

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
LAKE WALES AIRPORT AUTHORITY  
LAKE WALES, FLORIDA  
SEPTEMBER 30, 2007**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**LAKE WALES AIRPORT AUTHORITY  
LAKE WALES, FLORIDA**

**SEPTEMBER 30, 2007**

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## **INDEPENDENT AUDITORS' REPORT**

**INDEPENDENT AUDITORS' REPORT**

Honorable Chairman and Board Members  
Lake Wales Airport Authority  
Lake Wales, Florida

We have audited the accompanying financial statements of the Lake Wales Airport Authority (the Authority), a component unit of the City of Lake Wales, Florida, as of and for the years ended September 30, 2007 and 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide 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, 2007 and 2006, and the changes in financial position and cash flows thereof, for the years 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 February 18, 2008, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 audits.

The management's discussion and analysis as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Purvis, Gray and Company, LLP*

February 18, 2008  
Sarasota, Florida

**Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**LAKE WALES AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

The Lake Wales Airport Authority's (the Authority) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, and (b) provide an overview of the Authority's financial activity for the fiscal years ended September 30, 2007 and 2006.

Since the management's discussion and analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements, notes to the financial statements and the auditors' report, which are essential to a full understanding of the financial statement data.

**Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,399,362 (net assets). Of this amount, \$1,539,375 (unrestricted net assets) may be used to meet the Authority's ongoing obligations, to make payments to creditors, to pay for projects in the capital improvement plan, or to establish reserves for emergencies or catastrophic events.
- The airport's net assets increased by \$1,835,156 during 2007 (or 51.5%). The increase is attributable to the receipt of \$1,904,190 in capital grants.
- The Authority's total capital assets net of depreciation as of September 30, 2007 were \$3,859,987. Net capital assets increased by \$2,696,955 (or 232%). The increase resulted from progressive rebuilding efforts at the airport.
- The Authority's total operating revenues were \$16,918, primarily consisting of campground rental and fuel flow charges. Due to the 2004 hurricanes, most of the airplanes based at the airport were relocated to other airports and most payments under the fixed based operator's agreement were suspended. Fuel flowage fees were reinstated in August 2006. New airplane hangars will not be ready for occupancy until December 2007.
- The Authority's total operating expenses were \$183,887. The operating expense total includes \$94,227 in depreciation. The net operating loss was \$166,969.
- Total nonoperating revenue was \$97,935, entirely interest income. Interest income totaled \$97,935 for 2007 and \$63,561 for 2006. Interest revenues will decrease substantially in subsequent years as insurance proceeds are used for the reconstruction projects.
- Capital grant revenue totaled \$1,904,190. One million five hundred thousand dollars (\$1,500,000) was used for providing a new source of water and fire flow to the airport. The balance was used toward rebuilding the airport hangars that were destroyed during the 2004 hurricanes.

**Financial Statements**

All information is presented utilizing the economic resource measurement focus and the accrual basis of accounting. This method matches revenues and expenses to the period in which the revenue is earned and the expense attributed regardless of the timing of related cash flows. Capital assets are capitalized and, except for land and construction work in progress, depreciated over their useful lives.

**LAKE WALES AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Net assets are displayed in three components: invested in capital assets, net of related debt; restricted (if applicable); and unrestricted. The focus of the Statement of Net Assets (the "unrestricted net assets") is designed to be similar to bottom line results for private sector companies. Over time, the increases or decreases in net assets 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 Assets presents information showing how the Authority's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities. It details the costs associated with operating the Authority and how those costs were funded.

The Statement of Cash Flows presents information showing how the Authority's cash and cash equivalents changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments as resulting from operating activities, capital and noncapital-related financing activities, and investing activities.

The basic financial statements also include notes that provide required disclosures and other information necessary to gather the full meaning of the material presented in the statements.

**Financial Analysis**

**Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. For the current fiscal year, the Authority's assets exceeded liabilities by \$5,399,362. The financial position of the airport improved by \$1.8 million (or 51.5%) from the prior year. The net assets of the Authority increased primarily as a result of capital grants. The following table reflects the condensed Statement of Net Assets for the current year with comparative information for fiscal year 2006.

<b>Statement of Net Assets (Summary)</b>		
<b>As of September 30</b>		
	<b>2007</b>	<b>2006</b>
Current and Other Assets	\$ 2,151,385	\$ 2,403,899
Capital Assets, Net of Depreciation	3,859,987	1,163,032
Total Assets	6,011,372	3,566,931
Current and Other		
Liabilities	612,010	2,725
Total Liabilities	612,010	2,725
Net Assets:		
Investment in Assets, Net of Related Debt	3,859,987	1,163,032
Restricted	0	0
Unrestricted	1,539,375	2,401,174
Total Net Assets:	\$ 5,399,362	\$ 3,564,206

**LAKE WALES AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

Seventy-one percent (71%) of the Authority's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Currently, none of the Authority's capital assets have related debt.

