

TRI-COUNTY AIRPORT AUTHORITY

BONIFAY, FLORIDA

FINANCIAL REPORT

SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.
DALE L. CAVIN, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Airport Authority
Bonifay, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund of the Tri-County Airport Authority as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Tri-County Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Tri-County Airport Authority, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis 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 governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the Tri-County Airport'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 Tri-County Airport Authority's internal control over financial reporting and compliance.

Marianna, Florida
June 25, 2018

Grimsley, Cavin & Company
Grimsley, Cavin & Company, P.A.
Certified Public Accountants

FINANCIAL STATEMENTS

Tri-County Airport Authority
Statement of Net Position
September 30, 2017

	Business-type Activities	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$	133,092
Accounts Receivable		105,916
Inventory		9,431
Capital Assets:		
Land and Construction in Process		1,655,613
Other Capital Assets, Net of Depreciation		<u>7,107,633</u>
Total Capital Assets		<u>8,763,246</u>
Total Assets		<u>9,011,685</u>
LIABILITIES		
Line of Credit		3,500
Accounts Payable		<u>131,218</u>
Total Liabilities		<u>134,718</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt		8,654,269
Unrestricted		<u>222,698</u>
Total Net Position	\$	<u>8,876,967</u>

The notes to the financial statements are an integral part of this statement.

Tri-County Airport Authority
Statement of Activities
For the Year Ended September 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Business-type Activities</u>
Business-type Activities:				
Airport	\$ 747,422	\$ 211,844	\$ 695,387	\$ 159,809
				159,809
				<u>8,717,158</u>
				<u>\$ 8,876,967</u>

The notes to the financial statements are an integral part of this statement.

Tri-County Airport Authority
Statement of Net Position – Proprietary Fund
September 30, 2017

	<u>2017</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 133,092
Accounts Receivable	105,916
Inventory	<u>9,431</u>
Total Current Assets	<u>248,439</u>
Noncurrent Assets:	
Capital Assets:	
Land	56,990
Buildings and Improvements	3,652,064
Equipment and Machinery	719,772
Infrastructure	7,537,813
Construction In Process	1,598,623
Less Accumulated Depreciation	<u>(4,802,016)</u>
Total Noncurrent Assets	<u>8,763,246</u>
Total Assets	<u>9,011,685</u>
LIABILITIES	
Current Liabilities:	
Line of Credit	3,500
Accounts Payable	<u>131,218</u>
Total Liabilities	<u>134,718</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	8,654,269
Unrestricted	<u>222,698</u>
Total Net Position	<u>\$ 8,876,967</u>

The notes to the financial statements are an integral part of this statement.

Tri-County Airport Authority
Statement of Revenues, Expenses and Changes in Fund Net Position –
Proprietary Fund
For the Year Ended September 30, 2017

	<u>2017</u>
OPERATING REVENUES:	
Charges for Services	\$ 211,844
Total Operating Revenue	<u>211,844</u>
 OPERATING EXPENSES:	
Insurance	12,312
Utility Service	15,011
Fuel	84,367
Repair and Maintenance	16,784
Office Expense	17,423
Commissions	25,168
Professional Fees	23,185
Miscellaneous	982
Depreciation	<u>552,190</u>
Total Operating Expenditures	<u>747,422</u>
 Operating Loss	 <u>(535,578)</u>
 (Loss) before Contributions	 (535,578)
 Capital Contributions	 <u>695,387</u>
 Change in Net Position	 159,809
Net Position, beginning of year	<u>8,717,158</u>
Net Position, end of year	<u>\$ 8,876,967</u>

The notes to the financial statements are an integral part of this statement.

Tri-County Airport Authority
Statement of Cash Flows – Proprietary Fund
For the Year Ended September 30, 2017

Cash Flows from Operating Activities:	
Charges for Services	\$ 211,844
Payments to Suppliers	<u>(179,362)</u>
Net Cash provided in Operating Activities	<u>32,482</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Capital Debt	103,500
Capital Contributions	857,822
Purchases of Capital Assets	(870,702)
Principal Paid on Capital Debt	(99,746)
Interest Paid on Capital Debt	<u>(254)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(9,380)</u>
Net Decrease in Cash and Cash Equivalents	23,102
Cash and Cash Equivalents, beginning of year	<u>109,990</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 133,092</u></u>

