

Boca Raton Airport Authority

Report on Examination of Financial Statements and Compliance Reports

Year Ended September 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Boca Raton Airport Authority (the "Authority"), as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 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, 2010, 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 3, 2011, 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis ("MD&A"), on pages 3 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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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, on page 20, 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 Florida Auditor General*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records use to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financials statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Horkey & Associates, P.A.

Plantation, Florida
June 3, 2011

Boca Raton Airport Authority

Management's Discussion and Analysis September 30, 2010

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, 2010. **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 \$27,962 (net assets). Of this amount, \$6,406 (unrestricted net assets) may be used to meet the Authority's ongoing obligations and funding of the Authority's capital improvement program.
- The Authority's total net assets increased by \$4,011. This net asset increase is largely due to projects completed in the fiscal year.
- The Runway and Taxiway Rehab Projects (Task 20 and Task 23) were completed on time and \$3,390 was received from the FAA on the American Recovery and Reinvesting Act (ARRA) awarded to the Boca Raton Airport for the rehabilitation of the Airport's runway.
- The cost incurred by Task 16, Sound Insulation Program, for \$4,836 has been added to the Airport's Capital Assets - Avigation Easement.
- Capital assets increased by \$3,485 due to completion and investments in projects in progress.
- Rent Revenue increased by \$180 due to the completion of development of the 4.67 acre parcel resulting to tenant occupancy.

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.

Boca Raton Airport Authority

Management's Discussion and Analysis September 30, 2010

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.

Financial Analysis

The table below presents a summary of net assets as of September 30, 2010 and 2009:

Net Assets

Business Activities

September 30, 2010 and 2009

	2010	2009
Current and other assets	\$ 6,806	\$ 8,556
Capital assets, net	21,556	18,071
Total assets	<u>28,362</u>	<u>26,627</u>
Long-term liabilities outstanding	215	213
Other liabilities	185	2,463
Total liabilities	<u>400</u>	<u>2,676</u>
Net assets:		
Invested in capital assets	21,556	18,071
Unrestricted	6,406	5,880
Total net assets	<u>\$ 27,962</u>	<u>\$ 23,951</u>

The largest portion, 77% of the Authority's net assets, consist of \$21,556 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 (48%) and Certificates of Deposit (52%). Unrestricted Certificates of Deposit, maturing in 180 to 360 days, total \$2,854 and account for 45% of total unrestricted assets. Grant money due from the Federal (FAA) and State (FDOT) total \$86 and account for 1% of total unrestricted assets. This decrease in Federal and State grant receivables was largely due to the number and size of the completion of projects in progress. 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 0% to 50% of the cost of each project.

Boca Raton Airport Authority

Management's Discussion and Analysis September 30, 2010

At the end of the 2010 fiscal year, the Authority was able to report positive balances in both categories of net assets. The same situation held true for the 2009 fiscal year.

The table below presents a summary of changes in net assets for the years ended September 30, 2010 and 2009, as derived from the statement of revenues, expenses and changes in fund net assets.

Changes in Net Assets

Business Activities

Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Rental income	\$ 2,976	\$ 2,796
Other income		
Litigation settlement, net of related expenses		-
Insurance recovery	9	
Miscellaneous income	3	38
Total operating revenues	<u>2,988</u>	<u>2,834</u>
Operating Expenses:		
Professional fees	419	284
Personnel expenses	1,004	818
Office expenses	337	349
Utilities	118	119
Supplies and repairs	80	97
Insurance	178	160
Tower operations	47	32
Projects expense	488	117
Travel and seminars	6	12
Promotion and special events	12	7
Amortization		-
Depreciation	942	846
Total operating expenses	<u>3,631</u>	<u>2,841</u>
Operating income (loss)	<u>(643)</u>	<u>(7)</u>
Nonoperating revenues:		
Interest income	35	100
Income (loss) before contributions	<u>(608)</u>	<u>93</u>
Contributions for state and federal grants	4,619	5,546
Change in net assets	<u>\$ 4,011</u>	<u>\$ 5,639</u>

Boca Raton Airport Authority

Management's Discussion and Analysis September 30, 2010

As noted earlier, during the 2010 fiscal year, the Authority's net asset balance increased by \$4,011. The key elements of this growth are as follows:

- A net increase in capital assets of \$3,485 was attributable to additional investment in new projects as well as projects in progress.
- Tenant rental income increase by 6%. The Authority primarily supports its operations with the revenue derived from rents and fuel surcharges. The increase of \$180 in rental income is mainly due to the additional revenue producing project completed on the 4.67 acre parcel. The calculation of the fuel surcharge revenue is based on 5% of the cost of delivered fuel to the fuel farms.
- A decrease in interest income of \$65 was attributable to reduced interest rates offered by the State Qualified Financial Institutions.

