

**BIG BEND WATER AUTHORITY  
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July 24, 2009

Office of the Auditor General  
Local Government Audits/342  
111 West Madison St  
Tallahassee, FL 32399-1450

Attn: Audit Department

Dear Sir:

Enclosed please find a copy of the annual Financial Report for the Big Bend Water Authority for the fiscal year ending September 30, 2008. On pages 27 and 28 of the report, Powell & Jones, the certified public accountants who prepared the Report, include a Management Letter, in accordance with the provisions of Chapter 10.550, Rules of the Auditor General. In relevant part, the Management Letter states that Powell & Jones believe that the Authority has met one of the conditions for a financial emergency described in Section 218.503(1) (e), Florida Statutes. The Letter also concluded that the Authority is experiencing a deteriorating financial condition.

As a matter of background, the Authority was created in 2007 through an Interlocal Agreement executed by Taylor County and Dixie County. Previously, the service area which is now served by the Authority, received service from the Steinhatchee Water Association ("SWA"). The SWA was a not-for-profit water utility which came into existence in 1964. In or around 2006, the SWA's Board of Directors decided to expand the service to its customers to include wastewater treatment and, in furtherance of that decision, purchased an existing sewer system from a developer in the area. In 2007, the SWA voluntarily dissolved and transferred all of its assets and liabilities to the Authority. At the time that the SWA expanded its service to include wastewater through the time that the Authority was formed, the real estate market, and local development and growth were booming. Developers had purchased properties throughout the Authority's service area, and wanted the utilities in place to make a modernized community. At that point infrastructure was being developed, and the SWA, and, subsequently the Authority, were secure that revenues through connection fees and water/wastewater rates would be adequate. Additionally, the Authority developed plans to extend its wastewater service and improve its wastewater treatment plant through the financial assistance of State-sponsored grants, grant/loans, and bonds.

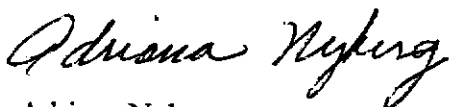
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Of course, over the past several months, the economy has taken a decided downturn. This has been felt especially hard in the area serviced by the Authority. Growth and real estate development have come to a complete stand-still. This downturn has created a deficit in the Authority's budget, as the connection fees, which the Authority was counting on for the needed infrastructure, and which appeared to be forthcoming, are now improbable at least on the short term. The Authority, however, must still find a means to repay the amounts borrowed, and must continue to plan for improved and expanded infrastructure once the economy and local development pick back up.

The Authority's Board of Directors has, for the past several months, been exploring ways to cut costs and increase revenues in response to these trying times. In this regard, effective January 2009, the Board implemented increased water and wastewater rates throughout the service area. The Authority has also drastically cut its budget, and eliminated all vacant positions. The Authority currently operates with the minimal number of employees.

For fiscal year 2010, the Board recently adopted a budget, which only partially funded depreciation and the year's debt service. In addition, the Board is reviewing and considering the implementation of ordinances to require current residents to connect to the Authority's sewer. Of course, one of the challenges with this plan is whether the wastewater system is equipped to take on customers who are forced to connect to it. Finally, the Authority is looking into financing a project which will install additional capacity for customers to connect to the wastewater system. This includes the installation of new pipe, as well as the expansion of the treatment plant. Please contact me if I can provide any additional information.

Sincerely,



Adriana Nyberg  
Big Bend Water Authority  
Treas/Sec

Attachments

Cc Powell & Jones