

Boca Raton Airport Authority

Report on Examination of Financial Statements and Compliance Reports

Year Ended September 30, 2008

Table of Contents

Independent Auditor's Report	1 – 2
<hr/>	
Required Supplementary Information	
Management's Discussion and Analysis	3 – 7
Basic Financial Statements	
Balance sheet	8
Statement of revenues, expenses and changes in fund net assets	9
Statement of cash flows	10
Notes to financial statements	11 – 19
<hr/>	
Schedule of Expenditures of Federal Awards and State Financial Assistance	20
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	21
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	
<i>Government Auditing Standards</i>	22 – 23
Independent Auditor's Report	
on Compliance With Requirements Applicable to Each	
Major Federal Program and State Financial Assistance and on Internal Control Over	
Compliance in Accordance with OMB Circular A-133 and	
Chapter 10.550, <i>Rules of the Auditor General</i>	24 – 25
Schedule of Findings and Questioned Costs	26 – 29
Summary Schedule of Prior Audit Findings	30 – 31
Management Letter Required By	
Chapter 10.550 of the Rules of the	
Auditor General of the State of Florida	32 – 33



Frank J. Horkey, CPA, CFST* - fhorkey@horkeycpa.com

William Diamond, CPA, CFST* - wdiamond@horkeycpa.com

Imelda Lardizabal – ilardizabal@horkeycpa.com

Linda M. Arnold, CPA - larnold@horkeycpa.com

* Certified in Florida Sales Tax

Independent Auditor's Report

To the Members of the Authority
Boca Raton Airport Authority
Boca Raton, Florida

We have audited the accompanying basic financial statements of the Boca Raton Airport Authority (the "Authority"), as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis ("MD&A") on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



7301 NW 4th Street Suite 102 Plantation FL 33317-2234
Telephone: 954 742-3001 Facsimile: 954 572-3057
FEI #65-0266803

Page 2

To the Members of the Authority
Boca Raton Airport Authority

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Horkey & Associates, P.A.

Plantation, Florida
June 19, 2009

Boca Raton Airport Authority

Management's Discussion and Analysis Year Ended September 30, 2008

As management of the Boca Raton Airport Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the business-type activities of the Authority for the fiscal year ended September 30, 2008. **ALL DOLLAR AMOUNTS, UNLESS OTHERWISE INDICATED, ARE EXPRESSED IN THOUSANDS.**

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$18,312 (net assets). Of this amount, \$5,553 (unrestricted net assets) may be used to meet the Authority's ongoing obligations and funding of the Authority's capital improvement program.
- The Federal Aviation Administration (FAA) approved the change of usage for Task 17, Development of 4.67 acres, from an "Aviation related usage project" to a "Non-aviation revenue producing usage project".
- The Authority's total net assets increased by \$2,802. This net asset increase is largely due to the increase in lease and surcharge revenue and increase in capital contributions from grants.
- Contributions from State and Federal grants increased by \$519.
- Capital assets increased by \$1,966 due to completion and investments in projects in progress.
- Annual lease and fuel surcharge revenue increased by \$312. The increase is mostly due to the increase in fuel costs.

Overview of the Financial Statements

The Authority's financial statements are designed to provide readers with an overview of the Authority's finances in a manner similar to a private-sector business.

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets should serve as a useful indicator of whether the Authority's financial position is improving or deteriorating. The balance sheet can be found on page 8 of this report.

The statement of revenues, expenses and changes in fund net assets presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows in future fiscal periods (e.g. earned but unused vacation leave). The statement of revenues, expenses and changes in fund net assets can be found on page 9 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 11 through 19 of this report.

Boca Raton Airport Authority

Management's Discussion and Analysis Year Ended September 30, 2008

Financial Analysis

The table below presents a summary of net assets as of September 30, 2008 and 2007:

Net Assets

Business Activities

September 30, 2008 and 2007

	2008	2007
Current and other assets	\$ 6,034	\$ 5,197
Capital assets, net	12,759	10,793
Total assets	<u>18,793</u>	<u>15,990</u>
Long-term liabilities outstanding	100	98
Other liabilities	381	382
Total liabilities	<u>481</u>	<u>480</u>
Net assets:		
Invested in capital assets	12,759	10,793
Unrestricted	5,553	4,717
Total net assets	<u>\$ 18,312</u>	<u>\$ 15,510</u>

The largest portion, comprising 70% of the Authority's net assets, consist of \$12,759 invested in capital assets (e.g. land, buildings, infrastructure and leasehold improvements) which is net of accumulated depreciation and any outstanding debt related to their acquisition. The Authority invests in these capital assets to comply with airport safety standards established by the Federal Aviation Administration and the State of Florida Department of Transportation.