The increase in net capital assets was offset by the following:

- The project Task 16 Phase 4, "NEM Update" consisting of additional engineering consulting expenses totaled \$401, was determined by management, in consultation with the Federal Aviation Administration, that any further benefit will be reviewed contingent on an increase in aircraft operations at the Boca Raton Airport and is therefore expensed in the fiscal year.

Capital Asset and Debt Administration

Capital assets: Capital assets, net of accumulated depreciation at September 30, 2010 and 2009 are as follows:

	2010	2009
Land avigation easement	\$ 1,792	\$ 1,792
Avigation Easement	4,836	-
Projects in progress	145	8,479
Buildings	1,421	1,480
Leasehold improvements	2,893	3,072
Machinery, equipment and fixtures	879	1,022
Infrastructure	9,590	2,226
Total	<u>\$ 21,556</u>	<u>\$ 18,071</u>

Total net capital assets increased by \$3,485 from September 30, 2009 to September 30, 2010.

The Runway / Taxiway Pavement Rehabilitation and Connector (Task 20 and 23) and Service Road (Task 18) were completed and operational in the current year.

Boca Raton Airport Authority

Management's Discussion and Analysis September 30, 2010

Projects in Progress at September 30, 2010 and 2009 are as follows:

	2010	2009
Sound Insulation Land Use	\$ -	\$ 4,924
Rehab Taxi Pavement	-	155
Security Gate	82	-
Blast Fence	31	-
ATCT Communication Equipment	25	-
Update ALP	7	-
Service Road	-	211
Runway/Taxiway Connector	-	330
Update Map ALP/CIP	-	4
Rehab Runway/Taxiway Pavement	-	2,855
	<u>\$ 145</u>	<u>\$ 8,479</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 September 30, 2010.

Economic Factors and Next Year's Budget and Rates

The factors listed below were considered in preparing the Authority's budget for the 2010 fiscal year:

- Due to the nature of the economy, minimal increases in revenue will be realized by any change in the consumer price index from the prior year. However, this reduction will be lessened by the completion of construction of the building located on the 4.67 acres and the resulting additional rent revenue.
- A conservative increase in BRAA unrestricted reserves is expected due to the uncertainty of receiving Federal and State Grants to fund new projects.
- The estimated increases in the cost of fuel is expected with no growth in fuel sales. This combination will result in no increase in surcharge revenue to the Authority.
- The budget for the control tower expenses included a decrease for telephone expenses and on-going negotiations with the FAA for relief in this area have resulted in an agreement (See Note 11).

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, 3701 FAU Blvd., Suite 205, Boca Raton, Florida 33431.

Boca Raton Airport Authority

Balance Sheet September 30, 2010

Assets

Current Assets:	
Cash and cash equivalents	\$ 2,757,567
Receivables	134,588
Due from other governments	86,243
Certificates of deposit	2,854,460
Certificates of deposit, restricted	167,879
Other assets	150,917
Total current assets	<u>6,151,654</u>
Noncurrent Assets:	
Rent receivable	654,850
Capital assets:	
Land avigation easement, Avigation easement and projects in progress	6,773,098
Buildings, infrastructure, equipment and leasehold improvements, net of accumulated depreciation	14,782,536
Total noncurrent assets	<u>22,210,484</u>
Total assets	<u>\$ 28,362,138</u>

Liabilities and Net Assets

Current Liabilities:	
Accounts payable	\$ 150,774
Accrued payroll	765
Due to other governments	-
Compensated absences	33,329
Deferred revenue	
Total current liabilities	<u>184,868</u>
Noncurrent Liabilities:	
Security deposit, payable from restricted assets	167,879
Compensated absences	47,544
Total noncurrent liabilities	<u>215,423</u>
Total liabilities	<u>400,291</u>
Net Assets:	
Invested in capital assets	21,555,634
Unrestricted	6,406,213
Total net assets	<u>27,961,847</u>
Total liabilities and net assets	<u>\$ 28,362,138</u>

See Notes to Financial Statements.