Twenty-nine percent (29%) of the Authority's net assets, \$1,539,375, may be used to meet the Authority's ongoing obligations to customers, creditors and capital projects. Currently, none of the Authority's net assets are subject to external restrictions on how they may be used other than for airport operations.

**Statement of Activities**

The following is a summary of the information presented in the Statement of Activities with comparative information for 2006:

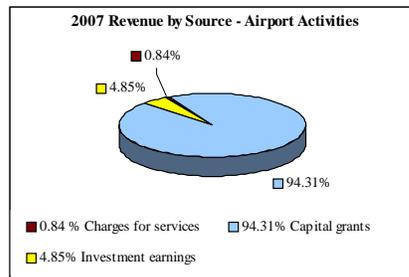
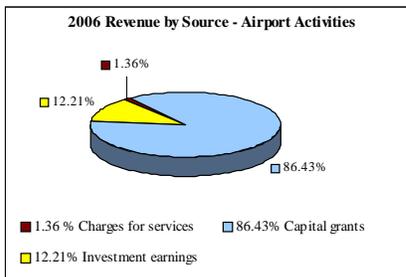
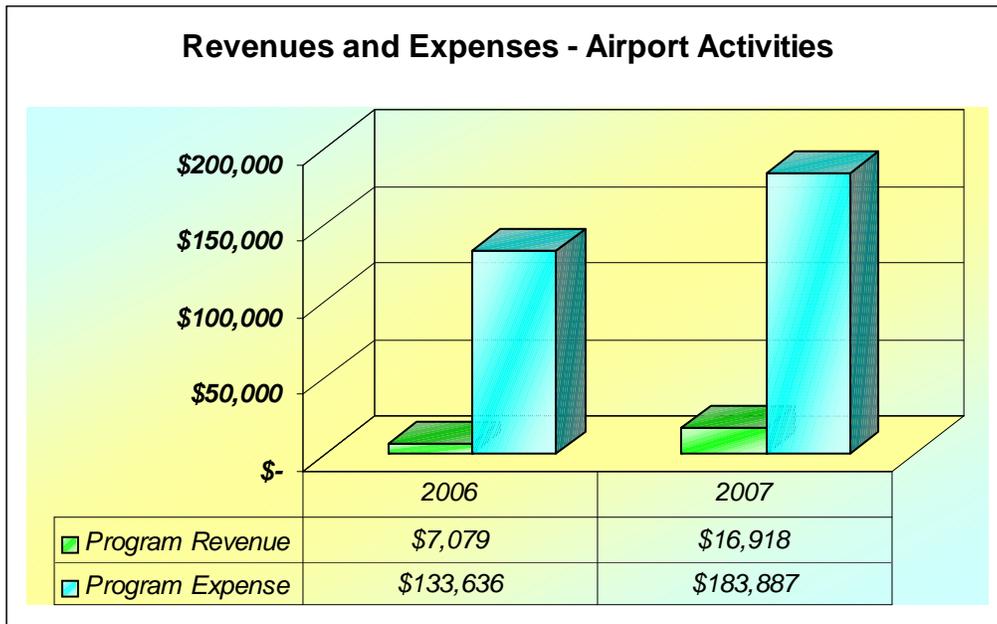
<b>Changes in Net Assets (Summary)</b>		
<b>As of September 30</b>		
	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>Operating Revenues:</b>		
Charges for services	\$ 16,918	\$ 7,079
<b>Operating Expenses:</b>		
Contractual Services	11,171	2,310
Repairs and Maintenance	16,272	9,646
Materials and Supplies	734	165
General and Administrative	61,483	29,738
Depreciation	94,227	91,777
<b>Total Operating Expenses</b>	<u>(183,887)</u>	<u>(133,636)</u>
<b>Operating (Loss)</b>	(166,969)	(126,557)
<b>Nonoperating Revenues (Expenses) , Net</b>	97,935	63,561
<b>(Loss) Before Contributions and Special Items</b>	<u>(69,034)</u>	<u>(62,996)</u>
<b>Capital Contributions - Grants</b>	1,904,190	450,048
<b>Special Items - Initial Contribution from City</b>	0	3,177,154
<b>Increase (decrease) in net assets</b>	<u>1,835,156</u>	<u>3,564,206</u>
<b>Net assets - Beginning of Year</b>	3,564,206	0
<b>Net assets - End of Year</b>	<u>\$ 5,399,362</u>	<u>\$ 3,564,206</u>

Overall operating revenue was \$16,918. The fixed based operator's lease payments were waived after the 2004 hurricanes due to the complete destruction of all buildings at the airport. One corporate hangar has been completed. A second corporate hangar and two T-hangars are near completion. Construction on the fixed based operator's building will begin in 2008. Fuel flowage fees were reinstated in August 2006.

