

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
T.I.N. No. 59-1170032

FINANCIAL STATEMENTS and AUDITORS' REPORTS

September 30, 2016 and 2015

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY

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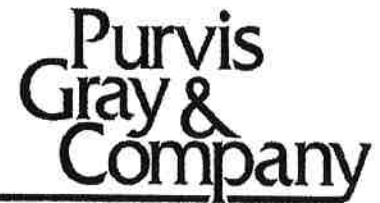
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Bartow Municipal Airport Development Authority
Bartow, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Bartow Municipal Airport Development Authority (the Authority) of the City of Bartow, Florida (the City), as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority of the City, as of September 30, 2016 and 2015, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Commissioners
Bartow Municipal Airport Development Authority
Bartow, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not present fairly the financial position of the City as of September 30, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management of the Authority of the City has omitted the management's discussion and analysis and the Schedule of Funding Progress for Other Post Employment Benefit Plan (OPEB) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is 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 27, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Curvis, Gray and Company, LLP

January 27, 2017
Sarasota, Florida

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION
as of September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,286,270	\$ 3,491,701
Accounts receivable, net	33,654	32,601
Due from other governments	510,837	246,761
Prepaid insurance	283,828	
Inventory	<u>75,057</u>	<u>73,276</u>
Total current assets	<u>3,189,646</u>	<u>3,844,339</u>
Noncurrent assets:		
Capital assets:		
Non-depreciable	873,170	1,111,939
Depreciable, net	<u>17,616,101</u>	<u>14,980,122</u>
Total noncurrent assets	<u>18,489,271</u>	<u>16,092,061</u>
Total Assets	<u>21,678,917</u>	<u>19,936,400</u>
LIABILITIES		
Current liabilities:		
Accounts payable	64,548	62,510
Accrued payroll	7,440	14,994
Construction costs payable	239,362	225,782
Customer prepayments	<u>71,063</u>	<u>146,355</u>
Total current liabilities	<u>382,413</u>	<u>449,641</u>
Noncurrent liabilities:		
Customer deposits	287,752	264,549
Accrued post employment obligation payable	620,340	533,574
Accumulated compensated absences	<u>161,652</u>	<u>147,518</u>
Total noncurrent liabilities	<u>1,069,744</u>	<u>945,641</u>
Total Liabilities	<u>1,452,157</u>	<u>1,395,282</u>
NET POSITION:		
Net investment in capital assets	18,489,271	16,092,061
Unrestricted	<u>1,737,489</u>	<u>2,449,057</u>
Total Net Position	<u>\$ 20,226,760</u>	<u>\$ 18,541,118</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
for the years ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Industrial park rentals	\$ 1,380,625	\$ 1,271,856
Other tenant charges	166,819	148,258
Aviation fuel sales	1,286,494	1,393,195
Other airport revenues	774,583	705,850
Total operating revenues	<u>3,608,521</u>	<u>3,519,159</u>
OPERATING EXPENSES:		
Personal services	1,201,835	1,207,378
Operating expenses	1,940,741	2,047,389
Depreciation	1,162,486	1,128,654
Total operating expenses	<u>4,305,062</u>	<u>4,383,421</u>
OPERATING INCOME (LOSS)	<u>(696,541)</u>	<u>(864,262)</u>
NONOPERATING REVENUE (EXPENSE):		
Interest income	14,737	19,926
Other, net	9,369	1,720
Total nonoperating revenues (expenses)	<u>24,106</u>	<u>21,646</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(672,435)</u>	<u>(842,616)</u>
Capital contributions from grants	2,358,077	387,930
Total capital contributions	<u>2,358,077</u>	<u>387,930</u>
CHANGE IN NET POSITION	1,685,642	(454,686)
NET POSITION, beginning of year	<u>18,541,118</u>	<u>18,995,804</u>
NET POSITION, end of year	<u>\$ 20,226,760</u>	<u>\$ 18,541,118</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
for the years ended September 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 3,532,176	\$ 3,533,607
Cash payments for salaries and benefits	(1,108,489)	(1,205,290)
Cash payments to suppliers for materials and supplies	(2,224,312)	(2,036,177)
Net cash flows from operating activities	<u>199,375</u>	<u>292,140</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Increase (decrease) in customer deposits	<u>23,203</u>	<u>714</u>
Net cash flows from noncapital financing activities	<u>23,203</u>	<u>714</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets, net of change in related payables	(3,546,116)	(277,347)
Capital grants received, net of change in related receivables	2,094,001	160,121
Net cash flows from capital and related financing activities	<u>(1,452,115)</u>	<u>(117,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Other investing income (loss)	9,369	1,720
Interest and dividends on invested funds	14,737	19,926
Net cash flows from investing activities	<u>24,106</u>	<u>21,646</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,205,431)	197,274
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,491,701</u>	<u>3,294,427</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,286,270</u>	<u>\$ 3,491,701</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (696,541)	\$ (864,262)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation	1,162,486	1,128,654
(Increase) decrease in inventory	(1,781)	37,367
(Increase) decrease in accounts receivable	(1,053)	10,440
(Increase) decrease in prepaid insurance	(283,828)	
Increase (decrease) in payroll/accumulated compensated absences	6,580	(79,805)
Increase (decrease) post employment benefits payable	86,766	81,893
Increase (decrease) in accounts payable and accrued expenses	2,038	(26,155)
Increase (decrease) in customer prepayments and other	(75,292)	4,008
Total adjustments	<u>895,916</u>	<u>1,156,402</u>
Net cash flows from operating activities	<u>\$ 199,375</u>	<u>\$ 292,140</u>
Noncash financing and investing activities		
None	<u>\$</u>	<u>\$</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION - The **Bartow Municipal Airport Development Authority**, (The "Authority") was established by Ordinance 776-A of the City of Bartow, Florida pursuant to a special act of the Florida Legislature in June, 1967. The Authority manages and operates an airport and industrial park on land owned and leased to the Authority by the City of Bartow for \$1 per year. The Authority's Board of Commissioners are also the City Commissioners of the City of Bartow.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

