

**BOCA RATON AIRPORT AUTHORITY  
BOCA RATON, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016**

**BOCA RATON AIRPORT AUTHORITY  
BOCA RATON, FLORIDA**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9-18
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 <i>GOVERNMENT AUDITING STANDARDS</i>	19-20
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AWARD AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL	21-22
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS	23
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS	24
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25-26
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	27
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	28-29



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Boca Raton Airport Authority, Boca Raton, Florida ("Authority") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial 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 responses to our inquiries, the basic financial statements, and other knowledge we 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance projects is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, *Rules of the Auditor General of the State of Florida*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance projects is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

## **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated June 12, 2017, on our consideration of the Authority's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

June 12, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Boca Raton Airport Authority, Boca Raton, Florida ("BRAA" or the "Authority") would like to offer the readers of the Authority's financial statements this discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the Authority's Independent Auditor's Report, basic financial statements, and accompanying notes to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$38,478,420.
- The change in the Authority's total net position in comparison with the prior fiscal year was \$5,776,245, an increase. The key components of the Authority's net position and change in net position are reflected in the table in the financial analysis section.
- During fiscal year 2016, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the Authority's basic financial statements. The basic financial statements report information about the Authority using accounting methods similar to those used by private sector enterprises. They consist of a statement of net position, a statement of revenues, expenses and changes in net position, a statement of cash flows, and notes to the financial statements.

#### Fund Financial Statements

The statement of net position presents information on all the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows reports cash flows in and out from operating, investing, and financing activities. It details the sources of the Authority's cash, what it was used for, and the change in cash over the course of the fiscal year.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

### FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities at the close of the most recent fiscal year.

## FINANCIAL ANALYSIS (Continued)

Key components of the Authority's net position are reflected in the following table:

	September 30,	
	2016	2015
Current and other assets	\$ 12,385,260	\$ 9,402,008
Capital assets, net of depreciation	30,345,007	24,536,554
Total assets	<u>42,730,267</u>	<u>33,938,562</u>
Current liabilities	4,083,968	1,054,686
Long-term liabilities	167,879	181,701
Total liabilities	<u>4,251,847</u>	<u>1,236,387</u>
Net position		
Investment in capital assets	30,345,007	24,536,554
Unrestricted	8,133,413	8,165,621
Total net position	<u>\$ 38,478,420</u>	<u>\$ 32,702,175</u>

The Authority's net position reflects its investment of \$30,345,007 in capital assets (e.g. easements, buildings, leasehold improvements, and infrastructure). These assets are used to provide services to the flying public; consequently, these assets are not available for future spending. The remaining balance of \$8,133,413, unrestricted net position, may be used to meet the Authority's ongoing obligations and fund future capital improvement projects.

The Authority's net position increased by \$5,776,245 during the most recent fiscal year. The majority of the increase represents the extent to which operating revenues and capital contributions from state and federal grants exceeded the cost of operations and depreciation expense. The majority of expenses funded by grant revenues are capitalized as capital assets and therefore not shown as expenses.

Key elements of the change in net position are reflected in the following table:

	Fiscal Year Ended September 30,	
	2016	2015
Operating activities:		
Operating revenues	\$ 3,302,046	\$ 3,398,349
Operating expenses	4,191,512	3,726,249
Net operating income (loss)	<u>(889,466)</u>	<u>(327,900)</u>
Nonoperating activities:		
Intergovernmental revenues	368,299	34,315
Interest Income	54,042	33,990
Capital contributions from state and federal grants	6,243,370	2,635,755
Change in net position	<u>5,776,245</u>	<u>2,376,160</u>
Total net position - beginning	32,702,175	30,326,015
Total net position - ending	<u>\$ 38,478,420</u>	<u>\$ 32,702,175</u>

As noted above and in the statement of revenues, expenses and changes in net position, the cost of all operating activities during the fiscal year ended September 30, 2016 was \$4,191,512 which includes depreciation expense. Operating expenses increased by \$465,263 over the prior year. This 12.5% increase is primarily attributed to increased project expense of \$470,481 due to the completion of the airport marketing plan, ATCT rehabilitation, obstruction assessment, and pavement management assessment, which were recognized as operating expenses and offset by FDOT grant funding. The costs of the Authority's activities were primarily funded by operating revenues. Overall operating revenues decreased slightly compared to fiscal year 2015 primarily as a result of declining fuel prices, which has resulted in a 25.7% decrease in fuel flowage revenue. Capital contributions from state and federal grants increased significantly from fiscal year 2015, primarily as a result of an increase in reimbursable expenses related to the construction of the EMAS in fiscal year 2016.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2016, the Authority had \$47,375,722 invested in infrastructure, easements, leasehold improvements, buildings and other capital assets and accumulated depreciation of \$17,030,715, which resulted in a net book value of \$30,345,007. More detailed information about the Authority's capital assets is presented in the notes of the financial statements.