The Authority deposits and invests its monies in various qualified institutions. The accounts are comprised of cash and cash equivalents (30.7%) and certificates of deposits (69.3%). Certificates of Deposit maturing in 180 to 330 days total \$3,436. The increase in certificates of deposit of \$1,258 was largely due to the transfer of \$1,000 cash from Operating Account to Certificate of Deposit, and to an increase in fuel cost which resulted in higher fuel surcharge revenues to the Authority. Cost cutting measures, as well as improved cash management, also contributed to the increase. The Authority continues to focus on improving cash management in order to keep pace with the current and future capital projects included in the 5-year capital improvement plan. The Authority's financial commitment to the 5-year capital improvement plan varies from 2.5% to 20% of the cost of each project.

At the end of the 2008 fiscal year, the Authority was able to report positive balances in both categories of net assets. The same situation held true for the 2007 fiscal year.

Boca Raton Airport Authority

Management's Discussion and Analysis Year Ended September 30, 2008

The table below presents a summary of changes in net assets for the years ended September 30, 2008 and 2007, as derived from the statement of revenues, expenses and changes in fund net assets:

	2008	2007
Operating revenues:		
Rental income	\$ 2,662	\$ 2,350
Other income		
Litigation settlement, net of related expenses	-	-
Insurance recovery	62	-
Miscellaneous income	31	13
Total operating revenues	<u>2,755</u>	<u>2,363</u>
Operating Expenses:		
Professional fees	253	281
Personnel expenses	709	659
Office expenses	321	304
Utilities	109	104
Supplies and repairs	100	88
Insurance	130	100
Tower operations	34	29
Projects expense	209	179
Travel and seminars	15	12
Promotion and special events	7	7
Amortization	-	-
Depreciation	706	582
Total operating expenses	<u>2,593</u>	<u>2,345</u>
Operating income (loss)	<u>162</u>	<u>18</u>
Nonoperating revenues:		
Interest income	163	195
Income (loss) before contributions	<u>325</u>	<u>213</u>
Contributions for state and federal grants	2,477	1,958
Change in net assets	<u>\$ 2,802</u>	<u>\$ 2,171</u>

Boca Raton Airport Authority

Management's Discussion and Analysis Year Ended September 30, 2008

As noted earlier, during the 2008 fiscal year, the Authority's net asset balance increased by \$2,802. The key elements of this growth are as follows:

- A net increase in capital assets of \$1,967 was attributable to additional investment in projects in progress.
- Tenant rental income increased by 13.3%. The Authority primarily supports its operations with the revenue derived from rents and rent surcharges. The increase of \$312 in rental income is mainly derived from an increase in the cost of fuel. The calculation of the surcharge revenue is based on 5% of the cost of delivered fuel to the fuel farms.

These increases were offset by the following:

- The project Task 17, Development of 4.67 acres consisted of engineering consulting expenses. Its cost, totaling \$209 was determined by management without any future benefit and expensed in the fiscal year.

Capital Asset and Debt Administration

Capital assets: Capital assets, net of accumulated depreciation at September 30, 2008 and 2007 are as follows:

	2008	2007
Land avigation easement	\$ 1,792	\$ 1,792
Projects in progress	2,386	2,563
Buildings	1,628	1,510
Leasehold improvements	3,351	916
Machinery, equipment and fixtures	1,108	1,253
Infrastructure	2,494	2,758
Total	\$ 12,759	\$ 10,792

Total net capital assets increased by \$1,967 from September 30, 2007 to September 30, 2008.

The Sign Enhancement Project, Task 19, and The Security Enhancement Project (Fencing), Task 21, were completed and operational in the current year.

Boca Raton Airport Authority

Management's Discussion and Analysis Year Ended September 30, 2008

Projects in progress at September 30, 2008 and 2007 are as follows:

	2008	2007
Security Improvements	\$ -	\$ 1,523
Sound Insulation Land Use	2,148	799
Rehab Taxi Pavement	155	155
Signage Improvement	-	46
Security Fencing	-	40
Noise Monitoring and Flight Tracking	-	-
Rotating Beacon	-	-
Rehab Runway/Taxiway Pavement	83	-
	<u>\$ 2,386</u>	<u>\$ 2,563</u>

Additional information on the Authority's capital assets can be found in Note 3 of this report.

Debt Administration: The Authority had no long-term debt at either September 30, 2008 or 2007.