**LAKE WALES AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

Operating expenses were \$183,887, which included \$94,227 in depreciation. This resulted in a \$166,969 operating loss. Total nonoperating revenue and capital grants were \$2,002,125 resulting in a positive change in net assets of \$1,835,156.

The following chart compares program expenses with revenues for the airport's activities for fiscal years 2006 and 2007 and the subsequent chart shows all revenues (including contributions) for each year:



**LAKE WALES AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

**Airport Activities Key Factors**

- Program expenses exceeded revenues by \$166,969 compared to \$126,557 in prior year.
- Charges for services increased by \$9,839. Revenue was up due to recognition of a FBO lease credit in the amount of \$6,000 for mowing and a \$3,534 increase in fuel flow charges. This was the first rental.
- Program expenses increased by \$50,251. General and administrative costs were up \$31,745 mainly due to \$13,500 in insurance increases, \$10,000 first year audit expense. Maintenance and repair expenses were up \$6,600 and contractual services were up for the FBO's \$6,000 mowing services.

**Economic Factors**

Significant economic factors affecting the Authority are as follows:

- Federal, state and local funding of airport capital projects
- Inflationary pressure on utility rates, supplies, capital construction, and other costs
- 2004 hurricane-related damages

**Capital Assets**

*Capital assets.* The Authority's investment in capital assets as of September 30, 2007 amounts to \$3,859,987 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and equipment. Capital assets activity for the year ended September 30, 2007 was as follows:

<b>Lake Wales Airport Authority's Capital Assets</b>				
<b>(net of depreciation)</b>				
<b>as of September 30, 2007</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 22,431	\$ 0	\$ 0	\$ 22,431
Construction in Progress	461,256	2,787,797	0	3,249,053
<b>Capital Assets Being Depreciated:</b>				
Buildings	151,984	0	0	151,984
Improvements Other Than Buildings	2,059,099	0	0	2,059,099
Equipment	14,530	3,385	0	17,915
<b>Total Capital Assets</b>	<b>2,709,300</b>	<b>2,791,182</b>	<b>0</b>	<b>5,500,482</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(1,013)	(3,040)	0	(4,053)
Improvements Other Than Buildings	(1,540,879)	(89,311)	0	(1,630,190)
Equipment	(4,376)	(1,876)	0	(6,252)
<b>Total Accumulated Depreciation</b>	<b>(1,546,268)</b>	<b>(94,227)</b>	<b>0</b>	<b>(1,640,495)</b>
<b>Total Capital Assets, Net of Depreciation</b>	<b>\$ 1,163,032</b>	<b>\$ 2,696,955</b>	<b>\$ 0</b>	<b>\$ 3,859,987</b>

**LAKE WALES AIRPORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

The land was acquired by the City of Lake Wales primarily in four separate transactions in 1930 and 1941, and is not legally transferred to the Authority. One of the four parcels contains a reversion clause where the land reverts to the donors, their heirs or assigns, if the land is used for other than a municipal airport. For financial reporting purposes, the land and improvements were transferred to the Authority's financial statements because of the intended use of the property and the limited use by the City for other purposes.

Proceeds received from Florida Department of Transportation grants and insurance for hurricane damage were used to fund the Airport's reconstruction projects. The construction in progress projects consists of an airport weather operating system, medium intensity runway lights, a water fire flow system, a second corporate hangar, and two T-Hangars. Additional information on the Authority's capital assets is presented in Note 3 to the financial statements.

**Requests for Information**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Lake Wales Airport Authority's finances and to demonstrate the Authority's accountability for the money it received. If you have any questions regarding this report or need additional financial information, please contact the Authority's Finance Director, 201 Central Avenue West, P. O. Box 1320, Lake Wales, Florida 33859-1320.

## **BASIC FINANCIAL STATEMENTS**

**STATEMENTS OF NET ASSETS**  
**SEPTEMBER 30, 2007 AND 2006**  
**LAKE WALES AIRPORT AUTHORITY**  
**LAKE WALES, FLORIDA**

**Assets**

	<b>2007</b>	<b>2006</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 636,172	\$ 2,401,953
Accounts Receivable, Net of Allowance for Uncollectibles	0	1,946
Due from Other Governments	1,515,213	0
<b>Total Current Assets</b>	<b>2,151,385</b>	<b>2,403,899</b>
<b>Noncurrent Assets</b>		
Capital Assets:		
Nondepreciable	3,271,484	483,687
Depreciable, Net	588,503	679,345
<b>Total Noncurrent Assets</b>	<b>3,859,987</b>	<b>1,163,032</b>
<b>Total Assets</b>	<b>6,011,372</b>	<b>3,566,931</b>