### DEBT ADMINISTRATION

As of September 30, 2016, the Authority's liability related to compensated absences was \$19,348. More detailed information about the Authority's compensated absences is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

In the subsequent fiscal year, the Authority continues construction of the \$4.3 million U.S. Customs and Border Protection General Aviation Facility and began construction of the second phase of the \$11.9 million Engineered Material Arresting System (EMAS) project. The Customs Facility project is expected to be complete and serving passengers by late summer 2017.

### CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the financial resources it manages and the stewardship of the facilities it maintains 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 Executive Director, Boca Raton Airport Authority, 903 NW 35<sup>th</sup> Street, Boca Raton, Florida 33431.

**BOCA RATON AIRPORT AUTHORITY  
BOCA RATON, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 1,757,755
Receivables	220,891
Due from other governments	4,398,708
Certificates of deposit	5,226,930
Certificates of deposit, restricted	167,879
Other assets	118,453
Total current assets	<u>11,890,616</u>

Noncurrent assets:

Rent receivable	494,644
Capital assets:	
Non-depreciable assets	15,539,741
Depreciable assets	31,835,981
Less accumulated depreciation	<u>(17,030,715)</u>
Total noncurrent assets	<u>30,839,651</u>
Total assets	<u><u>\$ 42,730,267</u></u>

**LIABILITIES AND NET POSITION**

Current liabilities:

Accounts payable and accrued expenses	3,888,468
Compensated absences	19,348
Unearned revenue	176,152
Total current liabilities	<u>4,083,968</u>

Noncurrent liabilities

Security deposits, payable from restricted assets	<u>167,879</u>
Total noncurrent liabilities	<u>167,879</u>
Total liabilities	<u><u>4,251,847</u></u>

Net position

Investment in capital assets	30,345,007
Unrestricted	8,133,413
Total net position	<u>38,478,420</u>
Total liabilities and net position	<u><u>\$ 42,730,267</u></u>

See notes to the financial statements



**BOCA RATON AIRPORT AUTHORITY  
BOCA RATON, FLORIDA  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Operating revenues:	
Rental income	\$ 3,287,188
Miscellaneous income	14,858
Total operating revenues	<u>3,302,046</u>
Operating expenses:	
Professional fees	181,797
Personnel expenses	1,045,466
Office expenses	299,643
Rental of facilities	49,955
Projects expense	608,187
Utilities	79,546
Supplies and repairs	130,099
Ken Day scholarship fund	25,000
Insurance	141,428
Tower operations	35,815
Travel and seminars	27,140
Promotion and special events	80,604
Deprecation	1,486,832
Total operating expenses	<u>4,191,512</u>
Operating income (loss)	<u>(889,466)</u>
Nonoperating revenues (expenses):	
Intergovernmental	368,299
Interest income	54,042
Total nonoperating revenues (expenses):	<u>422,341</u>
Income before capital contributions	(467,125)
Capital contributions from state and federal grants	<u>6,243,370</u>
Change in net position	5,776,245
Total net position - beginning	32,702,175
Total net position - ending	<u>\$ 38,478,420</u>