Boca Raton Airport Authority

Statement of Revenues, Expenses and Changes in Fund Net Assets Year Ended September 30, 2010

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Operating revenues:	
Rental income	\$ 2,976,321
Other income	
Insurance Recovery	9,258
Miscellaneous Income	2,547
Total operating revenues	<u>2,988,126</u>
Operating expenses:	
Professional fees	419,248
Personnel expenses	1,004,119
Office expenses	337,479
Projects expense	487,818
Utilities	118,403
Supplies and repairs	79,484
Insurance	177,776
Tower operations	46,869
Travel and seminars	6,165
Promotion and special events	12,015
Depreciation	941,853
Total operating expenses	<u>3,631,229</u>
Operating income	<u>(643,103)</u>
Nonoperating revenues:	
Interest income	35,157
Income before contributions	<u>(607,946)</u>
Capital contributions from state and federal grants	4,619,174
Change in net assets	<u>4,011,228</u>
Total net assets, beginning	23,950,619
Total net assets, ending	<u><u>\$ 27,961,847</u></u>

See Notes to Financial Statements.

Boca Raton Airport Authority

Statement of Cash Flows Year Ended September 30, 2010

Cash Flows From Operating Activities	
Cash received from tenants	\$ 2,792,926
Other Income	11,805
Cash advanced by suppliers (net)	(3,922,067)
Cash paid to employees for services	(1,021,026)
Net cash provided by operating activities	<u>(2,138,362)</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(4,426,590)
State and federal capital grants received	6,727,277
Net cash used in capital and related financing activities	<u>2,300,687</u>
Cash Flows From Investing Activities	
Interest income	35,157
Maturity of certificates of deposits	2,992,068
Purchase of certificates of deposit	(3,022,339)
Net cash used in investing activities	<u>4,886</u>
Net increase in cash and cash equivalents	<u>167,211</u>
Cash and Cash Equivalents:	
Beginning	2,590,356
Ending	<u><u>\$ 2,757,567</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	\$ (643,103)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	941,853
(Increase) decrease in:	
Receivables	(175,356)
Other assets	13,727
Increase (decrease) in:	
Accounts payable and accrued expenses	(2,277,533)
Deferred revenue	(8,039)
Compensated absences	10,089
Other liabilities and security deposits	-
Net cash provided by operating activities	<u><u>\$ (2,138,362)</u></u>

See Notes to Financial Statements.

Boca Raton Airport Authority

Notes to Financial Statements Year Ended September 30, 2010

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 an enterprise fund are presented.

Boca Raton Airport Authority

Notes to Financial Statements Year Ended September 30, 2010

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 did not have a written investment policy in effect for the year ended September 30, 2010, and as such, Florida Statute 218.415 limited the types of investments that the Authority could invest in through that date. As the Authority did not have a written investment policy in accordance with policies developed by the state, it could 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). Effective October 1, 2010, the Authority adopted its own investment policies and procedures.

Boca Raton Airport Authority

Notes to Financial Statements
Year Ended September 30, 2010

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

Accounts receivable: Accounts receivable 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: The 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, 2010

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, 2010, the Authority had the following deposits as reported in the accompanying financial statements:

Deposits:	
Cash and cash equivalents	\$ 2,757,567
Certificates of deposit	3,022,339
Total deposits	<u>\$ 5,779,906</u>

Boca Raton Airport Authority

Notes to Financial Statements
Year Ended September 30, 2010

Note 3. Capital Assets

Capital asset activity for the year ended September 30, 2010 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
Avigation Easement	-	-	4,835,960	\$ 4,835,960
Projects in progress	8,478,917	4,697,942	(13,031,607)	145,252
Total capital assets, not being depreciation	10,270,803	4,697,942	(8,195,647)	6,773,098
Capital assets, being depreciated:				
Buildings	2,769,798	84,428	-	2,854,226
Leasehold improvements	6,173,810	78,582	-	6,252,392
Machinery, equipment, and fixtures	1,902,756	8,319	-	1,911,075
Infrastructure	5,594,548	-	7,752,966	13,347,514
Total capital assets being depreciated	16,440,912	171,329	7,752,966	24,365,207
Less accumulated depreciation				
Buildings	1,290,084	143,196	-	1,433,280
Leasehold improvements	3,101,850	257,234	-	3,359,084
Machinery, equipment and fixtures	881,254	150,994	-	1,032,248
Infrastructure	3,367,630	390,429	-	3,758,059
Total accumulated depreciation	8,640,818	941,853	-	9,582,671
Total capital assets being depreciated, net	7,800,094	(770,524)	7,752,966	14,782,536
Total capital assets, net	\$ 18,070,897	\$ 3,927,418	\$ (442,681)	\$ 21,555,634

