

SEBRING AIRPORT AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

**SEBRING AIRPORT AUTHORITY
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2014**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	9
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	10
STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	13
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	28
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	29
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	30
MANAGEMENT LETTER	32
INDEPENDENT ACCOUNTANTS' REPORT	34

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sebring Airport Authority
Sebring, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Sebring Airport Authority, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sebring Airport Authority's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Sebring Airport Authority

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, on our consideration of the Sebring Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sebring Airport Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
January 12, 2015

**SEBRING AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2014**

As management of the Sebring Airport Authority (Authority), we offer the readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Finance Director, Sebring Airport Authority, 128 Authority Lane, Sebring, Florida 33870.

Financial Highlights

- The assets of the Authority exceeded its liabilities as of September 30, 2014 by \$30,723,479 (net position).
- The Authority's total assets net of depreciation as of September 30, 2014 were \$34,711,340.
- The Authority's total operating revenue was \$4,034,211, primarily consisting of industrial and racetrack rentals of \$1,679,342 and FBO sales in the amount of \$1,550,063.
- The Authority's total operating expenses came to \$5,075,396. General operating expense (including insurance, supplies, utilities, repairs and maintenance, taxes) came to \$2,249,552. Other primary expenses consisted of \$716,839 in personnel costs, \$639,846 in contractual and professional services and \$1,469,159 in depreciation. The net operating loss was \$1,041,185.
- Total nonoperating revenue and expenses and capital grants were \$315,412 resulting in a negative change in net position of \$725,773. The majority of the nonoperating revenue was \$365,853 in grants.

Overview of Financial Statements

The financial statements included in the annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Position reports the Authority's assets and liabilities at the end of the fiscal year and provides information about the nature and amounts of investment of resources and obligations to creditors.
- Statement of Revenue, Expenses and Changes in Net Position – the results of activity over the course of the fiscal year. It details the costs associated with operating the Authority and how those costs were funded. It also provides an explanation of the change in net position from the previous fiscal year-end to the current fiscal year-end.
- Statement of Cash Flows – reports the Authority's cash flows in and out from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It details the sources of the Authority's cash, what it was used for, and the change in cash over the course of the fiscal year.
- The basic financial statements also include notes that provide required disclosures and other information necessary to gather the full meaning of the material presented in the statements.

**SEBRING AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2014**

Overview of Financial Statements (Continued)

The attached analysis of net position, revenue and expenses are detailed and provide a comprehensive portrayal of financial conditions and related trends. The analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned regardless of when cash is received or paid.

Our analysis presents the Authority's net position, which can be thought of as the difference between what the Authority owns (assets) and what the Authority owes (liabilities). The net position analysis will allow the reader to measure the health or financial position of the Authority.

Over time, significant changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority, the reader must also consider other non-financial factors such as fluctuations in the local economy, fluctuations in fuel prices and the physical condition of the Authority's capital assets.

At September 30, 2014, total assets were \$34,711,340. Total current assets were \$1,375,764 including total restricted assets of \$120,711, which consisted of cash for repayment of tenant security deposits. Capital assets net of depreciation were \$33,324,289.

In addition, total liabilities at September 30, 2014 were \$3,987,861. Total current liabilities were \$1,066,443 and liabilities payable from restricted assets (tenant deposits) and total long-term (noncurrent) liabilities were \$2,921,418.

Net Position

The difference between an organization's assets and its liabilities equals its net position. The Authority's net position is classified as follows:

Net investment in capital assets – Capital assets, net of accumulated depreciation and reduced by debt attributable to the acquisition of those assets.

Unrestricted – Net position that is not invested in capital assets or subject to restrictions.

**SEBRING AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2014**

Condensed Financial Information

Assets, Liabilities and Net Position:

	2014	2013
ASSETS		
Current Assets - Unrestricted	\$ 1,255,053	\$ 1,448,818
Current Assets - Restricted	120,711	92,883
Net Capital Assets	33,324,289	31,869,098
Other Noncurrent Assets	11,287	11,287
Total Assets	34,711,340	33,422,086
LIABILITIES		
Current Liabilities	1,066,443	1,490,030
Noncurrent Liabilities	2,921,418	482,804
Total Liabilities	3,987,861	1,972,834
NET POSITION		
Net Investment in Capital Assets	30,222,450	30,890,793
Unrestricted	501,029	558,459
Total Net Position	\$ 30,723,479	\$ 31,449,252

Current assets decreased \$165,937 from the prior fiscal year. Of that amount, trade receivables decreased by \$61,451 primarily due to a decrease in credit card and tenant receivables.

Current liabilities decreased \$423,587 from the prior year primarily due to decrease grant expenses payable at year-end.