See notes to the financial statements

**BOCA RATON AIRPORT AUTHORITY  
BOCA RATON, FLORIDA  
STATEMENT OF CASH FLOWS  
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Cash flows from operating activities:	
Cash received from tenants	\$ 3,308,275
Other income	14,858
Payments to employees for services	(1,041,744)
Payments to suppliers	(1,664,677)
Net cash provided (used) by operating activities	<u>616,712</u>
Cash flows from noncapital financing activities:	
Operating grants	333,984
Net cash provided (used) by noncapital financing activities	<u>333,984</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(4,360,217)
State and federal capital grants received	3,472,942
Net cash provided (used) by capital and related financing activities	<u>(887,275)</u>
Cash flows from investing activities:	
Interest income	43,521
Maturity of certificates of deposits	5,290,336
Purchase of certificates of deposit	(5,327,680)
Net cash provided (used) by investing activities	<u>6,177</u>
Net increase (decrease) in cash and cash equivalents	<u>69,598</u>
Cash and cash equivalents, beginning	<u>1,688,157</u>
Cash and cash equivalents, ending	<u><u>\$ 1,757,755</u></u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (889,466)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,486,832
(Increase)/Decrease in accounts receivable and rents receivable	(90,803)
(Increase)/Decrease in other assets	29,757
Increase/(Decrease) in unearned revenue	85,189
Increase/(Decrease) in accounts payable	(6,996)
Increase/(Decrease) in compensated absences payable	2,199
Total adjustments	<u>1,506,178</u>
Net cash provided (used) by operating activities	<u><u>\$ 616,712</u></u>

See notes to the financial statements

**BOCA RATON AIRPORT AUTHORITY  
BOCA RATON, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

The Boca Raton Airport Authority ("BRAA" or 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.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the Authority is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the Authority are such that, if excluded, the financial statements of the Authority would be considered incomplete or misleading. There are no entities considered to be component units of the Authority; therefore, the financial statements include only the operations of the Authority.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Authority operates as a proprietary fund type, specifically an enterprise fund. The Authority's financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The focus of a proprietary fund is the measurement of economic resources. Under this method revenues are recorded when earned and expenses are recorded when the liability is incurred, and all assets and liabilities associated with the entity are included on the balance sheet. The generally accepted accounting principles applicable to proprietary funds are similar to those applicable in the private sector.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The operating revenues of the Authority primarily consist of rent. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**New Accounting Standards Adopted**

During fiscal year 2016, the Authority adopted three new accounting standards as follows:

*GASB 72, Fair Value Measurement and Application*

The Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature.

*GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The Statement identifies—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **New Accounting Standards Adopted (Continued)**

#### *GASB 79 - Certain External Investment Pools and Pool Participants*

This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

### **Assets, Liabilities and Net Position**

#### Restricted Assets

These assets represent cash and investments set aside pursuant to contractual restrictions.

#### Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The Authority has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The Authority may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.

The Authority records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

#### 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.

#### Rent Receivable

Rent receivable is reported for rental payments abated when leases are signed. The amount collected over the life of the lease is a reduction in current period rental income.

#### Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

#### Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the statement of net position. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position (Continued)**

#### Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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:

Assets	Years
Buildings	20
Leasehold improvements	5 - 20
Equipment	5 - 20
Infrastructure	20

#### Net Position

Net position is the difference between assets less liabilities. Net position in the financial statements is categorized as net investment in capital assets or unrestricted. Investment in capital assets represents net position related to infrastructure and property, plant and equipment. Unrestricted net position consists of the portion of net position that is 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.

#### Compensated Absences

Authority employees are permitted to accumulate earned but unused vacation and sick pay benefits. When employment ceases, an employee is paid for accumulated vacation leave and a percent of unused sick leave hours, subject to certain limitations in accordance with the Employee Handbook. 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.

#### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s).

### **Other Disclosures**

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 3 – BUDGETARY INFORMATION

The Executive Director submits an annual budget to the Members of the Authority. By September 30 each year, 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 4 – DEPOSITS

The Authority's cash balances including certificates of deposit as shown below were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

As of September 30, 2016, the Authority had the following investments;

	Amortized cost	Credit Risk	Maturities
Certificates of deposits	5,394,809	N/A	1/16/2017 - 6/22/2019
Total investments	<u>\$ 5,394,809</u>		

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The Authority places no limit on the amount the Authority may invest in any one issuer.

*Interest rate risk* – The Authority does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