Economic Factors and Next Year's Budget and Rates

The factors listed below were considered in preparing the Authority's budget for the 2009 fiscal year:

- Due to the nature of the tenant leases, increases in revenue will be determined by the change in the consumer price index from the prior year. An increase of 3.0% to 3.5% is expected.
- A conservative increase in the Authority's unrestricted reserves is expected due to the uncertainty of receiving Federal and State Grants to fund all rebuilding projects.
- A conservative estimate of a 10% increase in the cost of fuel is expected along with an average annual growth in fuel sales. This combination will result in an increase of surcharge revenue to the Authority.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances to all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Airport Manager, Boca Raton Airport Authority, 3700 Airport Road, Suite 304, Boca Raton, Florida 33431.

Boca Raton Airport Authority

Balance Sheet September 30, 2008

Assets

Current Assets:	
Cash and cash equivalents	\$ 1,552,655
Receivables	224,997
Due from other governments	401,213
Certificates of deposit	3,440,905
Certificates of deposit, restricted	59,546
Other assets	120,591
Total current assets	<u>5,799,907</u>
Noncurrent Assets:	
Rent receivable	234,291
Capital assets:	
Land avigation easement and projects in progress	4,178,376
Buildings, infrastructure, equipment and leasehold improvements, net of accumulated depreciation	8,580,810
Total noncurrent assets	<u>12,993,477</u>
Total assets	<u>\$ 18,793,384</u>

Liabilities and Net Assets

Current Liabilities:	
Accounts payable	\$ 320,978
Accrued payroll	22,076
Due to other governments	9,189
Compensated absences	20,926
Deferred revenue	8,039
Total current liabilities	<u>381,208</u>
Noncurrent Liabilities:	
Security deposit, payable from restricted assets	59,546
Compensated absences	40,813
Total noncurrent liabilities	<u>100,359</u>
Total liabilities	<u>481,567</u>
Net Assets:	
Invested in capital assets	12,759,186
Unrestricted	5,552,631
Total net assets	<u>18,311,817</u>
Total liabilities and net assets	<u>\$ 18,793,384</u>

See Notes to Financial Statements.

Boca Raton Airport Authority

Statement of Revenues, Expenses and Changes in Fund Net Assets Year Ended September 30, 2008

<hr/>	
Operating revenues:	
Rental income	\$ 2,661,956
Other income	
Insurance Recovery	62,223
Miscellaneous Income	30,971
Total operating revenues	<u>2,755,150</u>
Operating expenses:	
Professional fees	253,293
Personnel expenses	709,536
Office expenses	320,761
Projects expense	209,193
Utilities	108,865
Supplies and repairs	99,613
Insurance	130,165
Tower operations	33,828
Travel and seminars	14,654
Promotion and special events	7,583
Depreciation	705,733
Total operating expenses	<u>2,593,224</u>
Operating income	<u>161,926</u>
Nonoperating revenues:	
Interest income	163,144
Income before contributions	<u>325,070</u>
Capital contributions from state and federal grants	2,477,220
Change in net assets	<u>2,802,290</u>
Total net assets, beginning	15,509,527
Total net assets, ending	<u><u>\$ 18,311,817</u></u>

See Notes to Financial Statements.

Boca Raton Airport Authority

Statement of Cash Flows
Year Ended September 30, 2008

<hr/>	
Cash Flows From Operating Activities	
Cash received from tenants	\$ 2,546,183
Other Income	93,194
Cash paid to suppliers	(1,226,649)
Cash paid to employees for services	(694,405)
Net cash provided by operating activities	<u>718,323</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(2,671,935)
State and federal capital grants received	2,131,917
Net cash used in capital and related financing activities	<u>(540,018)</u>
Cash Flows From Investing Activities	
Interest income	163,144
Maturity of certificates of deposits	2,182,638
Purchase of certificates of deposit	(3,440,906)
Net cash used in investing activities	<u>(1,095,124)</u>
Net increase in cash and cash equivalents	<u>(916,819)</u>
 Cash and Cash Equivalents:	
Beginning	2,469,474
Ending	<u><u>\$ 1,552,655</u></u>

Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	\$ 161,926
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	705,733
(Increase) decrease in:	
Receivables	(116,128)
Other assets	(34,942)
Increase (decrease) in:	
Accounts payable and accrued expenses	(3,447)
Deferred revenue	355
Compensated absences	4,826
Other liabilities and security deposits	-
Net cash provided by operating activities	<u><u>\$ 718,323</u></u>

See Notes to Financial Statements.