**Liabilities**

**Current Liabilities**

Accounts Payable	607,260	2,725
Due to Federal Aviation Administration	4,750	0
<b>Total Current Liabilities</b>	<b>612,010</b>	<b>2,725</b>

**Net Assets**

Invested in Capital Assets, Net of Related Debt	3,859,987	1,163,032
Unrestricted	1,539,375	2,401,174
<b>Total Net Assets</b>	<b>\$ 5,399,362</b>	<b>\$ 3,564,206</b>

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006  
LAKE WALES AIRPORT AUTHORITY  
LAKE WALES, FLORIDA**

	<u>2007</u>	<u>2006</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 16,918	\$ 7,079
<b>Operating Expenses</b>		
Contractual Services	11,171	2,310
Repairs and Maintenance	16,272	9,646
Materials and Supplies	734	165
General and Administrative	61,483	29,738
Depreciation	94,227	91,777
<b>(Total Operating Expenses)</b>	<u>(183,887)</u>	<u>(133,636)</u>
<b>Operating (Loss)</b>	<u>(166,969)</u>	<u>(126,557)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest Income	<u>97,935</u>	<u>63,561</u>
<b>(Loss) Before Contributions</b>	(69,034)	(62,996)
<b>Capital Contributions - Grants</b>	1,904,190	450,048
<b>Special Item - Initial Contribution from City</b>	<u>0</u>	<u>3,177,154</u>
<b>Change in Net Assets</b>	1,835,156	3,564,206
<b>Total Net Assets, Beginning of Year</b>	<u>3,564,206</u>	<u>0</u>
<b>Total Net Assets, End of Year</b>	<u><u>\$ 5,399,362</u></u>	<u><u>\$ 3,564,206</u></u>

See accompanying notes.

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**  
**LAKE WALES AIRPORT AUTHORITY**  
**CITY OF LAKE WALES, FLORIDA**

	<b>2007</b>	<b>2006</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	\$ 12,864	\$ 5,133
Payments to Suppliers	(84,495)	(39,134)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(71,631)</b>	<b>(34,001)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Initial Contribution from City - Cash	0	2,525,585
Capital Grants	388,978	450,048
Capital Grant Overpayment	4,750	0
Acquisition and Construction of Capital Assets	(2,185,812)	(603,240)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(1,792,084)</b>	<b>2,372,393</b>
<b>Cash Flows from Investing Activities</b>		
Interest Income	97,935	63,561
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(1,765,780)</b>	<b>2,401,953</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>2,401,953</b>	<b>0</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 636,173</b>	<b>\$ 2,401,953</b>
 <b><u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u></b>		
Operating (Loss)	\$ (166,969)	\$ (126,557)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation of Plant	94,227	91,777
Change in Current Assets - Decrease (Increase):		
Accounts Receivable (Net of Bad Debt Provision)	1,946	(1,946)
Change in Current Liabilities - Increase (Decrease):		
Accounts Payable	(835)	2,725
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (71,631)</b>	<b>\$ (34,001)</b>
 <b><u>Supplemental Disclosure of Noncash Transactions</u></b>		
FBO Lease Credit	(6,000)	0
Contracted Services - Mowing by FBO	6,000	0
	<b>\$ 0</b>	<b>\$ 0</b>
<b>Initial Contribution from City - Capital Assets</b>		
Original Cost	\$ 0	\$ 2,106,060
(Accumulated Depreciation)	0	(1,454,491)
<b>Book Value</b>	<b>\$ 0</b>	<b>\$ 651,569</b>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS  
LAKE WALES AIRPORT AUTHORITY**

**Note 1 - Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Lake Wales Airport Authority (the Authority) was recreated by Ordinance 2005-44 (the Ordinance) of the City of Lake Wales, Florida (the City) on September 29, 2005, pursuant to Section 189.4041, Florida Statutes. The Ordinance codified, amended, reenacted, and repealed all prior ordinances relating to the Authority and the Airport Advisory Committee. Prior to the adoption of the Ordinance, the activities of the Lake Wales Municipal Airport (the Airport) had been accounted for in the general fund of the City. The Authority was recreated as a dependent special district of the City, a legally separate governmental entity. The Authority has no taxing authority.

The Ordinance gave the Authority certain powers and jurisdiction over the Airport, generally subject to the approval of the City. The Authority is governed by a board of seven members known as the Lake Wales Airport Authority Board (the Board). The Board is responsible for the establishment and adoption of policy. The execution of such policy is currently the responsibility of the City Manager, who also serves as the Airport Manager.

The Airport property was struck by three hurricanes in the late summer of 2004. Every structure at the Airport received moderate to severe damage, though the pavement surfaces remained in usable condition. During fiscal year 2007 and 2006, many of the regular airport operations were suspended while reconstruction efforts were conducted.