*Fair Value Measurement* – When applicable, the Authority measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Authority has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Nonnegotiable, nontransferable certificates of deposits that do not consider market rates are required to be reported at amortized cost. Accordingly, the Authority's investments have been reported at amortized cost above.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	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	5,207,405	6,963,227	(4,213,808)	7,956,824
Sublease Procurement Fee	955,071	-	-	955,071
Total capital assets, not being depreciated	12,790,322	6,963,227	(4,213,808)	15,539,741
Capital assets, being depreciated				
Buildings	2,854,226	4,378,956	-	7,233,182
Leasehold improvements	8,220,981	-	-	8,220,981
Machinery, equipment, and fixtures	2,568,567	76,658	-	2,645,225
Infrastructure	13,646,341	90,252	-	13,736,593
Total capital assets, being depreciated	27,290,115	4,545,866	-	31,835,981
Less accumulated depreciation for:				
Buildings	2,111,020	196,085	-	2,307,105
Leasehold improvements	4,869,883	359,885	-	5,229,768
Machinery, equipment, and fixtures	1,612,332	330,709	-	1,943,041
Infrastructure	6,950,648	600,153	-	7,550,801
Total accumulated depreciation	15,543,883	1,486,832	-	17,030,715
Total capital assets, being depreciated, net	11,746,232	3,059,034	-	14,805,266
Total capital assets, net	\$ 24,536,554	\$ 10,022,261	\$ (4,213,808)	\$ 30,345,007

## NOTE 6 – LEASE COMMITMENTS

### Office Lease

At the beginning of fiscal year 2016, the Authority leased office space in a building that is adjacent to the airport but not owned by the Authority. The lease was terminated on October 31, 2015. Concurrently, the Authority's offices were moved to the completed administration building. At the beginning of fiscal year 2016, the Authority also leased two hangars on a monthly basis for storage purposes. The lease for one of the hangars was terminated on October 31, 2015. The other hangar lease expired on January 31, 2016 and was renegotiated for another year. Lease expense for the year ended September 30, 2016 was approximately \$13,326. These leases are treated as operating leases in the financial statements.

### Land Lease

In addition, in May 2012 the Authority made a one-time payment of approximately \$950,000 (the sublease procurement fee), to an unaffiliated private company to obtain the right to lease a parcel of 1.79 acres adjacent to the airport until 2073. The Authority then signed a lease agreement with the Florida Atlantic Research and Development Authority (FARDA), the lessor of the 1.79 acre parcel. FARDA leases this land adjacent to the airport from the Board of Trustees of the Internal Improvement Fund of the State of Florida, the same entity which leases the airport land to the Authority. This lease ends in 2073, and calls for rental payments of \$21,000 per year adjusted each year by the greater of 3% or the change in the Consumer Price Index. In June 2014 the lease was amended to include an additional 1.32 acre parcel. The amendment calls for additional rental payments of \$12,899 per year adjusted by the greater of 3% or the change in Consumer Price Index. The amendment did not change the term of the lease. Since neither the one-time payment nor the lease transfers title to the Authority at the end of the lease and since there is no bargain purchase option, these transactions do not meet the capitalization requirements for land under generally accepted accounting principles and is therefore treated as an operating lease. This lease also contains a fifteen year renewal option.

## NOTE 6 – LEASE COMMITMENTS (Continued)

Minimum annual rent commitments under the operating leases noted above are as follows:

Periods Ending September 30,	Amount	
	Office	Land
2017	\$ 1,763	\$ 37,728
2018	-	38,860
2019	-	40,026
2020	-	41,226
2021	-	42,463
Thereafter	-	5,190,970
	<u>\$ 1,763</u>	<u>\$ 5,391,273</u>

## NOTE 7 – COMPENSATED ABSENCES

Compensated absences activity for the year ended September 30, 2016 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 17,149	\$ 38,576	\$ (36,377)	\$ 19,348	\$ 19,348

## NOTE 8 – 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 \$2,102,577 and \$341,978, respectively.

Rental income for the year ended September 30, 2016 is summarized as follows:

Property Leased	Lease Expiration	
Acreage and Hangar	September 2031	\$ 107,212
Acreage and Hangar	June 2033	901,361
Acreage	June 2041	367,052
Acreage	February 2032	723,644
Acreage and Hangar	September 2035	395,127
Acreage	November 2038	782,300
		<u>\$ 3,276,696</u>

At September 30, 2016, future minimum lease payments under the operating leases are as follows:

Periods Ending September 30,	
2017	\$ 2,801,897
2018	2,801,897
2019	2,801,897
2020	2,801,897
2021	2,801,897
Thereafter	40,096,178
	<u>\$ 54,105,663</u>

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



## **NOTE 9 – RETIREMENT PLANS**

### Employee Retirement Plan

The Authority sponsors a Qualified Retirement Plan as defined by Section 401 (a) of the Internal Revenue Code to provide for employees when they retire. The Authority contributes an amount equal to 25% of an employee's base pay plus any bonus (performance incentive) to the Plan. Employees may contribute additional amounts to the Plan up to the limits established from time to time by the IRS, but such additional amounts are subject to income taxation, FICA and Medicare deductions. All full-time employees over 18 years of age are eligible to participate in the plan after ninety days of service. Contributions are vested after one (1) year of employment.