Boca Raton Airport Authority

Notes to Financial Statements Year Ended September 30, 2008

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Boca Raton Airport Authority (the "Authority") was created by the Legislature of the State of Florida, by Senate Bill No.1030, Chapter 82-259, Laws of Florida, in June 1982. Membership was amended by Senate Bill No. 2594 in May 1999. In 2004, in accordance with section 189.429 of the Florida State Statutes, the Authority received codification of all special acts through Chapter 2004-468, House Bill No. 1675.

The Authority is composed of seven members who have jurisdiction over the operation and maintenance of and improvements to the Boca Raton Airport. The members, five of whom are appointed by the City Council of Boca Raton and two by the Palm Beach County Commission, represent the business and professional community, homeowners and airport users. The Authority has the responsibility to construct, improve, equip, repair, maintain and operate the airport and such buildings, structures, roads and any other development of land as the Authority deems necessary. The Authority also has the responsibility to let or lease any portion of the airport and to fix, establish rates, collect fees and other charges for the use of services and facilities furnished by or at the airport.

A summary of the Authority's significant accounting policies is as follows:

Financial reporting entity: Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Section 2100 of the Codification of Government Accounting and Financial Reporting Standards have been considered and there are no agencies or entities which should be presented with the Authority.

Basis of presentation: These financial statements have been prepared in conformity with reporting guidelines established by the Governmental Accounting Standards Board ("GASB") and were prepared in conformity with accounting principles generally accepted in United States of America.

Governments typically report activities as either *Governmental Activities*, which normally are supported by taxes and intergovernmental revenues, or *Business-Type Activities*, which rely to a significant extent on fees and charges for support. The Authority reports only business-type activities. Because the Authority has only business-type activities and only one function, the Authority is considered to be a Special Independent District for financial reporting purposes under GASB 34. As such, only the financial statements required for enterprise funds are presented.

Boca Raton Airport Authority

Notes to Financial Statements Year Ended September 30, 2008

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Measurement focus and basis of accounting: The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet. The Authority's statement of revenues, expenses and changes in fund net assets present increases (revenues) and decreases (expenses) in net total assets. The basis of accounting determines when transactions are reported in the financial statements. Under the accrual method of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The Authority applies Financial Accounting Standard Board Statements and Interpretations issued before November 30, 1989 which do not contradict Governmental Accounting Standards. Management has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, as permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund is rent. Operating expenses include cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and cash equivalents: The Authority considers cash and cash equivalents to be cash on hand, demand deposits, money market accounts, highly-liquid investments and unrestricted certificates of deposit with original maturities, when purchased, of three months or less.

Certificates of deposits: Certificates of deposits are valued at amortized cost.

Investment Policy and State Statutes: The Authority does not have a written investment policy and as such, Florida Statute 218.415 limits the types of investments that the Authority may invest in. As the Authority elected not to adopt a written investment policy in accordance with policies developed by the state, it may only invest surplus public funds in the State Pool or similar, highly-rated money market funds, time deposits or savings accounts, or direct obligations of the U.S. Treasury (See Note 2).

Boca Raton Airport Authority

Notes to Financial Statements
Year Ended September 30, 2008

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Accounts receivable: Account receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Prepaid expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items or other assets.

Capital assets: Land avigation easement, which is capitalized at historical cost as an intangible asset, provides the Authority the right to operate various aviation activities, including flight air space, and is deemed to have a perpetual life. Consequently, no amortization is recognized in the accompanying financial statements. Projects in progress are reported at historical cost. Gifts or contributions of property received are recorded at their estimated fair value on the date received by the Authority. Buildings, infrastructure, equipment and leasehold improvements are capitalized at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized whereas costs incurred for repairs and maintenance are expensed as incurred.

The asset capitalization threshold is \$750 with an estimated useful life of greater than one year. Depreciation is recorded using the straight-line method over the estimated useful life of the asset or in the case of leasehold improvements, the shorter of useful life or lease term. The estimated useful lives of depreciable assets are as follows:

Asset	Useful Life
Buildings	20 years
Leasehold improvements	5 – 20 years
Equipment	5 – 20 years
Infrastructure	20 years

Net assets: Net assets are classified in two categories. The general meaning of each is as follows:

Invested in capital assets – represents the cost of capital assets, less accumulated depreciation.

Unrestricted – indicates that portion of net assets that are available to fund future operations.

State and federal grants: In accordance with GASB Statement No. 33, the Authority records amounts from capital grants for capital outlay as contributions when allowable costs are incurred and other eligibility requirements are met.