REPORTING ENTITY - Certain corporate powers were retained by the City in the creation of the Authority. As such, the Authority is not considered legally separate from the City for financial reporting purposes. The accompanying financial statements present only the balances and transactions of the Authority and not those of the City of Bartow or any of its other funds or component units. The Authority's transactions are also reported as a business-type activity in the City's financial statements.

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 uses the accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized when incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are industrial park rentals, hanger rentals, and aviation fuel sales. Operating expenses include the cost of maintaining the industrial park, the cost of aviation fuel, personal services, administrative expenses and depreciation on capital assets. Nonoperating revenues and expenses consist of interest income, interest expense and other gains or losses.

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.

FUND ACCOUNTING - The authority operates as a single major 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 fund's customers on a continuing basis be financed or recovered primarily through user charges.

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

CASH AND CASH EQUIVALENTS - The financial statement caption "cash and cash equivalents" includes all deposits with banks and financial institutions including certificates of deposit.

ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS - Receivables are recorded at their net realizable value, reduced by an allowance for doubtful accounts when management determines that collectability is doubtful. There was no allowance for doubtful accounts as of September 30, 2016 and 2015.

INVENTORY - Inventory consists of aircraft fuel and supplies for resale and is presented at the lower of cost or market on a first in, first out basis and is expensed as used.

CAPITALIZATION OF INTEREST COSTS - Interest cost incurred in the construction of capital assets is capitalized as a part of the cost of the asset when a project is undertaken with borrowed funds. No interest cost was incurred or capitalized during 2016 and 2015.

CAPITAL ASSETS - Property and equipment purchased or acquired and having an original cost of \$5,000 or more is capitalized and carried at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized if the individual cost exceeds \$10,000. Contributed assets are recorded at fair market value as of the date received. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and airport improvements	20-40
Airfield improvements	10-23
Machinery and equipment	5-20

Contributions of funds from federal, state, or local sources for the purpose of purchasing or constructing capital assets and capital assets donated to the Authority are recorded as capital contributions after "Net income (loss) before contributions" on the Statement of Revenues, Expenses and Changes in Fund Net Position. Donated capital assets are recorded at estimated fair value.