At September 30, 2014, the Authority had \$2,921,418 in long-term debt related to capital assets. That debt finances the purchases of equipment as well as construction and improvement projects.

There was a decrease in net position of \$725,773 mainly due to a net operating loss of (\$1,091,185). The net operating loss was due largely to \$1,469,159 in depreciation expense.

**SEBRING AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2014**

Condensed Financial Information (Continued)

Revenues, Expenses, and Changes in Net Position

	2014	2013
OPERATING REVENUE		
Rent and Track Revenue	\$ 1,679,342	\$ 1,518,540
Fixed Based Operations	1,550,063	1,260,432
Other Revenue	804,806	816,261
Total Operating Revenue	4,034,211	3,595,233
OPERATING EXPENSES		
Personnel Services	716,839	677,138
Contractual Services	269,496	354,006
Professional Services	370,350	314,576
General Operating Expenses	2,249,552	1,936,953
Depreciation Expense	1,469,159	1,422,312
Total Operating Expenses	5,075,396	4,704,985
OPERATING LOSS	(1,041,185)	(1,109,752)
NONOPERATING REVENUES (EXPENSES)		
Interest Expense, Net	(75,525)	(3,269)
Grants	365,853	1,225,014
Other Nonoperating Revenue	25,084	27,815
Total Nonoperating Revenues	315,412	1,249,560
CHANGE IN NET POSITION	(725,773)	139,808
Net Position - Beginning of Year	31,449,252	31,309,444
NET POSITION - END OF YEAR	\$ 30,723,479	\$ 31,449,252

Overall operating revenue increased by \$438,978. Revenue from fixed based operations increased \$289,631 for the current year due to increased fuel sales.

Operating expenses before depreciation increased by \$323,564. The increase was due largely to increases in general operating expenses, the most significant being costs associated with the price of Fuel.

In fiscal year 2014, total operating revenue was \$4,034,211, while total operating expenses, including depreciation, were \$5,075,396. This resulted in a \$1,041,185 operating loss. Net nonoperating revenues, including capital grants, were \$315,412 resulting in a negative change in net position of \$725,773.

**SEBRING AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2014**

Economic Factors and Next Year's Budgets and Rates

The Sebring Airport Authority Annual Budget was approved by Resolution 14-22 on September 18, 2014. The Sebring Regional Airport and Industrial Park Community Redevelopment Agency (CRA) is reported as a blended component unit of the Sebring Airport Authority. Its Annual Budget was approved by Resolution C14-05 on September 18, 2014. The detailed budget is available at www.sebring-airport.com for review.

The Sebring Airport Authority purchased Sebring Aviation Services' Building 22 in April 2014 and assumed two new leases: Metro Aviation, the hub for air medical aircraft maintenance, and Tampa General Hospital which houses emergency helicopter crew members. TECNAM, who market and promote Light Sport Aircraft, is leasing 21,000 square feet of the facility. FLG Teardowns based out of Davie, Florida opened their new business in Hangar 60. Retired aircraft will be dismantled for parts distribution and recycling.

Significant economic factors affecting the Authority are as follows:

- Federal, state and local funding of airport capital projects
- Fluctuations in fuel prices which affect revenues and cost of fuel sold
- Military environment affecting military fuel sales
- Inflationary pressure on utility rates, supplies and other costs

We hope to have the following projects under design in fiscal year 2015:

- Gen Pak is adding 100,000 square feet of warehouse
- Completion of Security Fencing Access Control Phase III
- Project Nitrogen

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed as follows:

Christine McGann
Director of Finance
Sebring Airport Authority
128 Authority Lane
Sebring, FL 33870

**SEBRING AIRPORT AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

ASSETS

Current Assets:

Cash and Cash Equivalents - Unrestricted	\$	1,097,327
Cash and Cash Equivalents - Restricted		120,711
Accounts Receivable - Trade		80,331
Grants Receivable		25,219
Prepaid Items		5,264
Inventory		46,912
Total Current Assets		1,375,764

Noncurrent Assets:

Capital Assets Not Being Depreciated		1,761,427
Capital Assets - Net of Depreciation		31,562,862
Other Assets, Net		11,287
Total Noncurrent Assets		33,335,576

Total Assets		34,711,340
--------------	--	------------

LIABILITIES

Current Liabilities:

Accounts Payable		166,996
Grant Expenses Payable		188,560
Accrued Expenses		49,029
Notes and Leases Payable - Current		112,572
Unearned Revenue		549,286
Total Current Liabilities		1,066,443

Noncurrent Liabilities:

Notes and Leases Payable - Noncurrent		2,800,707
Rent Deposits		120,711
Total Noncurrent Liabilities		2,921,418

Total Liabilities		3,987,861
-------------------	--	-----------

NET POSITION

Net Investment in Capital Assets		30,222,450
Unrestricted		501,029
Total Net Position		\$ 30,723,479

See accompanying Notes to Financial Statements.