Revenues: The Authority recognizes rent revenue as operating revenue. Rent revenue is recognized ratably over the term of the respective leases.

Boca Raton Airport Authority

Notes to Financial Statements
Year Ended September 30, 2008

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Compensated absences: Authority employees are permitted to accumulate earned but unused vacation and sick pay benefits. When terminated, an employee is paid for accumulated vacation leave and a percent of unused sick leave hours, subject to certain limitations. The obligation for vacation and sick pay vests when earned. Accumulated vacation and sick leave is recorded as an expense and liability as the benefits accrue to employees.

Income taxes: The income of the Authority is not subject to federal or state income taxes. Accordingly, no provision for income taxes has been included in these financial statements.

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

Budget policy and practice: The Airport Manager submits an annual budget to the Members of the Authority. In August, the Members adopt the budget for the next fiscal year. Once approved, the Authority may amend the legally-adopted budget when unexpected modifications are required in estimated revenues and expenses. Legally-authorized, non-appropriated budgets are prepared for grant projects. Expenses for those projects are controlled on a project basis and are carried forward each year until the project is completed or the grant award has been expended. Revenues are budgeted in the year receipt is expected and expenses are budgeted in the year expected to be incurred.

Note 2. Deposits

The Authority's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral equal to or in excess of the required collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 25% to 125% of the average monthly balance of public deposits depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

As of September 30, 2008, the Authority had the following deposits as reported in the accompanying financial statements for the fiscal year ended September 30, 2008:

Deposits:	
Cash and cash equivalents	\$ 1,552,655
Certificates of deposit	3,500,451
Total deposits	<u>\$ 5,053,106</u>

Boca Raton Airport Authority

Notes to Financial Statements
Year Ended September 30, 2008

Note 3. Capital Assets

Capital asset activity for the year ended September 30, 2008 is summarized as follows:

	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Capital assets, not being depreciated:				
Land avigation easement	\$ 1,791,886	\$ -	\$ -	\$ 1,791,886
Projects in progress	2,563,464	2,409,538	(2,586,512)	2,386,490
Total capital assets, not being depreciation	4,355,350	2,409,538	(2,586,512)	4,178,376
Capital assets, being depreciated:				
Buildings	2,510,715	259,083	-	2,769,798
Leasehold improvements	3,587,298	2,586,512	-	6,173,810
Machinery, equipment, and fixtures	1,833,938	3,314	-	1,837,252
Infrastructure	5,594,548	-	-	5,594,548
Total capital assets being depreciated	13,526,499	2,848,909	-	16,375,408
Less accumulated depreciation				
Buildings	1,000,339	141,598	-	1,141,937
Leasehold improvements	2,671,765	151,484	-	2,823,249
Machinery, equipment and fixtures	580,494	148,915	-	729,409
Infrastructure	2,836,267	263,736	-	3,100,003
Total accumulated depreciation	7,088,865	705,733	-	7,794,598
Total capital assets, being depreciated, net	6,437,634	2,143,176	-	8,580,810
Total capital assets, net	\$ 10,792,984	\$ 4,552,714	\$ (2,586,512)	\$ 12,759,186

Boca Raton Airport Authority

Notes to Financial Statements Year Ended September 30, 2008

Note 4. Lease Commitments

The Authority's offices are located in an administration building located on airport owned land; however the building is owned and managed by Boca Aviation Building Company (the "landlord"). The Authority is a tenant and leases three offices from the landlord. All three leases expire in June 2009. The combined leases provide for security deposits of \$10,335 and base rent of approximately \$5,542 per month, with annual increases. The leases are recognized ratably over the term of the leases. The Authority also leases two hangars on a monthly basis for storage purposes. Lease expense for the year ended September 30, 2008 was \$87,421.

Minimum annual rent commitments under the office leases as of September 30, 2008 are as follows:

Year Ending September 30,	Amount
2009	52,085
	<u>\$ 52,085</u>

Note 5. Compensated Absences

Compensated absences activity for the year ended September 30, 2008 is summarized is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Compensated absences	\$ 56,914	\$ 27,024	\$ (22,199)	\$ 61,739	\$ 20,926

Boca Raton Airport Authority

Notes to Financial Statements Year Ended September 30, 2008

Note 6. Rental Income

The Authority has lease agreements with fixed base operators and various other tenants. Each lease agreement varies as to expiration and lease rates, contingent on location and terms of each agreement. The lease rates are reviewed annually and adjustments are made based on the provisions of each agreement. Cost and net book value of capital assets that are leased are \$1,064,170 and \$614,647, respectively.