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$ (535,601)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	552,213
Inventories	(9,431)
Increase/Decrease in Accounts Payable related to operations	<u>25,301</u>
Net Cash provided in Operating Activities	<u><u>\$ 32,482</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Tri-County Airport Authority
Notes to the Financial Statements
September 30, 2017

NOTE 1 – REPORTING ENTITY

The Tri-County Airport Authority (the “Authority”), located in the adjacent corners of Holmes, Washington, and Jackson Counties, Florida, was established as an independent special district by the Florida Legislature, House Bill 2859, Chapter 69-534, in 1969. Its purpose is to accomplish the cooperative joint effort of the Boards of County Commissioners of Holmes, Jackson, and Washington Counties in the establishment and operation of an airport near their common geographical boundary point. The Authority is governed by a fifteen member board of directors consisting of five members appointed by each county commission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

The Tri-County Airport Authority has only one fund, which is a proprietary fund. There are no governmental funds, as such the Authority’s government-wide financial statements refer only to the proprietary fund. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Authority are described below.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary Fund Policies

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and

Tri-County Airport Authority
Notes to the Financial Statements
September 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Grants and entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Authority receives cash.

Fund Accounting

The financial statements of the Authority include the funds and account groups required to account for those financial activities which are related to the Authority and are controlled by or dependent upon the Authority's legislative body. Control or dependence upon the Authority is determined on the basis of budget adoption, taxing authority, and outstanding debt secured by revenues or general obligation of the Authority, and the Authority's legal responsibility to fund any deficits that may occur. On this basis, all of the Authority's activities are reported in the Enterprise Fund.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental entities, specifically Proprietary Fund types (Enterprise Funds).

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded when they are incurred.

When both the restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Authority reports the following major proprietary fund:

Airport – accounts for the revenue and expense and capital improvements of the Airport Authority.

Cash and Cash Equivalents

Amounts shown as cash include cash in checking account and certificates of deposit.

Tri-County Airport Authority
Notes to the Financial Statements
September 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

Capital assets used in proprietary fund type operations are capitalized at cost when purchased and depreciation is recognized over the useful lives of the fixed assets using the straight line method as follows:

Building and Improvements	10-20 years
Infrastructure and improvement other than buildings	10-50 years
Equipment	5-10 years

Net Position

Net position present the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Budgets

Florida Statutes governs the preparation, adoption, and administration of the budget for the special district. The District did not adopt a budget for the fiscal year ending September 30, 2017.

Financial Reporting Entity

The financial statements include the accounts of the Authority's various funds. The following criteria was used to determine that no other governmental units should be included in this report:

- Financial independency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Risk Management and Insurance

The Authority insures itself against losses from casualty, accident and dishonesty by purchasing insurance. During the year ended September 30, 2017, the Authority received no significant refunds nor additional bills for prior year premiums.

The Authority believes the level of insurance purchased is adequate to protect it from material loss. No significant changes in coverage or claims have been made in recent years.

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. Accordingly, actual results could differ from those estimates.

Tri-County Airport Authority
Notes to the Financial Statements
September 30, 2017

NOTE 3 - CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Tri-County Airport Authority, in accordance with state and local regulations, deposits its cash funds in approved financial institutions. The financial institutions are required to pledge U.S. Government Securities as collateral for such funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk or interest rate risk. The District has not formally adopted deposit and investment policies that limit the District's allowable deposits or investment and address the specific types of risk to which the District might be exposed. The Authority maintains cash balances at two banks in Bonifay, Florida. At September 30, 2017, the carrying amount of the district's deposits was \$133,092 and the bank balance was \$135,462. The bank balance was covered by federal depository insurance.

NOTE 4 - ACCOUNTS RECEIVABLE

The Authority reported receivables in the amount of \$105,916 at September 30, 2017 from various grant projects. No allowance for uncollectible accounts is considered necessary.

NOTE 5 - CHANGES IN CAPITAL ASSETS

Additions and deletions of capital assets for the year ended September 30, 2017 were:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 56,990	\$ -	\$ -	\$ 56,990
Construction in Process	<u>1,753,715</u>	<u>692,770</u>	<u>847,862</u>	<u>1,598,623</u>
Total capital assets not being depreciated:	<u>1,810,705</u>	<u>692,770</u>	<u>847,862</u>	<u>1,655,613</u>
Other capital assets:				
Buildings and Improvements	3,652,064	-	-	3,652,064
Machinery and equipment	719,772	-	-	719,772
Infrastructure	<u>6,681,453</u>	<u>856,360</u>	<u>-</u>	<u>7,537,813</u>
Total other capital assets:	<u>11,053,289</u>	<u>856,360</u>	<u>-</u>	<u>11,909,649</u>
Less Accumulated Depreciation	<u>(4,249,826)</u>	<u>(552,190)</u>	<u>-</u>	<u>(4,802,016)</u>
Net	<u>\$ 8,614,168</u>	<u>\$ 996,940</u>	<u>\$ 847,862</u>	<u>\$ 8,763,246</u>