SEBRING AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2014

OPERATING REVENUE	
Industrial Rentals	\$ 1,499,328
Test Track Rentals	180,014
Fixed Base Operations	1,550,063
Fire Protection Fees	63,881
Aviation Expo Revenue	211,424
CRA Incremental Tax Revenue	361,208
Miscellaneous Revenue	168,293
Total Operating Revenue	<u>4,034,211</u>
OPERATING EXPENSES	
Personal Services	716,839
Contractual Services	269,496
Professional Services	370,350
General Operating	2,249,552
Total Operating Expenses	<u>3,606,237</u>
OPERATING INCOME BEFORE DEPRECIATION	427,974
Depreciation	<u>(1,469,159)</u>
NET OPERATING LOSS	(1,041,185)
NONOPERATING REVENUE (EXPENSE)	
Interest Income	1,522
Interest Expense	(77,047)
Miscellaneous Revenue	26,259
Loss on Sale of Capital Assets	(1,175)
Total Nonoperating Expense	<u>(50,441)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,091,626)
Capital Grants	<u>365,853</u>
CHANGE IN NET POSITION	(725,773)
Net Position - Beginning of Year	<u>31,449,252</u>
NET POSITION - END OF YEAR	<u><u>\$ 30,723,479</u></u>

See accompanying Notes to Financial Statements.

**SEBRING AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 3,646,159
CRA Incremental Tax Receipts	361,208
Other Receipts	168,293
Payments to Suppliers	(3,048,042)
Payments to Employees	(724,733)
Net Cash Provided by Operating Activities	<u>402,885</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and Construction of Capital Assets	(3,171,662)
Proceeds from Borrowings	2,625,214
Principal Payments on Borrowings	(257,389)
Interest Payments on Borrowings	(72,975)
Capital Grants Received	348,113
Net Cash Used by Capital and Related Financing Activities	<u>(528,699)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Earned on Operating Funds	<u>1,522</u>
------------------------------------	--------------

NET DECREASE IN CASH AND CASH EQUIVALENTS

(124,290)

Cash and Cash Equivalents - Beginning of Year

1,342,328

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,218,038

See accompanying Notes to Financial Statements.

**SEBRING AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

**RECONCILIATION OF NET OPERATING LOSS TO CASH
PROVIDED BY OPERATING ACTIVITIES**

Net Operating Loss	\$ (1,041,185)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,469,159
(Increase) Decrease in Assets:	
Accounts Receivable - Trade	61,451
Prepaid Expenses	(661)
Inventory	(1,403)
Increase (Decrease) in Liabilities:	
Accounts Payable	(159,173)
Accrued Expenses	(5,301)
Rent Deposits	27,828
Unearned Revenue	52,170
Net Cash Provided by Operating Activities	\$ 402,885

**RECONCILIATION OF CASH AND CASH EQUIVALENTS TO
STATEMENT OF NET POSITION**

Cash and Cash Equivalents	\$ 1,218,038
Less: Restricted Cash and Cash Equivalents	(120,711)
Total Unrestricted Cash and Cash Equivalents	\$ 1,097,327

See accompanying Notes to Financial Statements.

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Sebring Airport Authority (Authority) was created by the Legislature of the State of Florida by Chapter 67-2070 (1967), for the purpose of planning, developing, and maintaining a comprehensive airport and industrial complex, and constitutes a public instrumentality. The Authority is governed by a board of seven members, and its operations consist of leasing industrial properties and airport operations.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units and present only the financial position of Sebring Airport Authority, a dependent special district of the City of Sebring, Florida (City), and not of the City as a whole. The Authority has been classified as a dependent special district of the City of Sebring, Florida, as determined by the Florida Department of Community Affairs effective October 1, 1990, for annual financial reporting purposes of Section 218.32, Florida Statutes.

As defined by accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as all component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board, and either a) the ability to impose the will of the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Authority Board and (1) there is a financial benefit or burden relationship between the primary government and the component unit, or (2) management of the primary government has operational responsibility for the component unit. A blended component unit provides services entirely, or almost entirely, to the primary government. The component units' funds are blended into those of the primary government by appropriate activity type to compose the primary government presentation.

The Sebring Regional Airport and Industrial Park Community Redevelopment Agency (CRA), established by County ordinance on December 17, 1996 is a legally separate entity, however, since the Authority's Board of Directors also serves as the CRA's Board, there is a financial benefit relationship and operational responsibility, and the CRA provides services entirely to the Authority, it is reported as a blended component unit.