ACCUMULATED UNUSED COMPENSATED ABSENCES - The authority records accumulated unused compensated absences at each year-end equal to each employee's vested accumulated unused sick and vacation hours at their current rate of pay plus payroll taxes and retirement costs. Because the maturities are not determinable, this liability is recorded as a noncurrent liability on the Statement of Net Position.

Employees are credited monthly for vacation time earned ranging from two to four weeks annually depending on length of employment up to a maximum of two years' accrual.

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Employees are credited monthly for sick leave earned at the rate of one work day for each month worked. There is no limit on the number of hours that may be accumulated; however, employees retiring or voluntarily terminating with a minimum of seven years of continuous employment and a minimum of twenty days accrued sick leave will be compensated at a percentage of the accrual ranging from 30% to 50% for employees with over twenty years of service.

EQUITY CLASSIFICATIONS - Equity is reported as “net position” and is displayed in three components:

- a) Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b) Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. There was no restricted net position as of September 30, 2016 or 2015.
- c) Unrestricted net position - All other resources that do not meet the definition of “restricted” or “net investment in capital assets.”

REVENUE RECOGNITION - Revenues are recognized when earned and measurable. Rental income is recognized over the term of the related lease.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

BUDGETARY LAW AND PRACTICE - On or before the second Monday of July each year, the executive director submits to the Bartow Municipal Airport Development Authority (the Board), a proposed budget for the ensuing fiscal year. The budget is passed by resolution of the Authority no later than September 30th of each year. Amendments to the budget are approved by resolution of the Authority.

RECLASSIFICATIONS - Customer prepayments were previously reported as deferred revenues and such amounts have been reclassified and are reported as customer prepayments to conform to the current year presentation.

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - CASH AND INVESTMENTS

DEPOSITS IN FINANCIAL INSTITUTIONS - Local governmental entities in Florida are required by State Statute Chapter 280 "Security for Public Deposits Act", to deposit operating funds only with financial institutions who are members of the State of Florida collateral pool ("qualified public depositories"). The State of Florida collateral pool is a multiple financial institution collateral pool with the ability to make additional assessments to satisfy the claims of governmental entities if any member financial institution fails. This ability provides protection which is similar to depository insurance. All of the Authority's cash and cash equivalents, which includes certificates of deposit, were with qualified public depositories.

INVESTMENTS - The Authority has not adopted an investment policy and so, by statute, follows the State's guidance set forth in Section 218.415, Florida Statutes. That section requires local governments without written investment policies, including Cities and their component units, to follow the State policy in Section 218.415(17), Florida Statutes which authorizes investments in: The Local Government Surplus Funds Trust Fund under the management of the State Board of Administration; Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; and direct obligations of the U.S. Treasury. The Authority does not have policies that address credit risk, custodial risk, or interest rate risk. The Authority had no investments at year end, or during the years presented.

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended September 30, 2016:

	Balance October 1, 2015	Reclassi- fications	Additions	Deletions	Balance September 30, 2016
Capital assets not being depreciated:					
Land	\$ 703,763				\$ 703,763
Construction in process	408,176	(2,844,465)	2,605,696		169,407
Total assets not being depreciated	<u>\$ 1,111,939</u>	<u>\$ (2,844,465)</u>	<u>\$ 2,605,696</u>	<u>\$</u>	<u>\$ 873,170</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 15,373,672	\$ 318,893	\$ 900,000		\$ 16,592,565
Airfield improvements	12,324,687	2,525,572			14,850,259
Equipment	1,059,777		54,000		1,113,777
Total assets being depreciated	<u>28,758,136</u>	<u>2,844,465</u>	<u>954,000</u>		<u>32,556,601</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,106,487)		(389,264)		(7,495,751)
Airfield improvements	(6,082,927)		(716,511)		(6,799,438)
Equipment	(588,600)		(56,711)		(645,311)
Total accumulated depreciation	<u>(13,778,014)</u>		<u>(1,162,486)</u>		<u>(14,940,500)</u>
Depreciable capital assets, net	<u>\$ 14,980,122</u>	<u>\$ 2,844,465</u>	<u>\$ (208,486)</u>		<u>\$ 17,616,101</u>
Total capital assets, net	<u>\$ 16,092,061</u>	<u>\$</u>	<u>\$ 2,397,210</u>		<u>\$ 18,489,271</u>