The Authority also subleases on an annual basis, one of the office spaces it leases, to the contractor of one of the Authority's projects.

Rental income for the year ended September 30, 2008 is summarized as follows:

	Property Leased	Lease Expiration	Rent Revenue 2008
Tenant A	Acreage and Hangar	September 2031	\$ 101,508
Tenant B	Acreage and Hangar	June 2028	1,112,127
Tenant C	Acreage	June 2041	320,127
Tenant D	Acreage	February 2032	609,034
Tenant E	Acreage and Hangar	September 2035	487,248
Tenant F	Office Space	December 2008	31,912
			<u>\$ 2,661,956</u>

At September 30, 2008, future minimum lease payments under the operating leases are as follows:

Year Ending September 30,	
2009	\$ 1,316,294
2010	1,308,256
2011	1,308,256
2012	1,308,256
2013	1,308,256
Thereafter	26,084,070
	<u>\$ 32,633,388</u>

In addition to base rent, the lease agreements include annual consumer price index adjustments and various usage charges. Given the uncertainty of these adjustments, they have not been included in the schedule of future minimum lease payments.

Boca Raton Airport Authority

Notes to Financial Statements Year Ended September 30, 2008

Note 7. Retirement Plans

Employee retirement plan: The Authority has a 401(a) money purchase plan which provides retirement benefits for all full-time employees. All full-time employees over 18 years of age are eligible to participate in the plan after three months of service. Minimum vesting is set at 100% after the first year of service and the plan's provisions for vesting conforms to the Internal Revenue Code minimum vesting requirements.

The plan calls for employer contributions in an amount equal to 10% of each participant's earnings and each participant contributes 2.5% of their earnings. Earnings include salaries and wages but exclude certain employee benefits. For the year ended September 30, 2008, the Authority contributed \$46,237 to the plan.

Deferred compensation plan: The Authority has adopted a deferred compensation plan (the "plan") to provide retirement income and other deferred benefits to its employees in accordance with the provisions of Section 457 of the Internal Revenue Code.

Under the plan, employees may defer a portion of their salary, which is then unavailable until retirement, separation from service, death or in the case of an unforeseeable emergency.

The assets of the plan are held by a third party in trust for the exclusive benefit of the plan participants and their beneficiaries, and the assets shall not be diverted to any other purpose.

The Authority will provide a match of the amount contributed by the employee up to a maximum of 5% of the employee's base pay. Contributions made to the plan by the Authority were \$23,162 for the year ended September 30, 2008.

The plans are administered by ICMA Retirement Corporation, an independent agent; however, establishing and amending the plan remains with the Authority.

Note 8. Land Lease with the State of Florida

In October 1983, the Authority entered into an agreement with the Board of Trustees of the Internal Improvement Fund of the State of Florida to lease the airport land rent-free, together with existing improvements, for a period of ninety years from January 1983 to 2073. This lease with the State of Florida can be terminated at the sole option of the State of Florida if and when the airport facilities cease to be used for the operation of the airport. At termination, all fixed improvements would become the property of the State of Florida.

Note 9. Risk Financing

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for these risks of loss. Claims have not exceeded this commercial coverage in any of the past three years.

Boca Raton Airport Authority

Notes to Financial Statements Year Ended September 30, 2008

Note 10. Project Commitments

The Authority receives grant funding from the Federal Aviation Administration ("FAA") and the Florida Department of Transportation ("FDOT") for the costs of various projects. A Joint Participation Agreement ("JPA") is entered into for each project that the Authority begins and may be with the FAA, FDOT or both. The JPA specifies the percentage for which the FAA is responsible, if applicable (up to 95%), the percentage for which FDOT is responsible, if applicable (up to 80%) and the percentage for which the Authority is responsible. The Authority's commitment to each project varies from 2.5% to 20%. As of September 30, 2008, FAA and FDOT are responsible for approximately \$2,209,000 and the Authority is responsibility for approximately \$276,000 of the total project in progress commitments.

Note 11. Pronouncements Issued, But Not Yet Adopted

The following are accounting pronouncements issued that may be required to be adopted by the Authority in the future:

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, is effective for the Authority beginning with its fiscal year ending September 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, is effective for the Authority beginning with its fiscal year ending September 30, 2010. This Statement establishes accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

The Authority's management has not yet determined the applicability or the effect these Statements will have on the Authority's financial statements.

