); the Florida Single Audit Act; and Chapter 10.550 of the Rules of the Auditor General. Because the Schedules present only a selected portion of the operations of the Authority, they are not intended to and do not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Reporting Entity

The Authority is an independent special district pursuant to the constitution and laws of Florida, particularly Chapter 2003-309, *Laws of Florida*, which authorized the Authority to own and operate the Sarasota Bradenton International Airport (the "Airport"). The Authority has jurisdiction, control, supervision, and management of the Airport.

Expenditures reported in the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either 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*; the Florida Single Audit Act; and Chapter 10.550 of the Rules of the Auditor General wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if applicable, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Sarasota Manatee Airport Authority

Schedule of Findings and Questioned Costs

Year Ended September 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes None reported

Federal Awards and State Projects

Internal control over major programs:

- Material weakness(es) identified? _____ Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes None reported

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

Identification of major federal programs and state projects:

CFDA Number	Name of Federal Program/Cluster	Opinion
20.106	Federal program - Airport Improvement Program	Unmodified

CSFA Number	Name of State Project	Opinion
55.004	State project - Aviation Development Grants	Unmodified

Dollar threshold used to distinguish between type A and type B Federal programs: \$750,000

Dollar threshold used to distinguish between type A and type B State projects: \$750,000

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

Sarasota Manatee Airport Authority

Schedule of Findings and Questioned Costs (Continued)

Section II - Financial Statement Audit Findings

Reference Number	Finding
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Current Year None

Section III - Federal Program and State Project Audit Findings

Reference Number	Finding	Questioned Costs
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Current Year None

Sarasota Manatee Airport Authority

Schedule of Expenditures of Passenger Facility Charges Collected and Expended

Year Ended September 30, 2019

Cumulative Balance - September 30, 2018	250,244
Receipts	
Passenger Facility Charges	3,911,877
Interest Income	6,005
Total Receipts	<u>3,917,882</u>
Disbursements	
Application No. 00-04-C-03-SRQ	3,813,810
Total Disbursements	<u>3,813,810</u>
Increase in cash balances	104,072
Cumulative Balance - September 30, 2019	354,316

**Notes to Schedule of Expenditures of Passenger Facility
Charges Collected and Expended**

September 30, 2019

Note 1 - General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. PFCs may be used for airport projects that meet at least one of the following criteria:

- Preserve or enhance safety, security, or capacity of the national air transportation system.
- Reduce noise or mitigate noise impacts resulting from an airport.
- Furnish opportunities for enhanced competition between or among carriers.

Since 1995, the Federal Aviation Administration (FAA) has approved five PFC applications and amendments submitted by the Sarasota Manatee Airport Authority (the "Authority"). The Authority is currently authorized to collect PFCs in the amount of \$4.50 per enplaned passenger up to a total for approved collections of approximately \$84 million. Project expenditures may include amounts for the payment of principal, interest, and other financing costs on bonds for which the proceeds are used to pay PFC-eligible costs on approved projects.

As of September 30, 2019, the Authority had received approximately \$65 million of PFC revenue and \$4 million of interest earnings. The Authority had expended approximately \$68 million on approved projects and debt repayments.

Note 2 - Basis of Presentation

The accompanying schedule of PFCs collected and expended has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP).

**Independent Accountant's Report on Compliance
with Local Government Investment Policies**

To the Members of the Board
Sarasota Manatee Airport Authority

We have examined the Sarasota Manatee Airport Authority's (the "Authority") compliance with the local government investment policies required by Section 218.415, Florida Statutes, during the year ended September 30, 2019. The Authority's management is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified criteria referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with the specified requirements.

In our opinion, the Authority complied, in all material respects, with the local government investment policies required by Section 218.415, Florida Statutes, during the year ended September 30, 2019.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and Rules of the Auditor General.

Plante & Moran, PLLC

January 10, 2020

January 10, 2020

To the Members of the Board
Sarasota Manatee Airport Authority

We have audited the financial statements of the Sarasota Manatee Airport Authority (the "Authority") as of and for the year ended September 30, 2019 and have issued our report thereon dated January 10, 2020. Professional standards require that we provide you with information related to our audit, which is disclosed in Section I below.

Section I - Required Communications with Those Charged with Governance

Section II - Management Letter and State Reporting Requirements

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the board members of the Authority.

Section II includes comments and recommendations pursuant to Section 218.39(4), Florida Statutes, and Rule 10.557(3)(g), Rules of the Auditor General.

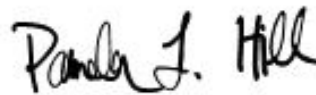
We would like to take this opportunity to thank the Authority's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board members of the Sarasota Manatee Airport Authority and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



Pamela L. Hill
Partner



Rumzei Abdallah
Senior Audit Manager

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 24, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the Authority's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the Authority, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated January 10, 2020 regarding 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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 24, 2019.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended September 30, 2019.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Section I - Required Communications with Those Charged with Governance (Continued)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was the estimate of the net pension liability and related disclosures. Management's estimate of the net pension liability and related disclosures is based on actuarial valuations and other financial data. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was Note 6 - Pension Plan.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 10, 2020.

Section I - Required Communications with Those Charged with Governance (Continued)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Authority’s financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we read the financial statements with management’s discussion and analysis, including the supplementary and compliance reports and schedules, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Section II - Management Letter and State Reporting Requirements

Report on the Financial Statements

We have audited the financial statements of the Enterprise Fund and the Pension Trust Fund of the Sarasota Manatee Airport Authority (the "Authority") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated January 10, 2020.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, as it relates to the federal compliance audit, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance") and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.

During the audit, we also adhered to the requirements under Chapter 10.550, Rules of the Auditor General, which requires certain additional procedures and the reporting of certain items addressed in this letter.

Other Reporting Requirements

We have issued our independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; independent auditor's report on compliance for each major federal program and state project and report on internal control over compliance required by the Uniform Guidance; schedule of findings and questioned costs; and report of independent accountant on compliance with local government investment policies, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. This letter should be considered in conjunction with those reports and schedules, which are dated January 10, 2020.

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 financial audit report. The preceding financial audit report included one nonmaterial noncompliance with the Airport Improvement Program, CFDA 20.106, related to special reporting by subcontractor agencies. During the audit, we noted that the Authority has taken corrective actions to address the finding.

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 Authority has included such disclosures in Note 1 to the financial statements.

Section II - Management Letter and State Reporting Requirements (Continued)

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply 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. Management of the Authority has determined that the Authority does not meet any of the conditions that are used in the determination of a financial emergency as described in Section 218.503(1), Florida Statutes. In connection with our audit of the financial statements, the results of our tests did not indicate that the Authority has met any of the conditions in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Authority based on the audited financial statements as of and for the year ended September 30, 2019. 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 review of financial information provided by 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.

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. Please see the report on internal control over financial reporting dated January 10, 2020.

Purpose of This Section

Section II of this letter is intended solely to communicate certain matters prescribed by Chapter 10.550, Rules of the Auditor General. Accordingly, this section is not suitable for any other purpose.