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting and Measurement Focus

The Authority operates as a single enterprise fund under the fund accounting framework of governmental accounting. Within this framework, an enterprise fund accounts for operations in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means all assets and liabilities (whether "current or noncurrent") associated with its activity are included on its statement of net position. Reported fund equity (total net position) is segregated into unrestricted and net investment in capital assets components. The statement of revenues, expenses and changes in net position presents increases and decreases in net position.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Authority, an Enterprise Fund, is maintained on an accrual basis with revenues being recognized when earned and expenses recognized when incurred. Operating revenues are those revenues that are generated from the primary operations of the Authority. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as nonoperating expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Restricted Assets

Certain assets are classified as restricted assets in the accompanying statement of net position when constraints are placed on their use by external parties or by law. Assets classified as restricted include cash and cash equivalents that represent customer deposits. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Management considers all receivables collectible as of September 30, 2014.

Inventory

Inventory consists mainly of aviation fuel and is valued at the lower of cost or market determined on a first-in-first-out basis.

Capital Assets

Capital assets are defined by the Authority as having a minimum established cost of \$1,000 and an estimated useful life in excess of one year. Property and equipment purchased or acquired is carried at historical cost. Donated or contributed assets are recorded at estimated fair value or actual cost, if known. Additions, improvements, and capital outlays that significantly extend the useful life of an asset, and public domain (infrastructure) fixed assets consisting of roads and curbs, runways and waste/potable water systems are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 Years
Infrastructure	25 - 40 Years
Improvements	15 - 30 Years
Vehicles	5 - 15 Years
Equipment	3 - 10 Years

Interest During Construction

Net interest cost incurred in financing the construction of capital assets is capitalized as part of the asset's cost. During 2014, approximately \$1,846 interest was capitalized.

Grants

Grants which finance current operations and capital expenditures are recorded as nonoperating revenue and capital contributions, respectively, when earned.

Unearned Revenue

The Authority leases a wastewater treatment facility to the City of Sebring. Unearned revenue has been recorded for the prepaid rent received from the City in the form of its liquidation of the Authority's debt on the facility. Revenue will be recognized over the lease term as the unearned revenue is amortized.

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

On the employee's anniversary date, a maximum of 45 PTO days may be carried over to the following 12 months; PTO days in excess of 45 days will be paid to the employee. Upon retirement or resignation with two weeks' notice, employees will receive payment for unused PTO. Employees will not be entitled to payment for unused PTO if they are discharged by the Authority. The amount of earned but unused PTO days estimated to be payable is accrued as a liability at year-end.

Estimates

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

Implementation of New Accounting Standards

During the year the Authority implemented *GASBS 65, Items Previously Reported as Assets and Liabilities*. GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 2 DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of unrestricted and restricted funds. Restricted funds represent: (1) proceeds from interlocal agreements; (2) funds received at the end of the year to cover payables related to various grant projects; and (3) lease deposits. Cash and cash equivalents as of September 30, 2014 was as follows:

Unrestricted Cash	\$ 1,097,327
Restricted Cash: Lease Deposits	120,711
Total Cash and Cash Equivalents	<u>\$ 1,218,038</u>

Classified as:

Petty Cash and Demand Deposits	\$ 1,193,909
Local Government Surplus Trust Funds	24,129
Total	<u>\$ 1,218,038</u>

Custodial Credit Risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. The Authority's monies must be deposited in banks designated as qualified public depositories by the Chief Financial Officer, Florida Department of Financial Services. Therefore, the Authority's total deposits are insured by the Federal Depository Insurance Corporation and collateralized by the Bureau of Collateral Management, Division of Treasury, Florida Department of Financial Services. The law requires the Chief Financial Officer to ensure that funds are entirely collateralized throughout the fiscal year. Other than the preceding, the Authority has no policy on custodial credit risk.

The Authority invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration, under the regulatory oversight of the State of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2014, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one- and three-month LIBOR rates. These investments represented 30.9% of Florida PRIME's portfolio at September 30, 2014.

Florida PRIME is considered to be in a Rule 2a7-like pool and is reported, at amortized cost, as a cash equivalent. On September 30, 2014, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating. The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2014 was 39 days.