Tri-County Airport Authority
Notes to the Financial Statements
September 30, 2017

NOTE 6 – SHORT-TERM DEBT ACTIVITY

The Authority entered into a line of credit with One South Bank in May of 2017 to fund expenditures related to the Aviation Development Grants. The line was for a max credit amount of \$100,000 and has a 1-year term renewable upon notice of intent from the Authority. The draws and repayments on this line of credit are as below:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
<u>Governmental Activities</u>				
Line of Credit	\$ -	\$ 103,500	\$ (100,000)	\$ 3,500

NOTE 7 - CAPITAL IMPROVEMENT GRANTS

During the year ended September 30, 2017, the Authority received capital improvement grant funds from the State of Florida in the form of Aviation Development Grants with the Florida Department of Transportation (FDOT) and from the Federal Aviation Administration.

The Authority received grant revenues from the following contracts during the year ended September 30, 2017:

<u>Project</u>	<u>Contract #</u>	<u>Amount</u> <u>Received</u>
Construct Partial Parallel Taxiway	ARC26	\$ 616,171
Construct Runway and Taxiway Extension	GO335	32,901
Construct a Four(4) Unit Box Hangar and Taxiway	GOE64	43,278
Construct Taxiway (Design Only)	3-12-0007-011-2015	3,037
		<u>\$ 695,387</u>

NOTE 8 - NET WORKING CAPITAL

The net working capital of the Enterprise Funds current assets less current liabilities was \$113,722 as of September 30, 2017.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES LOCAL GOVERNMENT
*INVESTMENT POLICIES***

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.
DALE L. CAVIN, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Board of Directors
Tri-County Airport Authority
Bonifay, Florida

We have examined the Tri-County Airport Authority's compliance with Section 218.415, Florida Statutes for the year ended September 30, 2017. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied with Section 218.415, Florida Statutes in all material respects. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the Tri-County Airport Authority complied, in all material respects, with the requirements of Section 218.415, Florida Statutes for the year ended September 30, 2017.

June 25, 2018
Marianna, Florida

Grimsley, Cavin & Company
Grimsley, Cavin & Company, P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S 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

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INDEPENDENT AUDITOR'S 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

To the Board of Directors
Tri-County Airport Authority
Bonifay, 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 business-type activities and major fund of Tri-County Airport Authority, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Tri-County Airport Authority's basic financial statements and have issued our report thereon dated June 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-County Airport 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-County Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-County Airport Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule of findings as items, 2007-001, and 2012-001, to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2003-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-County Airport 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2014-001.

Tri-County Airport Authority's Response to Findings

Tri-County Airport Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. Tri-County Airport Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Marianna, Florida
June 25, 2018

Grimsley, Cavin & Company
Grimsley, Cavin & Company, P.A.
Certified Public Accountants

SCHEDULE OF FINDINGS

Tri-County Airport Authority
Schedule of Findings
For the Year Ended September 30, 2017

FINDINGS – FINANCIAL STATEMENT AUDIT

2003-002

Criteria – Custody of assets, record keeping and recording of assets should have adequate separation.

Condition – Due to the size of the organization, proper separation of duties may not be feasible.

Effect – There is a lack of adequate internal controls over financial reporting.

Cause – This is a small bookkeeping system.

Recommendation – The Board of Directors should remain very active and involved in the day-to-day operations. It is essential that records be maintained current and up-to-date. Controls should be established to provide checks and balances.

2007-001

Criteria – An entity's system of internal control over financial reporting should include controls over the prevention, detection and correction of misstatements in the audited financial statements.

Condition – Tri-County Airport Authority relies on the external audit to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles.

Effect – Since the auditor cannot be a part of an entity's system of internal accounting control, Tri-County Airport Authority's system of internal accounting control over the financial reporting is not sufficient by itself to prevent, detect or correct misstatements in the audited financial statements.