Boca Raton Airport Authority

Notes to Financial Statements Year Ended September 30, 2010

Note 4. Lease Commitments

The Authority's office is located in a building adjacent to the airport but not owned by the Authority. This lease has a remaining term of eight years. The leases provide for security deposits of \$6,012 and base rent of approximately \$2,773 per month, with 3% annual increases. The Authority also leases two hangars on a monthly basis for storage purposes. Lease expense for the year ended September 30, 2010 was \$70,713.

Minimum annual rent commitments under the office leases are as follows:

Year Ending September 30,	Amount
2011	\$ 46,753
2012	48,155
2013	49,600
2014	51,088
2015	52,620
Thereafter	206,616
	<u>\$ 454,832</u>

Note 5. Compensated Absences

Compensated absences activity for the year ended September 30, 2010 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Compensated absences	\$ 70,784	\$ 36,040	\$ (25,951)	\$ 80,873	\$ 33,329

Boca Raton Airport Authority

Notes to Financial Statements Year Ended September 30, 2010

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 \$1,148,598 and \$578,294, respectively.

Rental income for the year ended September 30, 2010 is summarized as follows:

	Property Leased	Lease Expiration	Rent Revenue 2010
Tenant A	Acreage and Hangar	September 2031	\$ 105,092
Tenant B	Acreage and Hangar	June 2028	877,964
Tenant C	Acreage	June 2041	331,792
Tenant D	Acreage	February 2032	641,585
Tenant E	Acreage and Hangar	September 2035	374,762
Tenant F	Acreage	November 2038	645,126
			<u>\$ 2,976,321</u>

At September 30, 2010, future minimum lease payments under the operating leases are as follows:

Year Ending September 30,	
2011	\$ 1,942,010
2012	1,942,010
2013	1,942,010
2014	1,942,010
2015	1,942,010
Thereafter	37,730,090
	<u>\$ 47,440,140</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, 2010

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, 2010, the Authority contributed \$61,037 to this plan and the employees contributed \$63,324.

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 this plan by the Authority were \$30,809 for the year ended September 30, 2010, and contributions by the employees were \$41,988.

The plans are administered by ICMA Retirement Corporation, an independent agent.

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, 2010

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 from (85% to 100%), the percentage for which FDOT is responsible, if applicable (80% to 100%) and the percentage for which the Authority is responsible. The Authority's commitment to each project varies from 2.5% to 50%. As of September 30, 2010, FAA and FDOT are responsible for approximately \$700,000 and the Authority's responsibility is approximately \$246,000 of the total project in progress commitments.

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, 2 and 3. The Authority had completed the rehabilitation project on time and the total amount of \$3,390,044 was received from Federal Aviation Administration.

Note 11. FAA Cost Saving Agreement

In May 2010 the Authority signed an agreement with the FAA under which, in exchange for a one time payment of approximately \$30,000 and the donation to the FAA of certain assets with a book value of approximately \$10,000, the FAA agreed to assume responsibility for maintenance and operations of the communication lines from the airport tower to other FAA facilities. This agreement, when fully implemented, will result in a net savings to the Authority of approximately \$30,000 per year and \$210,000 (net of the one time payment and donation of assets) over the eight year life of the agreement. The transfer was completed in June 2010.

Note 12. Subsequent Events

In preparing the financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 3, 2011, the date that the financial statements were available to be issued.