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land, Buildings and Infrastructure	\$ 980,024	\$ -	\$ -	\$ 980,024
Construction in Progress	5,873,159	317,819	(5,409,575)	781,403
Total Capital Assets Not Being Depreciated	6,853,183	317,819	(5,409,575)	1,761,427
Capital Assets Being Depreciated:				
Buildings and Infrastructure	42,136,344	7,976,681	-	50,113,025
Vehicles and Tractors	373,699	35,220	-	408,919
Machinery and Equipment	656,811	-	-	656,811
Office Furniture, Fixtures and Equipment	489,078	5,380	(9,566)	484,892
Race Track Improvements	1,906,879	-	-	1,906,879
Total Capital Assets Being Depreciated	45,562,811	8,017,281	(9,566)	53,570,526
Less: Accumulated Depreciation	(20,546,896)	(1,469,159)	8,391	(22,007,664)
Total Capital Assets Being Depreciated, Net	25,015,915	6,548,122	(1,175)	31,562,862
Total Capital Assets, Net	<u>\$ 31,869,098</u>	<u>\$ 6,865,941</u>	<u>\$ (5,410,750)</u>	<u>\$ 33,324,289</u>

Construction in progress is composed of the following significant projects:

Project	Authorization	Commitment	Expended
Property Acquisition	\$ 402,867	\$ 25,238	\$ 377,629
Runway 18/36 Environment Assessment	424,084	71,354	352,730
Security Fencing Phase III	70,260	19,216	51,044
Total	<u>\$ 897,211</u>	<u>\$ 115,808</u>	<u>\$ 781,403</u>

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4 LEASES

The Authority is the lessor of various types of industrial buildings and land over periods ranging from month-to-month to 75 years. All of the Authority's leases are classified as operating leases. Substantially all of the Authority's investment in land, buildings and racetrack improvements are either under lease or are held for lease at September 30, 2014.

The following is a schedule by years of minimum future rent revenues from noncancelable operating leases as of September 30, 2014:

<u>Year Ending September 30.</u>	<u>Amount</u>
2015	\$ 1,398,005
2016	1,134,653
2017	879,306
2018	833,361
2019	577,994
2020-2024	2,721,758
2025-2029	2,686,758
2030-2034	1,997,607
2035-2039	1,554,950
2040-2044	1,368,683
2045-2049	1,368,683
2050-2054	1,360,243
2055-2059	1,337,033
2060-2064	1,337,033
2065-2069	1,337,033
2070-2074	1,337,033
2075-2079	1,337,033
2080-2084	217,222
Total Minimum Future Rentals	<u>\$ 24,784,388</u>

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 RETIREMENT PLAN

All full-time employees of the Authority are participants in the Florida Retirement System (the System), a multiple-employer cost-sharing public retirement system. The System, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement, covers more than 623,000 full-time employees of various governmental units within the State of Florida.

For employees enrolled prior to July 1, 2011, the System provides for vesting of benefits after six years of creditable service. Normal retirement benefits are available to regular employees who retire at or after age 62 with 6 or more years of service or has 30 years of service, regardless of age. Early retirement is available after a member is vested and is within 20 years of normal retirement age; however, there is a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years of service credit where average compensation is computed as the average of an individual's five highest years of earnings.

For employees enrolled in the System on or after July 1, 2011, vesting of benefits begins after eight years of creditable service. Normal retirement benefits are available to these employees who retire at or after age 65 with 8 or more years of service or has 33 years of services, regardless of age. Early retirement is available after a member is vested and is within 20 years of normal retirement age; however, there is a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's eight highest years of earnings.

Effective with the State fiscal year 2002, the State created a new retirement plan within the System: the Public Employee Optional Retirement Program (the FRS Investment Plan). Any regular member not in the Deferred Retirement Option Program (DROP) is eligible to participate in the FRS Investment Plan. Employer contributions are made to the FRS Investment Plan, which holds the contributions in individual investment accounts for each participating employee. The employee directs the investment funds available through the Plan. Investment accounts vest after one year of service and may be withdrawn by the employee 90 days after termination or retirement from a participating employer in the System. Alternately, the funds may remain in the investment account until the employee reaches normal retirement age or some earlier date, at the employee's choosing.

The Authority has no responsibility to the System other than to make the periodic contributions required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Florida Division of Retirement, 1317 Winewood Blvd., Building 8, Tallahassee, Florida 32399-1560.

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 RETIREMENT PLAN (CONTINUED)

Participating employer contributions are based upon statewide rates established by the State of Florida. These rates were applied to employee salaries as follows: regular employees, 6.95% and 5.18%; senior management, 18.31% and 6.30%; and DROP employees, 12.84% and 5.44% for the System's years ended June 30, 2013 and 2012, respectively. Effective July 1, 2014, the rates were changed as follows: regular employees, 7.37%; senior management, 21.14%; and DROP employees, 12.28%. In addition, all employees (except for those in DROP) were required to make contributions of 3% on a pretax basis, deductible from their gross salaries for each payroll beginning in July 2011. The Authority's contributions made during the years ended September 30, 2014, 2013 and 2012 were \$44,964, \$29,659 and \$20,431, respectively, equal to the actuarially determined contribution requirements for each year.