Cause – Tri-County Airport Authority has a small accounting staff necessitated by the overall small size of the entity. They do not consider it cost effective to develop and maintain a system of internal accounting control sufficient by itself to prepare financial statements in accordance with generally accepted accounting principles, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements.

Recommendation – The entity should continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that due to the size of their accounting department, they will continue to need external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles.

Tri-County Airport Authority
Schedule of Findings
For the Year Ended September 30, 2017

2012-001

Criteria – Proper financial and accounting management requires a system of internal controls sufficient in design and operation to reduce to a relative low level the risk of errors and irregularities in the control of assets.

Condition – No physical inventory is taken and fuel sales are not reconciled on a monthly basis to the amount of fuel that is dispensed out the fuel tanks.

Effect – Fuel could be improperly dispensed out of the fuel tanks and management would have no knowledge of the missing fuel.

Cause – Those in charge of governance are not properly monitoring the fuel sales and consumption.

Recommendation – We recommend that a physical inventory be taken and that fuel sales be reconciled monthly with the amount of fuel that is dispensed out of the fuel tanks.

2014-001

Criteria – Per Florida Statute Chapter 189.016, the Tri-County Airport Authority is required to adopt a balanced budget by resolution and post the budget on the District's or County's website.

Condition – The Airport Authority did adopt a balanced budget by resolution but failed to post the budget on the District or County's website.

Effect – The Airport Authority is in violation of Florida Statutes, Chapter 189.016.

Cause – Due to the fact that the Airport Authority does not know what state and federal funding they will receive, they find it difficult to prepare a budget.

Recommendation – The Airport Authority should prepare and post a budget in order to be in compliance with Florida Statute 189.016 and make necessary amendments as the year progresses.

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.
DALE L. CAVIN, C.P.A.

MEMBERS
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Board of Directors
Tri-County Airport Authority
Bonifay, Florida

Report on the Financial Statements

We have audited the financial statements of the Tri-County Airport Authority, Florida as of and for the fiscal year ended September 30, 2017 and have issued our report thereon dated June 25, 2018.

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 Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 25, 2018, 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 except as noted below under the heading Prior Year Findings and Recommendations.

The management letter items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2015-16 FY Finding #	2014-15 FY Finding #
N/A	2011-001	2011-001

The schedule of findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2015-16 FY Finding #	2014-15 FY Finding #
2003-002	2003-002	2003-002
2007-001	2007-001	2007-001
2012-001	2012-001	2012-001
2014-001	2014-001	2014-001

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. This information is disclosed in the notes to the financial statements.

Financial Condition and Management

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

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

Tri-County Airport Authority
Bonifay, Florida

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. See items below under Prior Year Findings for our recommendations.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Tri-County Airport Authority for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrant the attention of those charged with governance. In connection with our audit, we did not note 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 Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Current Year Findings

None

Prior Year Findings

None

Marianna, Florida
June 25, 2018

Grimsley, Cavin & Company

Grimsley, Cavin & Company, P.A.
Certified Public Accountants

RESPONSE TO FINDINGS

Tri-County Airport Authority (1JO)
1983 Tri-county Airport Road
Bonifay, FL 32425
(850 547-1965
www.tricountyairportfl.com
Mail: P. O. Box 756, Bonifay, FL 32425-0756

June 27, 2018

Grimsley, Cavin & Company, P.A.
Attn: Mathew Grimsley
P.O. Box 220, 4243 Lafayette Street
Marianna, FL 32447-0220

Response to Independent Auditor's Report dated June 25, 2018 – General Statement

The Tri-county Airport Authority has been under reorganization commencing in the fiscal year audited; however, significant progress has been made only in recent months due to the time required to make plans and implement changes. Since October 1, 2017, the current fiscal year, four new directors have been appointed for a total of 12 of 15 positions filled with 3 vacancies pending and 1 new appointment expected. The TCAA is in the process of notifying all three counties that they need to make additional appointments to fill all five of the allocated seats.

On October 1, 2017, a physical inventory of fuel on-hand was taken by dispenser reconciliation, actual recording of tank quantity indicators, plus measurement with "sticks" and conversion into gallons in each tank (2 large storage tanks + two 650-gallon tanker trucks).