The accompanying financial statements cover the Authority's first and second year of operations. They have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. For financial reporting, the Authority is considered a component unit of the City (the primary government). These financial statements present only the accounts and activities of the Authority, and not the City as a whole. The Authority has no additional component units of its own.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

**B. Fund Accounting**

The Authority operates as a single major enterprise fund under the fund accounting framework of governmental accounting. Within this framework, an enterprise fund accounts for operations in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the fund's customers on a continuing basis be financed or recovered primarily through user charges.

**C. Measurement Focus and Basis of Accounting**

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on its statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**NOTES TO FINANCIAL STATEMENTS**  
**LAKE WALES AIRPORT AUTHORITY**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Concluded)**

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the accompanying financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

The private sector follows the pronouncements issued by:

- Financial Accounting Standards Board (FASB) Statements and Interpretations;
- Accounting Principles Board (APB) Opinions; and
- Accounting Research Bulletins.

**D. Operating and Nonoperating Activities**

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. As is traditional with many small airports, the Authority has granted to a "Fixed Based Operator" (FBO) the exclusive right to use the Airport's principal structures and surrounding area, and provide certain sales (e.g., fuel) and services. The Authority receives a percentage of those sales. In addition, operating revenues of the Authority include facility rental, and tie-down and hanger rentals. Operating expenses for the Authority include commissions paid to the FBO, maintenance, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Special items* are significant items subject to management control, that are either unusual in nature or infrequent in occurrence, but not both.

During 2007 and 2006, the Authority received state grant monies to begin reconstruction efforts. These state grants had matching requirements. When both restricted and unrestricted resources are available for use, it is generally the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Cash and Cash Equivalents and Investments**

The Authority did not maintain its own bank account during 2007 or 2006. Instead it participated in the cash and investment pool of the City. For purposes of the statement of cash flows, the Authority considers all investments with an original maturity of three months or less, as well as investments in the City's cash and investment pool to be cash equivalents. The City's cash and investment pool invests City funds to maximize investment yield, and essentially allows individual funds (or component units), to deposit additional cash or make withdrawals at any time without prior notice or penalties. Investment earnings are distributed monthly in accordance with the participants' relative percentage of the pool.

The City's cash and investment pool include cash deposits, and investments with an original maturity of three months or less (these include investments with the State Board of Administration and money market mutual funds). It excludes certain restricted cash and investments of the City.

**NOTES TO FINANCIAL STATEMENTS**  
**LAKE WALES AIRPORT AUTHORITY**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**F. Accounts Receivable**

Accounts receivable are recorded at their net realizable value, reduced by an allowance for doubtful accounts, where appropriate. All receivables are less than ninety days past due at September 30, 2007. The allowance for doubtful accounts is \$0.

**G. Capital Assets**

Capital assets include land, buildings, other improvements (e.g., runways and aprons), and equipment. Capital assets purchased, acquired, or constructed, are recorded at their historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation, however, capital assets contributed by other governmental entities are recorded at the donors' original cost less accumulated depreciation.

Capital assets are defined by City Ordinance as items with an individual cost of \$750 or more and an estimated useful life of one year or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Construction projects which meet the criteria for capital assets, are capitalized as the projects are constructed. Interest cost is not capitalized because the projects are generally grant-funded, and the Authority has no outstanding debt. Construction work in progress is not depreciated until completed and placed into service.

Provision has been made for the depreciation of such property, plant and equipment using the straight-line method with a half-year convention over the following estimated useful lives:

Class of Assets	Estimated Life - Years
Runways and Other Infrastructure	10-20
Buildings	20-50
Equipment	5-10

**H. Revenue Recognition**

Revenues are recognized when earned and measurable. Grants which finance current operations are recorded as nonoperating revenues. Grants which finance capital assets are recorded as capital contributions.

**I. Equity Classifications**

Enterprise fund equity is classified as net assets and displayed in three components:

- Invested in capital assets net of related debt - consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets;
- Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation; and

**NOTES TO FINANCIAL STATEMENTS**  
**LAKE WALES AIRPORT AUTHORITY**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**I. Equity Classifications (Concluded)**

- Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**J. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of disclosures. Actual results could differ from those estimates.

**Note 2 - Cash and Investments**

**A. Deposits**

All of the Authority's deposits at September 30, 2007, are held in the City's cash and investment pool. Deposits in the City's cash and investment pool are held in qualified public depositories pursuant to Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 50% to 125% 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.

The carrying amount of the Authority's cash on deposit in the City's cash and investment pool was \$636,172 and \$2,401,953 at September 30, 2007 and 2006, respectively.