NOTE 6 LONG-TERM DEBT

The summary of changes in long-term debt for the fiscal year ended September 30, 2014 is as follows:

	Balance October 1, 2013	Additions	Reductions	Balance September 30, 2014	Due Within One Year
Notes Payable	\$ 394,622	\$ 2,520,531	\$ (72,148)	\$ 2,843,005	\$ 99,128
Capital Leases	41,978	35,220	(6,924)	70,274	13,444
Total	<u>\$ 436,600</u>	<u>\$ 2,555,751</u>	<u>\$ (79,072)</u>	<u>\$ 2,913,279</u>	<u>\$ 112,572</u>

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Notes payable at September 30, 2014 consisted of the following:

<u>Description</u>	<u>Amount</u>
Note payable to the State of Florida, Office of Tourism, Trade and Economic Development for improvements to the industrial building, collateralized by Assignment of rent revenues of Building #906, due October 2018, \$7,000 payable quarterly, including interest at 3%.	\$ 102,034
Revenue Certificate for improvements to an industrial building, collateralized by assignment of rent revenues, due July 2028. Monthly payments of \$4,575 through July 2018, including interest at 6%. Outstanding balance at July 21, 2018 paid in monthly payments of principal and interest, calculated on a 10-year amortization, with interest based on the monthly average of the 5-year United States Treasury Bill index for June 2018 plus 4.5%. Outstanding balance as of July 21, 2023 paid in monthly payments of principal and interest, calculated on a 5-year amortization, with interest based on the monthly average of the 5-year United States Treasury Bill index for June 2023 plus 4.5%. It is the Authority's intent pay off the certificate by July 2023.	521,679
Note payable to a financial institution for improvements to an industrial building, collateralized by Assignment of rent revenues, due November 2018, \$3,082 payable monthly, including interest at 6%.	269,678
Note payable to a financial institution for improvements to an industrial building, collateralized by Assignment of rent revenues, with 12 months of interest only payments, followed by monthly payments of \$12,351 with a final payment of \$1,593,009, due April 2020, including interest at 4.75%.	1,900,000
Note payable to a financial institution for improvements to an industrial building, collateralized by assignment of rent revenues, due August 21, 2018, \$1,212 payable monthly, including interest at 6%.	49,614
Total	2,843,005
Less: Current Portion	(99,128)
Long-Term Portion	<u>\$ 2,743,877</u>

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Annual debt service requirements as of September 30, 2014 are as follows:

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 99,128	\$ 88,676
2016	147,029	135,673
2017	154,614	128,067
2018	170,709	120,130
2019	325,748	102,565
2020-2024	1,945,777	83,520
	<u>\$ 2,843,005</u>	<u>\$ 658,631</u>

Capital Leases

On July 1, 2012, the Authority entered into a lease-purchase agreement with World Fuel Services, Inc. for the purchase of a vehicle. Payments of \$750, including interest at 5.6%, are due monthly.

On May 12, 2014, the Authority entered into a lease-purchase agreement with The Bancorp Bank d/b/a Mears Leasing for the purchase of a vehicle. Payments of \$670, including interest at 4.17%, are due monthly.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Vehicles	\$ 85,220
Less: Accumulated Depreciation	(24,261)
Total	<u>\$ 60,959</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 were as follows:

<u>Year Ending September 30.</u>	<u>Amount</u>
2015	\$ 17,036
2016	17,036
2017	17,036
2018	17,036
2019	11,021
Total Minimum Lease Payments	79,165
Less: Amount Representing Interest	(8,891)
Present Value of Minimum Lease Payments	<u>\$ 70,274</u>

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 7 LINE OF CREDIT

The Authority has a \$500,000 unsecured line of credit for operational needs with a commercial bank at 70% of the bank's prime commercial rate. The Authority also has a \$500,000 line of credit to finance grant expenditures with a commercial bank at 70% of that bank's prime commercial rate, secured by grant revenues. At September 30, 2014, the Authority's outstanding balance on both the lines of credit was \$-0-.

Changes in the lines of credit for the fiscal year ended September 30, 2014 were as follows:

	Balance October 1, 2013	Additions	Reductions	Balance September 30, 2014
Line of Credit - Secured	\$ 108,854	\$ -	\$ (108,854)	\$ -
Line of Credit - Unsecured	-	69,463	(69,463)	-
	<u>\$ 108,854</u>	<u>\$ 69,463</u>	<u>\$ (178,317)</u>	<u>\$ -</u>

NOTE 8 MAJOR CUSTOMERS

A material part of the Authority's rent revenue is dependent upon four major customers and approximates total rents as follows:

Percentage of Total Rent Revenue	
Genpak	25.6 %
Sebring International Raceway, Inc.	21.0
Turf Care Supply Corp.	10.3
Gulf Coast Supply & Manufacturing	10.3
Total	<u>67.2 %</u>

NOTE 9 PERSONNEL COMMITMENTS

The Authority is obligated to make available to its qualified retired employees the option to maintain coverage with the group health insurance plan. The employees may maintain the health coverage at their own expense. The Authority's health insurance coverage is part of a total risk pool and monthly premiums charged to the Authority are the same as all participants in the pool. The Authority's premium rates meet the requirements of a community-rated plan and do not create an implicit rate subsidy as defined in GASB Statement No. 45.