### Deferred Compensation Plan

The Authority has also 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 pre-tax salary, which is then unavailable until retirement, separation from service, death or in the case of an unforeseeable emergency. All full-time employees over 18 years of age are eligible to participate in the plan after ninety days of service. The Authority contributes 5% of the employee's base pay plus any bonus (performance incentive) to the Plan. Employees may contribute additional amounts to the Plan on a pre-income tax basis, up to the limits established from time to time by the IRS. All contributions are subject to FICA and Medicare deductions. 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.

For the year ended September 30, 2016, the Authority contributed \$180,318 to the plans.

The plans are administered by ICMA Retirement Corporation, an independent third party administrator.

## **NOTE 10 – 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 11 – RISK MANAGEMENT**

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.

## **NOTE 12 – PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED**

*GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

## **NOTE 12 – PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED (Continued)**

### *GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

### *GASB Statement No. 77 - Tax Abatement Disclosures*

This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

### *GASB Statement No. 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

### *GASB Statement No. 80 - Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

### *GASB Statement No. 81 - Irrevocable Split-Interest Agreements*

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016.

### *GASB Statement No. 82 - Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

## **NOTE 12 – PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED (Continued)**

### *GASB Statement No. 83 - Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

### *GASB Statement No. 84 - Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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

## **NOTE 13 – PROJECT COMMITMENTS**

In addition to fully funding projects, 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 grant agreement is entered into for each grant funded project the Authority begins and it may be with the FAA, FDOT or both. The grant agreements specify the percentage for which the FAA is responsible, if applicable, the percentage for which the FDOT is responsible, if applicable, and the percentage for which the Authority is responsible. The Authority's commitment to each project varies from 5% to 50%. As of September 30, 2016, the FAA and FDOT are responsible for approximately \$8,164,732 and the Authority is responsible for approximately \$1,899,620 of the total project in progress commitments.

In fiscal year 2016, the Authority completed construction of an Engineered Material Arresting System (EMAS) bed at the approach end of Runway 23. Additionally, in fiscal year 2016 the design phase of the Runway 5 end EMAS commenced, and was funded by grants from the FAA and FDOT. The design and subsequent construction of the EMAS on both the 5 and 23 ends of the runway is a multi-year project totaling approximately \$11.9 million. Grant funding has been secured from both the FAA and FDOT for the construction phase of the Runway 5 End EMAS.

In fiscal year 2016, the Authority began the construction phase of the \$4.3 million U.S. Customs and Border Protection General Aviation Facility project. The project is being funded partially by a grant from the FDOT.

## **NOTE 14 – KEN A. DAY SCHOLARSHIP**

Kenneth A. Day, Airport Manager of the Authority, passed away on June 16, 2013. The Ken A. Day Scholarship (the "Scholarship") was set up at the George Snow Scholarship Fund (the "Fund"), a non-profit corporation independent of the Authority and its employees. The Fund awards the Scholarship to students in the aviation industry based on need and merit. Scholarships are awarded at the sole discretion of the Fund. In fiscal years 2015 and 2016 the Authority donated \$25,000 and \$25,000, respectively, to the Fund for the Scholarship. Subsequent to September 30, 2016, the Authority set up a new scholarship fund at the George Snow Foundation called the Boca Raton Airport Scholarship.

## **NOTE 15 - SUBSEQUENT EVENTS**

### Construction Projects

In the subsequent fiscal year, the Authority continued the construction of the \$4.3 million U.S. Customs and Border Protection General Aviation Facility and began construction of the second phase of the \$11.9 million Engineered Material Arresting System (EMAS) project. The Customs Facility project is expected to be complete and serving passengers by late summer 2017.



**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Boca Raton Airport Authority, Boca Raton, Florida ("Authority") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our opinion thereon dated June 12, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

June 12, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AWARD  
AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE AND CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

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

**Report on Compliance for the Major Federal Award and State Project**

We have audited the Boca Raton Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Authority's major federal award and state project for the fiscal year ended September 30, 2016. The Authority's major federal award and state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, laws, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Authority's major federal program and state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 *U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance 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 on compliance for the major federal award and state project. However, our audit does not provide a legal determination of the Authority's compliance.