**B. Investments - City**

As of September 30, 2007, the Authority did not have its own investment policy. However, shortly after year-end, the Authority adopted the City's investment policy pursuant to terms of an interlocal agreement between the two entities. During 2007 and 2006, all the Authority's cash balances were invested in the City's cash and investment pool. By City Ordinance 95-44 and Florida Statutes, the City is authorized to invest in the State Board of Administration Local Government Surplus Funds Trust Fund (SBA); negotiable direct obligations of the U.S. Government, or obligations unconditionally guaranteed by the U.S. government; bonds, debentures, notes or other indebtedness of U.S. agencies which are backed by the full faith and credit of the U.S. Government; obligations of certain other government agencies (the Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation, (FHLMC), and the Student

**NOTES TO FINANCIAL STATEMENTS**  
**LAKE WALES AIRPORT AUTHORITY**  
*(Continued)*

**Note 2 - Cash and Investments (Concluded)**

**B. Investments – City (Concluded)**

Loan Marketing Association (SLMA). In addition, the City may invest in nonnegotiable interest-bearing time certificates of deposits or repurchase agreements in qualified public depositories, as well as certain banker' acceptances, commercial paper, state and/or local government taxable and tax-exempt debt, general obligation and/or revenue bonds, or fixed income mutual funds, assuming they are rated as specified in the Ordinance.

The City seeks to optimize return on investments within the constraints of safety and liquidity. The investment portfolio is designed with the annual objective of equaling or exceeding the average annual return earned on investments held by the SBA. However, the City's cash and investment pool held no investments at September 30, 2007 or 2006. The entire balance was held in interest-bearing bank accounts.

**C. Other Risk Disclosures**

The City's investment policies broadly address exposure to interest rate changes, custodial credit risk, and quality credit risk. The following items discuss the City's exposure to various risks in their investment portfolios:

*Interest Rate Risk.* Interest rate risk is the risk that change in interest rates will adversely affect the fair value of the investment. The City limits its exposure to fair value losses arising from rising interest rates by varying investment maturities.

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investment policies require that securities and repurchase agreements only be purchased from certain qualified financial institutions or dealers, that repurchase agreements require a master repurchase agreement, and that all securities purchased (or collateral obtained) be properly designated as an asset of the City and held in safekeeping by a qualified third party custodial bank or institution.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of government's investment in single issuer. The City's investment policies require that assets be diversified to control the risk of loss resulting from overconcentration in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. To further insure proper diversification, the City policy permits no more than 5% (at cost) of the total portfolio to be invested in any single corporation, and specifies that exposure to any one industry sector shall not exceed 150% of the exposure represented by that industry in the Standards & Poors 500 Stock Index or 5% (at cost), whichever is greater.

**Note 3 - Capital Assets**

Capital asset activity for the years ended September 30, 2007 and 2006, was as follows:

**NOTES TO FINANCIAL STATEMENTS**  
**LAKE WALES AIRPORT AUTHORITY**  
*(Continued)*

**Note 3 - Capital Assets (Continued)**

	<u>Initial Contribution</u>	<u>2006 Additions</u>	<u>9/30/06 Balance</u>	<u>2007 Additions</u>	<u>9/30/07 Balance</u>
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 22,431	\$ 0	\$ 22,431	\$ 0	\$ 22,431
Construction in Progress	10,000	451,256	461,256	2,787,797	3,249,053
<b>Total Not Being Depreciated</b>	<u>32,431</u>	<u>451,256</u>	<u>483,687</u>	<u>2,787,797</u>	<u>3,271,484</u>
<b>Capital Assets Being Depreciated</b>					
Buildings	0	151,984	151,984	0	151,984
Improvements Other Than Buildings	2,059,099	0	2,059,099	0	2,059,099
Equipment	14,530	0	14,530	3,385	17,915
<b>Total Other Capital Assets</b>	<u>2,073,629</u>	<u>151,984</u>	<u>2,225,613</u>	<u>3,385</u>	<u>2,228,998</u>
<b>Less Accumulated Depreciation for</b>					
Buildings	0	(1,013)	(1,013)	(3,040)	(4,053)
Improvements Other Than Buildings	(1,451,568)	(89,311)	(1,540,879)	(89,311)	(1,630,190)
Equipment	(2,923)	(1,453)	(4,376)	(1,876)	(6,252)
<b>Total Accumulated Depreciation</b>	<u>(1,454,491)</u>	<u>(91,777)</u>	<u>(1,546,268)</u>	<u>(94,227)</u>	<u>(1,640,495)</u>
<b>Depreciable Capital Assets, Net</b>	<u>619,138</u>	<u>60,207</u>	<u>679,345</u>	<u>(90,842)</u>	<u>588,503</u>
<b>Total All Capital Assets, Net</b>	<u>\$ 651,569</u>	<u>\$ 511,463</u>	<u>\$ 1,163,032</u>	<u>\$ 2,696,955</u>	<u>\$ 3,859,987</u>

Depreciation recorded in the accompanying financial statements was \$94,277 and \$91,777 for the years ended September 30, 2007 and 2006, respectively.