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 10 FEDERAL AND STATE FINANCIAL ASSISTANCE

The Authority received federal assistance through direct programs which is reported in the Schedule of Expenditures of Federal Awards. Under OMB Circular A-133, a single audit is required for entities expending federal financial assistance in excess of \$500,000. A major program is defined as those programs whose federal expenditures during the applicable year exceed the larger of \$300,000 or 3% of such total expenditures.

The Authority received state assistance through direct programs which is reported in the Schedule of State Financial Assistance. Section 215.97, Florida Statutes, imposes audit requirements on recipients of state financial assistance expending in excess of \$500,000 in any fiscal year.

The aforementioned programs are subject to financial and compliance audits conducted by the grantors or their representatives. As of September 30, 2014, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

NOTE 11 CONDENSED COMBINING FINANCIAL INFORMATION

The following condensed financial information is presented to provide additional information on The Sebring Regional Airport and Industrial Park Community Redevelopment Agency (CRA), a blended component unit of the Authority.

Condensed Combining Statement of Net Position

	<u>Sebring Airport Authority</u>	<u>CRA</u>	<u>Total</u>
ASSETS			
Current Assets	\$ 680,075	\$ 695,689	\$ 1,375,764
Net Capital Assets	33,324,289	-	33,324,289
Other Noncurrent Assets	11,287	-	11,287
	<hr/>	<hr/>	<hr/>
Total Assets	34,015,651	695,689	34,711,340
LIABILITIES			
Current Liabilities	1,065,948	495	1,066,443
Noncurrent Liabilities	2,921,418	-	2,921,418
	<hr/>	<hr/>	<hr/>
Total Liabilities	3,987,366	495	3,987,861
NET POSITION			
Net Investment in Capital Assets	30,222,450	-	30,222,450
Unrestricted	(194,165)	695,194	501,029
	<hr/>	<hr/>	<hr/>
Total Net Position	<u>\$ 30,028,285</u>	<u>\$ 695,194</u>	<u>\$ 30,723,479</u>

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 11 CONDENSED COMBINING FINANCIAL INFORMATION (CONTINUED)

Condensed Combining Statement of Revenues, Expense and Changes in Net Position

	Sebring Airport Authority	CRA	Total
OPERATING REVENUE			
Industrial Rentals	\$ 1,499,328	\$ -	\$ 1,499,328
Test Track Rentals	180,014	-	180,014
Fixed Base Operations	1,550,063	-	1,550,063
Fire Protection Fees	63,881	-	63,881
Aviation Expo Revenue	211,424	-	211,424
CRA Incremental Tax Revenue	-	361,208	361,208
Miscellaneous Revenue	168,293	-	168,293
Total Operating Revenue	<u>3,673,003</u>	<u>361,208</u>	<u>4,034,211</u>
OPERATING EXPENSES			
Personal Services	716,839	-	716,839
Contractual Services	269,496	-	269,496
Professional Services	347,334	23,016	370,350
General Operating	2,180,602	68,950	2,249,552
Total Operating Expenses	<u>3,514,271</u>	<u>91,966</u>	<u>3,606,237</u>
OPERATING INCOME BEFORE DEPRECIATION	158,732	269,242	427,974
Depreciation	<u>(1,469,159)</u>	<u>-</u>	<u>(1,469,159)</u>
NET OPERATING INCOME (LOSS)	(1,310,427)	269,242	(1,041,185)
NONOPERATING REVENUE (EXPENSE)			
Interest Income	121	1,401	1,522
Interest Expense	(77,047)	-	(77,047)
Miscellaneous Revenue	26,259	-	26,259
Gain on Sale of Capital Assets	(1,175)	-	(1,175)
Total Nonoperating Revenue (Expense)	<u>(51,842)</u>	<u>1,401</u>	<u>(50,441)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,362,269)	270,643	(1,091,626)
Transfer In	321,980	-	321,980
Transfer Out	-	(321,980)	(321,980)
Capital Grants	365,853	-	365,853
CHANGE IN NET POSITION	(674,436)	(51,337)	(725,773)
Net Position - Beginning of Year	<u>30,702,721</u>	<u>746,531</u>	<u>31,449,252</u>
NET POSITION - END OF YEAR	<u>\$ 30,028,285</u>	<u>\$ 695,194</u>	<u>\$ 30,723,479</u>