Additionally, since October 1, 2017, TCAA has engaged a new CPA firm (Thompson, Walker & Associates, LLC), new legal counsel (Nabors, Giblin & Nickerson, P.A.), appointed a new Chairman, Vice Chairman, Secretary, and Treasurer, engaged a new certifying engineering firm (AVCON Engineers & Planners), adopted a budget for the current fiscal year and both an expense and capital budget for next FY have been drafted, plus changed two airport managers. A significant portion of the monthly meetings is committed to financial condition updated. New Bylaws, a Purchasing Policy, and a new standard hangar lease format with the Airport Rules and Regulations currently under review and the comprehensive Policy & Procedures Manual correlated to the Bylaws is being drafted.

The TCAA Compliance Website became active in May 2018 and continues as a work-in-progress loading historical documents but the site is actively used for pending meeting agenda, minutes of prior meetings, budget, and the items contained in the Special District Accountability Program under the Department of Economic Opportunity.

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in the Florida Panhandle**

Schedule of Findings Specific Responses

2003-002 – Lack of Internal Controls. Concurrent with engagement of the new CPA firm, a more comprehensive general ledger accounting system and chart of accounts have been placed into use so that actual sources of revenues and expenses are detailed monthly. Additionally, in November TCAA engaged the part-time services of an administrative assistant highly proficient in QuickBooksPro, including the general contractor modules in anticipate of pending new construction and capital improvements at the airport. The TCAA office feeds the monthly closings to the CPA and the general ledger is reconciled before monthly and YTD financial statements are prepared. With the exception of fuel sales, the incidental hangar rent or aircraft temporary tie down fees and limited merchandise sales, all hangar rent billings are handled through the administrative office with payments by check or credit card authorization to the office and all mail is routed to the post office box. At least 95% of fuel sales are through credit cards, so the airport manager is isolated from the general revenue flow, and the admin assistant reconciles the airport petty cash weekly when picking-up the miscellaneous transaction records at the airport office.

All expense billings are routed through the post office box and processed by the admin assistant with entry into the general ledger. Each Tuesday an accounts payable report is submitted to the treasurer for approval to prepare payment checks. The admin assistant can sign checks for recurring payments up to \$500, and the treasurer or chairman sign checks up to \$1,000, and any check over \$1,000 for budget items, and any non-budget items require two officer signatures before release.

The approved budget is tracked monthly against current and YTD financial statements at board level meetings. Off budget expenses or capital investments over \$1,000 are approved at board level.

We still have additional internal controls to implement such as using all aspects of the new Purchasing Policy, adoption of the final Policy & Procedures Manual being drafted, and expanded execution of GASB guidelines on the pending new construction projects.

2007-001 – Inadequate Accounting Systems & Procedures. Fixed as reported in the General Statement and Item 2003-002 above.

2012 – 001 – Fuel Sales and Inventory Controls. Since the physical inventories on October 1, 2017, to start the current fiscal year, the fuel sales are reconciled against actual inventory changes as part of the monthly accounting close process. Actual inventory in gallons is reconciled daily for the main storage tanks and the two small tanker trucks so that the total inventory on-hand is known to anticipate fuel reorder points in advance. Both the large storage

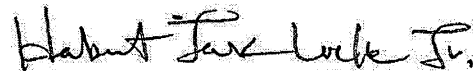
tanks have been emptied, purged, and recertified within the last 60-days and the actual quantity of inaccessible fuel in each tank validate by stick readings, plus all filters on the storage tanks and tankers have been replaced or are on-order and will be replaced when received.

2014-001 – Budget Process. There are few examples of budgeting in prior years, even an operating expense budget, but a budget for this fiscal year was adopted in February 2018. Currently, the operating budget and capital budget for the FY commencing October 1st are in first draft and provided to the board. The budget public hearing will be held in September and copies of the adopted budget will be provided to all three counties for their files. Budgets are now also tied to delegated financial authorities with certain officers and employees designated primary responsibility for expense lines. TCAA has on-going capital investment needs related to normal operations such as replacement of the self-service fuel equipment, upgraded computer and IT capabilities, airport maintenance equipment replacement, and investment in new services such as the food service facility; when grant projects are funded, the fiscal year budgets will be amended to include the arrival of new project funding, and funding for GASB related funds applications will be separated from airport operational activities. The TCAA budget status and financial statements should be current to the most recent monthly closing.

The rejuvenated TCAA Board has worked with purpose and diligence the last 15 months, and the results are just becoming apparent in the routine operations, as well as the strategic planning.

If you need further information, please contact the undersigned and the appropriate officers and myself will promptly respond with specific details.

Sincerely,



Herbert J. Locke, Jr.,
Chairman

cf: Officers and Board
CPA Firm
Legal Counsel