In 2006, the initial contribution from the City was recorded at the original cost to the City of \$2,106,060 less accumulated depreciation of \$1,454,491. Improvements transferred in the initial contribution included runways, aprons, lighting, signage and other real property improvements constructed between 1971 and 2005. The land was acquired by the City primarily in four separate transactions in 1930 and 1941, and has not been legally transferred from the City to the Authority. One of the four parcels contains a reversion clause where the land reverts to the donors, their heirs or assigns, if the land is used for other than a municipal airport. For financial reporting, the land and improvements were transferred to the Authority's financial statements because of the intended use of the property and the limited use by the City for other purposes.

Construction in progress at September 30, 2007, is comprised of the following:

<u>Project</u>	<u>Estimated Amount</u>	<u>Committed Amount</u>	<u>Expended to 9/30/07</u>	<u>Remaining Commitment</u>
Airport Weather Operating System	\$ 132,215	\$ 132,215	\$ 122,715	\$ 9,500
Water – Fire Flow	2,266,495	2,266,495	2,058,524	207,971
Medium Intensity Runway Lights	428,773	428,773	44,500	384,273
Runway Extension Project	3,000,000	170,170	15,213	154,957
T-Hangar 1	383,735	383,735	352,209	31,526
T-Hangar 2	427,659	427,659	372,633	55,026
<b>Total</b>	<u>\$ 6,638,877</u>	<u>\$ 3,809,047</u>	<u>\$ 2,965,794</u>	<u>\$ 843,253</u>

**NOTES TO FINANCIAL STATEMENTS**  
**LAKE WALES AIRPORT AUTHORITY**  
*(Continued)*

**Note 3 - Capital Assets (Concluded)**

The water fire flow, medium intensity runway lights, runway extension and T-Hangar projects are being constructed with grant proceeds. The grants award total is \$5,591,240 of which \$2,354,238 has been reimbursed on project costs through September 30, 2007.

Included in construction in progress are the following projects that are not listed above: (a) Corporate Hangar No. 2 for \$223,759 was completed at year-end, but not placed in service until the water fire flow project was completed in December 2007; (b) completed site development plans for \$59,500 for the parking project. Bidding and construction for the parking project will occur in 2008.

Accounts payable includes retainages on the above contracts of \$203,563 and \$0 at September 30, 2007 and 2006, respectively.

**Note 4 - Related Party – City of Lake Wales**

In the Ordinance that recreated the Authority, the City retained approval rights over most of the major decisions of the Authority. The following Board actions are subject to the approval of the Lake Wales City Commission:

- Adopting bylaws;
- Adopting an official seal;
- Maintaining an office;
- Suing or being sued;
- Acquiring, leasing, constructing, reconstructing, improving, extending, enlarging, equipping, repairing, maintaining or operating any airport which may be located on the property of the Authority;
- Issuing bonds, refunding bonds, and revenue certificates;
- Fixing and revising rates, fees or other charges;
- Acquiring real or personal property;
- Entering into certain contracts or agreements, including those to operate other airports
- Accepting grant money; and
- Doing all things necessary or convenient to carry out the powers granted by the Ordinance.

In addition, the City has provided the use of certain City personnel to the Authority at no cost. The City Manager and City Finance Director currently serve as the Airport Manager and Airport Finance Director, respectively. The City's Emergency Management Director/Assistant to the City Manager served as a project coordinator for the Authority projects, and the City's Public Service Director is the liaison between the City Commission and the Airport Authority Board. Additional services are provided by City purchasing, information technology, and finance departments.

As of September 30, 2007, the two parties (City and Authority) had not agreed to a charge-out methodology for these services, although an interlocal agreement that addresses this issue for future years was adopted shortly after year-end (see next paragraph). For fiscal year 2007, the City defaulted to the charge-out methodology for its various departments in its 2007 budget. Public Service Department costs totaling \$10,958 were charged to the Authority for the year ended September 30, 2007.

**NOTES TO FINANCIAL STATEMENTS**  
**LAKE WALES AIRPORT AUTHORITY**  
*(Continued)*

**Note 4 - Related Party – City of Lake Wales (Concluded)**

An interlocal agreement was approved and executed by the Airport Authority Board and the City Commission in October 2007. Both parties agreed that the Authority did not, and does not, have sufficient funds available to pay all of the costs of operating the Authority, and as a result thereof, the City will pay certain costs incurred by the Authority. Payments by the City shall not exceed a period of five years. In all events, the Authority agreed to comply with the policies and procedures of the City, including but not limited to the policies governing investments and the purchase and acquisition of goods and services.

**Note 5 - Fixed Base Operator Lease**

The City is operating under a revised FBO Agreement (the Agreement) dated October 31, 1995, which grants Lake Wales Aviation, Inc. the exclusive right to use certain Airport facilities for the purposes of conducting business as a fixed base operator. The term of the contract is ten years, with four successive five-year renewal options, at the option of the FBO. During 2007, the City turned over the revenues it collected under this agreement to the Authority.