**SEBRING AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 11 CONDENSED COMBINING FINANCIAL INFORMATION (CONTINUED)

Condensed Combining Statement of Cash Flows

	Sebring Airport Authority	CRA	Total
Net Cash Provided by Operating Activities	\$ 188,048	\$ 214,837	\$ 402,885
Net Cash Used by Capital and Related Financing Activities	(255,283)	(273,416)	(528,699)
Net Cash Provided by Investing Activities	121	1,401	1,522
Net Increase (Decrease) in Cash and Cash Equivalents	(67,112)	(57,178)	(124,290)
Cash and Cash Equivalents - Beginning of Year	589,461	752,867	1,342,328
Cash and Cash Equivalents - End of Year	\$ 522,349	\$ 695,689	\$ 1,218,038

NOTE 12 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To protect against this risk the Authority has engaged Public Risk Insurance Agency (Brown and Brown), a governmental insurance carrier, as its agent. This agency administers insurance activities relating to property, general liability, public official's and employment practices liability, automobile crime, and worker compensation. The Authority is liable for deductibles on certain coverage.

SEBRING AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2014

Grantor / Program Title	CFDA or CSFA Number	Grant Identification Number	RECOGNIZED DURING THE CURRENT YEAR			
			Beginning Receivable (Deferred)	Cash Receipts	Grant Expenditures	Ending Receivable (Deferred)
FEDERAL AWARDS						
Federal Aviation Administration						
Direct Programs						
Airport Improvement Program						
Runway 18-36 Rehabilitation Construction	20.106	3-12-0072-022-2011	\$ 1,141,838	\$ 1,367,793	\$ 225,955	\$ -
Total Airport Improvement Program			<u>1,141,838</u>	<u>1,367,793</u>	<u>225,955</u>	<u>-</u>
Total Federal Awards			<u>\$ 1,141,838</u>	<u>\$ 1,367,793</u>	<u>\$ 225,955</u>	<u>\$ -</u>
STATE AWARDS						
State of Florida, Department of State and Secretary of State						
Historic Preservation Grants						
Historical Control Tower	45.031	S1437	\$ -	\$ 50,000	\$ 50,000	\$ -
Total Historic Preservation Grants			<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
State of Florida, Department of Transportation						
Aviation Development Grants						
Storm Water Facility	55.004	AQD60	\$ 7,479	\$ 16,780	\$ 16,741	\$ 7,440
Security Fencing Phase III	55.004	AR501	-	33,265	51,044	17,779
Runway 18-36 Rehab Design	55.004	APX50	-	22,113	22,113	-
Total Aviation Development Grants			<u>7,479</u>	<u>72,158</u>	<u>89,898</u>	<u>25,219</u>
Total State Awards			<u>\$ 7,479</u>	<u>\$ 122,158</u>	<u>\$ 139,898</u>	<u>\$ 25,219</u>

SEBRING AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2014

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal and state financial award programs of Sebring Airport Authority (Authority). The Authority reporting entity is defined in Note 1 to the Authority's basic financial statements for the year ended September 30, 2014. All federal financial awards and state financial assistance received directly from federal and state agencies, as well as federal financial awards and state financial assistance passed through other government agencies, are included in the schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the accrual basis of accounting which is described in Note 1 to the Authority's financial statements for the year ended September 30, 2014.

NOTE 3 CONTINGENCIES

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 disallowed expenditures. Based upon prior experience, the Authority does not believe that such disallowances, if any, would have a material effect on the financial position of the Authority. As of January 12, 2015, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**INDEPENDENT AUDITORS' 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**

Board of Directors
Sebring Airport Authority
Sebring, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sebring Airport Authority (Authority), as of and for the year ended September 30, 2014, 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 12, 2015.

Internal Control Over Financial Reporting

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

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

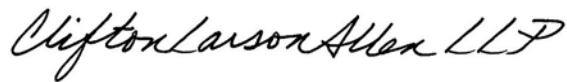
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 result 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sebring, Florida
January 12, 2015

MANAGEMENT LETTER

Board of Directors
Sebring Airport Authority
Sebring, Florida

Report on the Financial Statements

We have audited the financial statements of the Sebring Airport Authority, as of and for the fiscal year ended September 30, 2014 and have issued our report thereon dated January 12, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550 Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 12, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition

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

Financial Condition (Continued)

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

Annual Financial Report

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

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

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

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

Purpose of this Letter

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



CliftonLarsonAllen LLP

Sebring, Florida
January 12, 2015

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
Sebring Airport Authority
Sebring, Florida

We have examined the Sebring Airport Authority's (Authority) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2014. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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



CliftonLarsonAllen LLP

Sebring, Florida
January 12, 2015