



DAVID R. ELLSPERMANN
Clerk of the Circuit Court Marion County, Florida

INTERNAL AUDIT DIVISION

MEMORANDUM

TO: David R. Ellspermann, Clerk of the Circuit Court

FROM: Wallace K. Watford, Internal Auditor

RE: **DUNNELLON/MARION COUNTY AIRPORT**

DATE: August 15, 2000

As you requested, I have reviewed the documents you received from Commissioner Cretul on the subject of *(Almost) Everything You Need to Know (Right Now) About FAA's Final Policy on Airport Revenue Diversion*. This memorandum, dated February 22, 1999, focused on the issue of illegal airport revenue diversion as contained in the FAA *Policy and Procedures Concerning the Use of Airport Revenue* dated February 16, 1999, which was presented as an attachment. I understand that Commissioner Cretul received this document from a concerned citizen.

This is an interesting document which I had reviewed as part of researching our report no. 99-06, *Special Review of the Dunnellon Airport Authority*. This memorandum was prepared for an aviation industry group and is not an official federal document. Most of the memorandum consisted of twelve frequently asked questions and answers on revenue diversion. My brief synopsis of the important points: 1) all revenues derived from airport operations must be retained and expended only for airport purposes; 2) property leasing must be at fair market value; 3) airport revenues may not be diverted for general government purposes; 4) violations of first three can result in monetary and other penalties.

Conclusion: This document does not apply to Marion County, the Dunnellon Airport Authority or the Dunnellon/Marion County Airport and Park of Commerce. To be concise, the referenced federal policy **applies only to an airport that has accepted federal assistance**. In fact, the document itself, in question/answer #2 states that: "Basically the Final Policy applies to any airport that received Federal assistance during the last 20 years." The Dunnellon Airport Authority has never accepted federal assistance.

Much confusion has been centered on the allegation that the airport was acquired as federal surplus property, which would be considered federal assistance. As stated in report no. 99-06, some of the airport property was obtained from the federal government, but the property had been declared as non-aeronautical use surplus property, and it was **purchased** from, **not donated** by, the Federal Farm Mortgage Corporation, then related to the U. S. Department of Agriculture. This is the critical distinction. As stated in the report: "Airport property was not acquired from the FAA or its

predecessor and is not considered surplus property subject to FAA regulation. Consequently, any portion of Airport property can be leased for less than fair market value. Further, as long as aviation safety is maintained, the Airport could be used for non-aviation purposes and even be sold to private parties.”

As stated in our report no. 99-06, FAA representatives “confirmed that there has been no financial assistance through Federal grants on behalf of the Dunnellon Airport and, accordingly, no grant-related obligations of the County.” Our research was conclusive: Marion County and the Dunnellon Airport Authority have no restrictions on airport property use, except to maintain aviation safety, and have no obligations to the FAA regarding Airport property leasing or sale, except for the “exclusive rights prohibition” remaining from the expired AP-4 agreement described in the report.

Conclusion: Airport revenues and expenditures are appropriately accounted for in the Dunnellon Airport Authority Fund. In our report 99-06, we made the following assertion: “ Our review of the current fiscal year 1999 and previous fiscal year 1998 disclosed that Airport revenues from grants, leases, fuel sales and other sources were properly classified and recorded in Fund #106. Expenditures were for appropriate airport-related purposes and did not appear to be unusual or excessive.” I still stand by that statement.

I have met with this same concerned citizen in the past, and I know he does not agree with our position. This position is, simply put, the FAA has no jurisdiction in determining or restricting the expenditure of funds earned from Dunnellon/Marion County Airport revenues and, consequently, there could not be an “illegal airport revenue diversion” (as identified in the memorandum) to the Marion County government. There can be no problems as long as the funds are used in accordance with Florida Statutes, the Dunnellon Airport Authority special act, any Florida Department of Transportation grant restrictions and the Marion County Code. Neither we nor the County’s external auditors have noted or reported any questionable revenue or expenditure items.

I would also like to put one issue to rest. Among other allegations, this citizen has repeatedly mentioned that a Parks and Recreation Department employee incurred travel expenses that were charged to the Dunnellon Airport fund and is therefore a diversion of airport revenue. This was not a violation of any regulation. This particular employee was temporarily assigned the duties of Airport Manager until Ed Rancourt was hired in 1998, at which time that employee went back to regular duties. The travel expenses were incurred specific to an airport innovation seminar sponsored by the FDOT and was directly related to airport business.