Under terms of the agreement, the FBO pays the City \$2,500 per month for rent of the facilities (adjusted annually after the first five years of the Agreement by the lower of the increase in the consumer price index or the increase in the general aviation growth rate) plus ten cents per gallon on fuel sales. The FBO receives a credit of \$1,500 against the rent as reimbursement for certain leasehold improvements constructed by the FBO, and a \$500 credit for mowing. In addition, the FBO pays the costs of electricity and routine maintenance. The FBO also acts as the City's agent for the collection of T-hangar rent and tie-down fees, and remits 87.5% of the amount collected to the City. Because of the damage done by the 2004 hurricanes, most of the airplanes based at the Airport were relocated to other airports and most payments under the Agreement were suspended. Beginning August 2006, the fuel flowage fees were reinstated. The rents are expected to be reinstated once the facilities are reconstructed.

**Note 6 - Due from Other Governments**

Due from other governments consist of the following at September 30:

<u>Project</u>	<u>2007</u>	<u>2006</u>
Grant Receivable – FDOT –		
Fire Flow Project	\$ 1,500,000	\$ 0
Grant Receivable – FAA –		
Runway Extension Project	<u>15,213</u>	<u>0</u>
<b>Total</b>	<u>\$ 1,515,213</u>	<u>\$ 0</u>

The \$1.5 million reimbursement for the fire flow project was requested shortly after year-end on October 11, 2007, and received on October 25, 2007.

**NOTES TO FINANCIAL STATEMENTS**  
**LAKE WALES AIRPORT AUTHORITY**  
*(Concluded)*

**Note 7 - Special Item – Initial City Contribution (2006)**

To provide initial capital funding for the reconstruction efforts, the City turned over the insurance proceeds it had received from the extensive damage done to airport property by the 2004 hurricanes. The net insurance proceeds of \$2,525,585, plus the capital asset contribution of \$651,569 is recorded as a *special item* on the accompanying statement of revenues, expenses and changes in net assets for 2006.

**Note 8 - Contingencies**

**Grants**

The Authority has constructed airport improvements that were partially or entirely funded with federal and/or state grants. These costs may be subject to future audits by the grantor agencies. In management's opinion, there are no material instances of noncompliance relating to these grants.

**GOVERNMENT AUDITING SECTION**

**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***

Honorable Chairman and Board Members  
Lake Wales Airport Authority  
Lake Wales, Florida

We have audited the accompanying financial statements of the Lake Wales Airport Authority (the Authority) as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 18, 2008.

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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

**Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Chairman and Board Members  
Lake Wales Airport Authority  
Lake Wales, Florida

**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*  
(*Concluded*)**

**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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated February 18, 2008.

This report is intended solely for the information and use of the Board members and management of the Authority, the City of Lake Wales, Florida, the Florida Auditor General, and federal and state grantor agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

February 18, 2008  
Sarasota, Florida

MANAGEMENT LETTER

Honorable Chairman and Board Members  
Lake Wales Airport Authority  
Lake Wales, Florida

We have audited the basic financial statements of the Lake Wales Airport Authority (the Authority) as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated February 18, 2008.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our report on internal control over financial reporting and on compliance and other matters dated February 18, 2008. In addition, we will conduct a Federal and State Single Audit of the City of Lake Wales, Florida (the City), and include the grants of the Authority in those reports. Disclosures in any of these reports, if any, 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 require that certain items be addressed in this letter:

- 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. While some of the corrective action on prior year findings and recommendations is in process as of the date of this letter, we are satisfied with the action taken to-date on all matters.
- 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. During the year under audit, the Authority did not have an investment policy and was invested in the City's cash and investment pool. Accordingly, we could not verify compliance with Section 218.415, Florida Statutes during 2007. However, shortly after year-end the Authority adopted the City's investment policy and came into compliance with Section 218.415.
- Section 10.554 (1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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Honorable Chairman and Board Members  
Lake Wales Airport Authority  
Lake Wales, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

- Section 10.554(1)(i)5., *Rules of the Auditor General*, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have 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 the management letter, unless disclosed in the notes to the financial statements. The applicable disclosure can be found in note 1 to the financial statements. The Authority is a component unit of the City of Lake Wales, Florida, a dependent special district. The Authority has no component units of its own.
- Section 10.554 (1)(i)7.a, *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. 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, 2007, filed with the Florida Department 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, 2007. In connection with our audit, we determined that these two reports were in agreement.
- Section 10.554(1)(i)7.c and 10.556(7), *Rules of the Auditor General*, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information and use of the Board members and management of the Authority, the City of Lake Wales, Florida, the Florida Auditor General, and federal and state grantor agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

February 18, 2008  
Sarasota, Florida