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 - LEASE REVENUE

A significant revenue source to the Authority are the leases of its industrial park commercial buildings and airplane hangars to third parties. The leased facilities have a net carrying value at September 30 2016 of \$4,223,060 (cost \$10,193,500 less \$5,970,440 accumulated depreciation). Minimum lease revenue on noncancelable operating leases of the industrial park buildings for the next five years and thereafter from September 30, 2016, are as follows:

<u>Year Ended September 30,</u>	
2017	\$ 954,690
2018	527,100
2019	399,926
2020	344,866
2021	248,713
Later years	<u>2,271,908</u>
Total minimum future rentals	<u>\$ 4,747,203</u>

NOTE 5 - DEFERRED COMPENSATION PLAN

The Authority sponsors a deferred compensation plan created pursuant to Internal Revenue Code Section 457 (the Plan). The Plan was established by and can be amended by the Board of Directors. The plan is available to all Authority employees after completing one year of continuous service and permits them to defer a portion of their salary until future years. Participation in the plan is optional. The Authority matches employee contributions to the plan up to 10% of base pay. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Authority's contributions to this plan, which also represents the Authority's total plan expense, was \$36,196 and \$35,339 for the years ended September 30, 2016 and 2015, respectively. There is no liability outstanding to the Plan at September 30, 2016 for unpaid employer contributions.

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS

Plan Description:

The Authority participates in the City of Bartow's post employment benefits plan. Under the provisions of the Plan, which was established by practice, retirees who are eligible to retire under one of the City's pension plans and have at least 10 years of continuous service are eligible to receive subsidized health insurance beginning at age 65. To be eligible for the subsidy beginning at age 65, retirees must continue to be on the City's insurance prior to age 65 and pay 100% of the active premium. At age 65, depending on which health plan the retiree chooses, the City will pay the retiree premium up to the cap set each year. For fiscal year ended September 30, 2015, the cap was \$416 per month and for the fiscal year ended September 2016, the cap for the Authority's retirees was increased to \$459 per month. The retiree is responsible for the remaining amount not covered by the City, if any. In addition, retirees must pay the full cost of coverage for spouses and dependents. The Authority also provides \$1,000 life insurance benefit to each retiree, regardless of whether the retiree elects other postemployment benefit coverage. The City obtains an actuarial valuation of the plan every other year. The last actuarial valuation was performed as of October 1, 2014. The Plan does not issue a stand-alone financial report.

Participant data as of the most recent actuarial valuation date is shown below:

	October 1, 2014
Retirees and beneficiaries	
currently receiving benefits	4
Active employees:	
Vested	6
Not vested	10
Totals	20

Funding Policy and Contributions:

The Authority currently pays for post-employment health care benefits on a pay-as-you-go basis. The contribution requirements of the Authority and plan members are established and may be amended by the Authority's Board of Commissioners. These contributions are neither guaranteed nor mandatory. The Authority has retained the right to unilaterally modify its payments towards retiree health care benefits. For the years ended September 30, 2016 and 2015, the Authority contributed \$30,748 (3.6% of actual payroll) and \$28,389 (3% of actual payroll), respectively, to the Plan which essentially represented the cost of the current premiums for three retirees plus the actuarially determined implicit cost to the Authority of having the retirees in the group insurance plan.

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (cont...)