Boca Raton Airport Authority

**Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2010**

Federal/State Agency, Pass Through Entity or State Project	CFDA/ CSFA No.	Contract No.	Grant No.	BRAA Receiving Task/Phase	Grant Expenditures
U.S. Department of Transportation: Federal Aviation Administration					
Airport Improvement Program	20.106		3-12-0006-011-2007	16PH4	\$ 145,179
	20.106		3-12-0006-012-2008	16PH3/3A	144,145
	20.106		3-12-0006-013-2009	20PH1,2,3	263,455
	20.106		3-12-0006-015-2009	25	2,272
					555,051
ARRA Pavement Rehab. 05/23 - Construction	20.106		3-12-0006-014-2009	20PH1,2	1,060,842
ARRA Pavement Rehab. 05/23 - Construction	20.106		3-12-0006-016-2009	20PH3	646,235
					1,707,077
Department of Homeland Security Pass-through Florida Department of Community Affairs					
Public Assistance Grants	97.036		06-WL-&K-10-60-20-811		3,634
Total Expenditures of Federal Awards					2,265,762
Florida Department of Transportation Direct Projects <u>Joint Participation Agreement with Florida</u> <u>Department of Transportation Aviation Administration</u>					
Aviation Developments Grant	55.004	APZ35	422465-1-94-01	12	24,583
	55.004	A0192	414051-1-94-01	16PH4	3,820
	55.004	A0192	414051-1-94-01	16PH3	3,574
	55.004	A0X79	422460-1-94-01	17	31,005
	55.004	AP776	424018-1-94-01	18	389,450
	55.004	AP776	424018-1-94-01	18/23	82,251
	55.004	A0D30	409860-1-94-01	18	140,251
	55.004	AP774	422464-1-94-01	20	6,933
	55.004	APN40	418163-1-94-01	20PH4	974,796
	55.004	APG43	425742-1-94-01	23	297,364
	55.004	APW07	428558-1-94-01	24	12,648
	55.004	APZ34	420570-1-94-01	26	60
	55.004	APZ33	427904-1-94-01	27	60
Total Expenditures of State Financial Assistance					1,966,795
Total Expenditures of Federal Awards and State Financial Assistance					\$ 4,232,557

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, 2010

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, 2010. 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*.



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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 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, 2010, and have issued our report thereon dated June 3, 2011. 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.

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 misstatements on a timely basis. A material weakness is a significant 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items IC 2010-01, 2010-02 and 2010-03, which we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a control deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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To the Members of the Authority
Boca Raton Airport Authority

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

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 3, 2011



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Independent Auditor's Report on
Compliance with Requirements that Could Have a Direct
And Material Effect on Each Major Federal Program
And State Financial Assistance Project and on
Internal Control Over Compliance in Accordance With OMB
Circular A-133 and Chapter 10.550, Rules of the Florida 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 *Florida Executive Office of the Governor's State Projects Compliance Supplement*, that could have direct and material effect on its major federal program and state projects for the year ended September 30, 2010. 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 Florida Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Florida 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 projects 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 projects for the year ended September 30, 2010.



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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 its major federal program and state projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, 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 3, 2011

Boca Raton Airport Authority

Schedule of Findings and Questioned Costs
Year Ended September 30, 2010

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?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ <u>X</u> Yes	_____ No
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ 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?	_____ 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
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Auditee qualified as low-risk auditee?	_____ Yes	_____ <u>X</u> No
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(Continued)

Boca Raton Airport Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2010

II –Financial Statement Findings

A. Internal Control

IC 2010-01 – 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 Comptroller is responsible for preparation of payroll, using an outside payroll service, which is then entered into the general ledger by the Comptroller by journal entry. In addition, the office manager receives incoming cash receipts and makes deposits and is responsible for obtaining the proper authorization of all purchases and receipts of 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 the financial 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 transactions, recording transactions or maintaining custody of assets, would add an additional level of control to the system. In addition, we recommend that an employee, other than the Comptroller review the payroll reports from the outside payroll service on a periodic basis.

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. While Authority Management believes that the size of its staff is appropriate for the size and scope of its operations, it concurs with the recommendations and has taken the following steps to address the situation:

1. implemented external bank statement review procedures as of July 2009
2. created an additional layer of oversight in October 2009 by adding a senior level position to oversee the administrative and business side of the operations
3. engaged an outside payroll service in July 2010
4. engaged an outside consulting accounting firm to assist in developing a policies and procedures manual, which was approved by the Authority and became effective in October 2010.
5. Under the Authority's Consultant of Record, a contract consultant CPA is employed, and upon request, can back-up the Comptroller if necessary. The consultant CPA has extensive governmental and airport experience.

Boca Raton Airport Authority

Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2010

II –Financial Statement Findings (continued)

A. Internal Control (continued)

IC 2010-02 – Payroll Tax Underreporting

Criteria: The organization should properly compute and remit all required payroll taxes to the appropriate tax authorities.

Condition: In June 2010, and in response to prior audit recommendations, the Authority conducted a payroll compliance review in preparation for engaging an outside payroll service. As part of this review, the Authority determined that it was not computing Social Security and Medicare taxes correctly on certain parts of compensation.