Note 12. Subsequent Events

In December 2008, the Authority leased its last remaining parcel of undeveloped land to a tenant who plans to construct a retail store on the site. The lease provides for 50% rent to be paid during development and construction, with the full rent coming due in June 2010. .

In June 2009, the Authority was awarded a Federal Aviation Administration grant, funded by the American Recovery and Reinvestment Act of 2009, for Runway Rehabilitation Phases 1 and 2, in the amount of \$2,834,501.

Boca Raton Airport Authority

Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2008

Federal/State Agency, Federal Program/State Project	CFDA/CSFA No.	Total Expenditures
U.S. Department of Transportation:		
Federal Aviation Administration		
Airport Improvement Program	20.106	\$ 1,385,367
		<u>\$ 1,385,367</u>
Florida Department of Transportation:		
State Department of Aviation		
Aviation Developments Grant	55.004	\$ 1,001,530
Total Expenditures of State Financial Assistance		<u>\$ 1,001,530</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Boca Raton Airport Authority

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended September 30, 2008

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the activity of all federal programs and state projects of Boca Raton Airport Authority (the "Authority") for the year ended September 30, 2008. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included in the accompanying Schedule. The Authority's reporting entity is defined in Note 1 of the Authority's basic financial statements.

Note 2. Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting for grants which are accounted for in the proprietary fund type. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*.



Frank J. Horkey, CPA, CFST* - fhorkey@horkeycpa.com

William Diamond, CPA, CFST* - wdiamond@horkeycpa.com

Imelda Lardizabal – ilardizabal@horkeycpa.com

Linda M. Arnold, CPA - larnold@horkeycpa.com

* Certified in Florida Sales Tax

**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 Members of the Authority
Boca Raton Airport Authority
Boca Raton, Florida

We have audited the financial statements of the Boca Raton Airport Authority (the "Authority") as of and for the year ended September 30, 2008, and have issued our report thereon dated June 19, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item IC 2008-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



7301 NW 4th Street Suite 102 Plantation FL 33317-2234
Telephone: 954 742-3001 Facsimile: 954 572-3057
FEI #65-0266803

Page 2

To the Members of the Authority
Boca Raton Airport Authority

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above, item IC 2008-01, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Authority's management, Members of the Authority, federal and state awarding agencies, and pass-through entities and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Horkey & Associates, P.A.

Plantation, Florida
June 19, 2009



Frank J. Horkey, CPA, CFST* - fhorkey@horkeycpa.com

William Diamond, CPA, CFST* - wdiamond@horkeycpa.com

Imelda Lardizabal – ilardizabal@horkeycpa.com

Linda M. Arnold, CPA - larnold@horkeycpa.com

* Certified in Florida Sales Tax

**Independent Auditor's Report
on Compliance With Requirements Applicable to Each
Major Federal Program and State Projects and on Internal
Control Over Compliance in Accordance With OMB
Circular A-133 and Chapter 10.550, *Rules of the Auditor General***

To the Members of the Authority
Boca Raton Airport Authority
Boca Raton, Florida

Compliance

We have audited the compliance of the Boca Raton Airport Authority (the "Authority") with the types of compliance requirements described in the *U. S. Office of Management and Budget ("OMB") Circular A-133, Compliance Supplement*, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. The Authority's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs and state projects is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* 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 or state project 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. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program and state project for the year ended September 30, 2008.



**7301 NW 4th Street Suite 102 Plantation FL 33317-2234
Telephone: 954 742-3001 Facsimile: 954 572-3057
FEI #65-0266803**

Page 2

To the Members of the Authority
Boca Raton Airport Authority

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program and state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Authority's management, Members of the Authority, federal and state awarding agencies, and pass-through entities and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Horkey & Associates, P.A.

Plantation, Florida
June 19, 2009

Boca Raton Airport Authority

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> </u> Yes	<u> X </u> No

Identification of major programs:

The programs tested as major included the following:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:	\$	300,000
--	----	---------

Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
--	--------------	---------------

(Continued)

Boca Raton Airport Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2008

II –Financial Statement Findings

A. Internal Control

IC 2008-01 – Segregation of Duties – Cash Receipts, Cash Disbursements and Payroll

Criteria: The organization should adopt internal control policies and procedures to ensure that proper segregation of duties are maintained as they apply to the ability to authorize a transaction, record the transaction in the general ledger, and maintain custody of the item represented in the transaction.

Condition: The office manager is responsible for calculation of payroll, which is then passed to the Finance Officer by journal entry. The payroll data entry remains in a suspense file, and only the Finance Officer can pass this file to the General Ledger. The office manager also receives incoming cash receipts and makes deposits and is responsible for authorizing purchases and receiving orders.