Annual OPEB Cost and Net OPEB Obligation:

For the years ended September 30, 2016 and 2015, the Authority's annual OPEB cost was \$117,514 and \$110,282, respectively, as calculated below:

	For the Years Ended	
	9-30-16	9-30-15
Annual required contribution	\$ 116,831	\$ 108,840
Interest on net OPEB obligation	21,343	18,067
Adjustment to required contribution	(20,660)	(16,625)
Annual OPEB cost	117,514	110,282
Contributions made	(30,748)	(28,389)
Change in net OPEB obligation	86,766	81,893
Net OPEB obligation, beginning of year	533,574	451,681
Net OPEB obligation, end of year	\$ 620,340	\$ 533,574

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years ended September 30, 2016, are shown below.

Year Ended September 30	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net OPEB Obligation
2016	\$ 117,514	\$ 30,748	\$ 26%	\$ 620,340
2015	\$ 110,282	\$ 28,389	\$ 26%	\$ 533,574
2014	\$ 71,911	\$ 23,767	\$ 33%	\$ 451,681

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (cont...)

Funded Status and Funding Progress:

The funded status of the plan shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since the Plan is not being funded currently, the funded status is zero. Although not legally restricted, the Board has set aside \$486,198 of unrestricted cash and intends to establish a trust for the purpose of funding the Plan. Information as to the funding progress of the OPEB Plan as of the most recent actuarial valuation date is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Portion (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2014	\$ 0	\$ 761,477	\$ 761,477	0.00%	\$ 785,402	96.95%

Actuarial Methods and Assumptions:

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

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the Authority's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The entry age actuarial cost method was used in the October 1, 2014 valuation. The actuarial assumptions included a 4% investment (discount) rate of return with inflation at 3%, compounded annually, net of investment expenses. The annual health care cost trend rate is 8.0% in fiscal 2015, decreasing .75% per year to 4.5% in fiscal 2020. The health care cost trend rate includes an assumed inflation rate of 3%. The initial unfunded actuarial accrued liability (UAAL) as of October 1, 2008, is being amortized as a level percent of payroll over a closed period of 30 years from October 1, 2008.

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 7 - CUSTOMER CONCENTRATIONS

The Authority is heavily dependent on rental income from its industrial park leases, amounting to approximately 38% (36% in 2015) of its operating revenue; which in turn is dependent on the vitality of the economy in general and, to a lesser extent, the economic health of the industries in which its major tenants operate. The Authority's largest customers are governmental agencies who together accounted for approximately 15% of operating revenue for 2016 and 2015. The next five largest customers are commercial entities who together accounted for approximately 10% of operating revenues in 2016 and 2015. These five largest commercial tenants operate in diverse industries with the largest of these tenants accounting for 2% of total operating revenue in both years.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

UNEMPLOYMENT CLAIMS - The Authority has elected to reimburse the State directly for its unemployment claims rather than participate in the State insurance fund for this purpose. As a result, the cost for unemployment claims is deducted when paid. Such costs have been insignificant in the past and no provisions for potential claims have been made in the financial statements.

LITIGATION - The Authority is occasionally a party to claims and assessments arising from its actions in the course of carrying out its public services. To limit the exposure to these losses the Authority carries general liability insurance coverage.

RISK MANAGEMENT - Commercial insurance protection is in place to limit the Authority's exposure to losses arising from major risks, including workers' compensation, liability, property and casualty, and theft. There has been no significant reduction in insurance coverages during the past year. All of the policies contain normal deductibles except the building and contents policy which has a deductible of \$5,000 for all perils except damage from "named storms" for which the deductible is the greater of 5% of the insured value or \$25,000. The Authority's workers compensation coverage is provided through a local government pooled trust which has the ability to make further assessments of its member governments should the assets of the trust be insufficient to pay claims.

NOTE 9 - GRANTS

The Authority has constructed airport improvements that were partially or entirely funded with federal and/or state grants. These costs may be subject to future audits by the grantor agencies. In management's opinion, there are no material instances of noncompliance relating to these grants.