Effect: The Authority was underpaid on payroll taxes for the period January 1, 2007 to September 30, 2010 by approximately \$26,876.

Cause: The employee benefit plan has evolved over the years and the calculation of the appropriate taxes was misinterpreted.

Recommendation: We recommend that the Authority engage an outside payroll service to prevent this situation from recurring. In addition, we recommend that the Authority engage a benefit plan consultant to review its retirement plans for document and operational compliance.

View of Responsible Officials and Planned Corrective Action: Authority Management concurs with the recommendations and as of September 30, 2010 the situation has been corrected. The Authority has engaged both an outside payroll service (in July 2010) and an independent benefit plan consultant (in March 2011) to perform a review of its retirement plans for document and operational compliance. The report of the independent benefit plan consultant has not been received as of the date of this report.

Boca Raton Airport Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2010

II –Financial Statement Findings (continued)

A. Internal Control (continued)

IC 2010-03 – Employee Adjustments

Criteria: As a result of the timing of the determination of the underreporting of payroll taxes noted in IC-2010-02 above, the Authority was required to make adjustments to employees for the employee's share of this underreporting which resulted in the employees owing small amounts to the Authority.

Condition: As part of a payroll compliance review in preparation of engaging an outside payroll service, the Authority determined that it was not computing Social Security and Medicare taxes correctly on certain parts of compensation. The Authority then started a voluntary error correction process. As a result of this process, the Authority recorded an adjustment for these unpaid payroll taxes at September 30, 2009, and since the situation was not discovered until June 2010 and the amounts due were not determined until August 2010, the Authority was forced to record amounts due from employees of approximately \$10,058. In addition, since the situation was not discovered until June 2010 and the amounts due determined until August 2010, an additional adjustment of \$3,380 for these unpaid payroll taxes was recorded as additional amounts due to the Authority as of September 30, 2010.

Effect: The Authority has recorded employee adjustments for the employee shares of these payroll taxes for the period January 1, 2007 to September 30, 2010 in the amount of approximately \$13,438.

Cause: The employee benefit plan has evolved over the years. The calculation of the appropriate base for payroll taxes was misinterpreted.

Recommendation: We recommend that the Authority engage an outside payroll service to prevent this situation from recurring.

View of Responsible Officials and Planned Corrective Action: Authority Management concurs with the recommendations and as of the date of the audit report the situation has been corrected. The Authority engaged an outside payroll service in July 2010 and the amounts due from employees were repaid by December 31, 2010. Authority Management also wishes to stress that it has never had any amounts due from employees except as part of this voluntary error correction process.

Boca Raton Airport Authority

Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2010

B. Compliance

None reported.

Boca Raton Airport Authority

Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2010

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, 2010

Year First Identified	Prior Year Finding Number	Comment	Status	Other Explanation
Findings related to financial statements:				
2006	2009-01	Inadequate system for proper segregation of duties.	Not corrected within fiscal year	See current year finding at IC 2010-01
2009	2009-02	Payroll tax underreporting	Not corrected within fiscal year	See current year finding at IC 2010-02
2009	2009-03	Employee Adjustments	Not corrected within fiscal year	See current year finding at IC 2010-03

Boca Raton Airport Authority

Summary Schedule of Prior Audit Findings (Continued)
Year Ended September 30, 2010

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

A. Internal Control

2009-01 – 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 2010-01.

2009-02 – Payroll Tax Underreporting

Current Year Status: This finding was not corrected within the fiscal year. See repeat of finding as IC 2010-02.

2009-03 – Employee Adjustments

Current Year Status: This finding was not corrected within the fiscal year. See repeat of finding as IC 2010-03.

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

None reported.



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

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, 2010, and have issued our report thereon dated June 3, 2011.

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 Florida Auditor General*. Disclosures in those reports and schedule dated June 3, 2011 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 the findings and recommendations made in prior years' audit reports; however, the conditions which caused the findings, while improved, are still partially uncorrected. See pages 33 and 34 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 findings regarding unpaid payroll taxes, employee advances and the repeat finding related to segregation of duties are included as internal control findings. (See pages 28 through 30).



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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: (a) violations of provisions of contracts or grant agreements, or fraud, illegal acts or abuse, and (b) control deficiencies that are not significant deficiencies. 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, 2010 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, 2010. 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 3, 2011