Effect: The lack of proper segregation of duties creates a higher risk for fraud to occur.

Cause: Due to the Authority's small staff, segregation of duties is more challenging to implement and logical duties may need to be adjusted. This becomes especially challenging when considering the need for a back-up position in each area in case the regular employee is not available for a length of time to perform his/her duties.

Recommendation: We recognize that the cost of an internal control should not exceed the possible benefit to be derived. We believe that the Authority can implement an additional internal control procedure to compensate for the lack of segregation of duties inherent in any organization with a small staff. We recommend that a non-employee receive the original bank statement and review the statement and cancelled checks for propriety. This additional control, provided by someone not involved with authorizing, recording transactions or maintaining custody of assets, would add an additional level of control to the system.

View of Responsible Officials and Planned Corrective Action: Authority Management recognizes the internal control and segregation of duties issues inherent in a small staff and that the cost of an internal control should not exceed the possible benefit to be derived. Authority Management also believes that the size of its staff is appropriate for the size and scope of its operations. Authority Management concurs with the recommendation and will implement the external bank statement review procedures to correct the condition.

B. Compliance

None reported.

Boca Raton Airport Authority

Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2008

III – Federal Awards and State Financial Assistance Findings and Questioned Costs

A. Internal Control Over Compliance

None reported.

Boca Raton Airport Authority

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2008

Year First Identified	Comment	Status	Other Explanation
Findings related to financial statements:			
2006	2007-01 Inadequate system for proper segregation of duties.	Not corrected within fiscal year	See current year finding at IC 2008-01
2007	ML 07-1 Lack of written accounting policies	Corrected	
Findings and questioned costs in administering federal awards:			
2007	2007-01 Inadequate system of control and procedures to ensure completeness and accuracy of expenditures reported in SEFA and revenue in the financial records	Corrected	
2006	2007-02 Inadequate system for complying with the Davis-Bacon Act.	Corrected	

Boca Raton Airport Authority

Summary Schedule of Prior Year's Audit Findings (Continued)
Year Ended September 30, 2008

I – Findings Required to be Reported in Accordance With Generally Accepted Governmental Accounting Standards

A. Internal Control

2007-01 – Segregation of Duties – Cash Receipts, Cash Disbursements and Payroll

Current Year Status: This finding was not corrected within the fiscal year. See repeat of finding as IC 2008-01.

ML 07-01 – Lack of Written Accounting Policies

Current Year Status: This finding was corrected in the current year.

B. Compliance Findings

None reported.

II – Findings and Questioned Costs for Federal Award Programs and State Financial Assistance Projects

A. Internal Control Over Compliance

None reported.

B. Compliance

2007-01 – Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA)

Current Year Status: This finding was corrected in the current year.

2007-02 – Davis-Bacon Act

Current Year Status: This finding was corrected in the current year.



Frank J. Horkey, CPA, CFST* - fhorkey@horkeycpa.com

William Diamond, CPA, CFST* - wdiamond@horkeycpa.com

Imelda Lardizabal – ilardizabal@horkeycpa.com

Linda M. Arnold, CPA - larnold@horkeycpa.com

* Certified in Florida Sales Tax

**Management Letter Required by
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida**

Members of the Authority
Boca Raton Airport Authority
Boca Raton, Florida

We have audited the basic financial statements of the Boca Raton Airport Authority (the "Authority"), as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated June 19, 2009.

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; OMB Circular A-133 *Audits of States, Local Governments, and Non-profit Organizations* and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance and Schedule of Findings and Questioned Costs in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule dated June 19, 2009 should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and unless otherwise required in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information:

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 significant findings and recommendations made in the preceding annual financial audit report. Corrective actions were taken to address several of the findings and recommendations made in prior years' audit reports; however, one finding, while improved, is still uncorrected. See pages 30 and 31 for a summary of prior years' audit findings.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. We did not issue a separate management letter; the repeat finding related to segregation of duties is including as an internal control finding. (See page 28).



America Counts on CPAs

7301 NW 4th Street Suite 102 Plantation FL 33317-2234

Telephone: 954 742-3001 Facsimile: 954 572-3057

FEI #65-0266803

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or other grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failure to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., 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 Note 1 of the Authority's financial statement.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2008 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, 2008. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119,, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Members of the Authority, management of the Authority, federal and state awarding agencies, and pass through entities and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.

Horkey & Associates, P.A.

Plantation, Florida
June 19, 2009