GOVERNMENT AUDIT SECTION

**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 Commissioners
Bartow Municipal Airport Development Authority
Bartow, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bartow Municipal Airport Development Authority (the Authority) of the City of Bartow, Florida (the City), as of and for the year ended September 30, 2016, 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 27, 2017.

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 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.

Certified Public Accountants

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Board of Commissioners
Bartow Municipal Airport Development Authority
Bartow, Florida

**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*
(Concluded)**

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Durvis, Gray and Company, LLP

January 27, 2017
Sarasota, Florida

MANAGEMENT LETTER

Board of Commissioners
Bartow Municipal Airport Development Authority
Bartow, Florida

Report on the Financial Statements

We have audited the financial statements of the Bartow Municipal Airport Development Authority (the Authority) of the City of Bartow, Florida (the City), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated January 27, 2017.

Auditors' 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Report

We have also issued our 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*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Uniform Guidance, Schedule of Findings and Questioned Costs; Disclosures in that report, which is also dated January 27, 2017, should be considered in conjunction with this management letter.

The Authority is a proprietary fund of the City. As such, the Authority's transactions are combined with those of the City in the City's financial statements and in the report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes. The management letter required by Chapter 10.550, *Rules of the Auditor General*, is included in the City's financial reporting package. Items specifically related to the Authority are discussed below.

Prior Audit Findings

There were no findings or recommendations made in the preceding audit report.

Current Audit Findings

We have no current year audit findings or recommendations.

Purpose of this Letter

This management letter is intended solely for the information and use of the Authority's Board of Commissioners and management, and is not intended to be and should not be used by anyone other than these specified parties.

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Board of Commissioners
Bartow Municipal Airport Development Authority
Bartow, Florida

MANAGEMENT LETTER
(Concluded)

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Durvis, Gray and Company, LLP

January 27, 2017
Sarasota, Florida

SINGLE AUDIT SECTION

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Bartow Municipal Airport Development Authority
Bartow, Florida

Report on Compliance for Each Major Federal Program

We have audited the Bartow Municipal Airport Development Authority (the Authority) of the City of Bartow, Florida (the City), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2016. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs and state projects 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* (Uniform Guidance). Those standards and the Uniform Guidance 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 occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority of the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Certified Public Accountants

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Board of Commissioners
Bartow Municipal Airport Development Authority
Bartow, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Concluded)**

Report on Internal Control Over Compliance

Management of the Authority of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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. Accordingly, this report is not suitable for any other purpose.

Durvis, Gray and Company, LLP

January 27, 2017
Sarasota, Florida

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY (T.I.N. 59-1170032)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended September 30, 2016

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Agent Contract Numbers</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation - Federal Aviation Administration:			
Airport Improvement Program:	20.106		
Construct Taxiway D		3-12-0005-033-2015	\$ 2,002,461
Total Airport Improvement Program			<u>2,002,461</u>
Total expenditures of federal awards			<u>\$ 2,002,461</u>

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance, federal cost-reimbursement contracts and state financial assistance of Bartow Municipal Airport Development Authority. Federal program expenditures included in the above schedule are presented on the accrual basis of accounting. Under this method of accounting, goods and services are reported as expenditures in the period in which they are received rather than when paid. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

2. Major Programs

Major programs are identified in the Summary of Auditors' Results section of the Schedule of Findings and Questioned Cost.

BARTOW MUNICIPAL AIRPORT DEVELOPMENT AUTHORITY (T.I.N. 59-1170032)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL PROGRAMS
For the year ended September 30, 2016

Section I: Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be a material weakness?	<i>None reported</i>
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major federal awards:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be a material weakness? reported	None
Type of auditors' report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with The Uniform Guidance	No
Major federal program: 20.106 Airport Improvement Program	
Dollar threshold used to distinguish between type A and type B federal programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

Section II: Financial Statement Findings

There are no financial statement findings reported.

Section III: Findings Related to Major Federal Awards

None reported

Section IV: Summary Schedule of Prior Audit Findings

The Bartow Municipal Airport Development Authority had no prior audit findings related to major federal programs.