**Opinion on the Major Federal Program and State Project**

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

## Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

June 12, 2017



**BOCA RATON AIRPORT AUTHORITY  
BOCA RATON, FLORIDA  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Federal/State Agency, <i>Federal Award/State Project</i>	CFDA/CSFA Number	Contract Number	Grant Number	BRAA Task/Phase	Expenditures
<b>FEDERAL AWARDS</b>					
US Department of Transportation:					
Federal Aviation Administration					
<i>Airport Improvement Program</i>					
	20.106	N/A	3-12-0006-019-2014	42/38	\$ 50,839
	20.106	N/A	3-12-0006-020-2015	42	5,002,728
	20.106	N/A	3-12-0006-021-2016	42	167,917
Total Expenditures of Federal Awards					<u>5,221,484</u>
<b>STATE FINANCIAL ASSISTANCE</b>					
Florida Department of Transportation					
<i>Aviation Development Grants</i>					
	55.004	G0306	433148-1-94-01	34	145,135
	55.004	ART82	436391-1-94-01	40	323,330
	55.004	ARC77	435626-1-94-01	41	72,106
	55.004	ARY80	436515-1-94-01	42	287,258
	55.004	ARL32	436217-1-94-01	43	33,426
	55.004	ART81	437455-1-94-01	44	253,435
	55.004	G0373	437885-1-94-01	45	159,885
	55.004	G0371	437886-1-94-01	46	29,853
	55.004	G0D61	437978-1-94-01	47	85,757
Total Expenditures of State Financial Assistance					<u>1,390,185</u>
Total Expenditures of Federal Awards and State Financial Assistance					<u>\$ 6,611,669</u>

See accompanying notes to schedule of expenditures of state financial assistance.

**BOCA RATON AIRPORT AUTHORITY  
BOCA RATON, FLORIDA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Boca Raton Airport Authority, Boca Raton, Florida (the "Authority") under the federal program and state project for the fiscal year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General. Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting.

**BOCA RATON AIRPORT AUTHORITY  
BOCA RATON, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE PROJECTS  
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**A. SUMMARY OF AUDITOR’S RESULTS**

1. The auditor’s report expresses an unmodified opinion on the financial statements of the Boca Raton Airport Authority, Boca Raton, Florida (the “Authority”).
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal program or state project are reported in the independent auditor’s report on compliance for each major program and on internal control over compliance required by the Uniform Guidance and Chapter 10.550, rules of the Auditor General.
5. The independent auditor’s report on compliance with requirements that could have a direct and material effect on the major federal program and state project for the Authority expresses an unmodified opinion.
6. Audit findings relative to the major federal program and state project for the Authority are reported in Parts C and D of this Schedule.
7. The federal program and state project tested as a major project include:

<u>Federal Program/State Project</u>	<u>CFDA/CSFA#</u>
US Department of Transportation: Federal Aviation Administration Airport Improvement Program	20.106
Florida Department of Transportation Aviation Development Grants	55.004

8. The dollar threshold used to distinguish between Type A or Type B for major federal programs was \$750,000. The dollar threshold used to distinguish between Type A or Type B for major state projects was \$300,000.

**B. FINDINGS –FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - STATE PROJECTS**

None

**D. OTHER ISSUES**

1. No corrective action plan is required because there were no findings required to be reported under the Uniform Guidance or the Florida Single Audit Act.

**BOCA RATON AIRPORT AUTHORITY  
BOCA RATON, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE PROJECTS  
FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(Continued)**

**E. PRIOR YEAR FINDINGS - MAJOR FEDERAL PROGRAMS AND STATE PROJECTS**

None



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

We have examined Boca Raton Airport Authority's (the "Authority") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2016. Management is responsible for Authority's compliance with those requirements. Our responsibility is to express an opinion on Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Members of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

June 12, 2017



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

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

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Boca Raton Airport Authority, Boca Raton, Florida ("Authority") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 12, 2017.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 12, 2017, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the Authority, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the Member of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Boca Raton Airport Authority, Boca Raton, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

June 12, 2017

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS

None

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2015.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2016.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2016.

4. The name or official title and legal authority of the Authority are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2016 financial audit report.
6. The Authority has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted AS OF September 30, 2016. It is management's responsibility to monitor 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.