

**BIG BEND  
WATER AUTHORITY**

**FINANCIAL REPORT**

For The Fiscal Year Ended September 30, 2008

BIG BEND WATER AUTHORITY

FINANCIAL REPORT

For The Fiscal Year Ended September 30, 2008

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## INTRODUCTORY SECTION

BIG BEND WATER AUTHORITY

LIST OF PRINCIPAL OFFICIALS

September 30, 2008

CHAIRMAN

William Cake

VICE CHAIRMAN

Stanley Ridgeway

SECRETARY

Jimmy Bray

DIRECTORS

Howard Hart  
Clay Bethea  
James Valentine  
Mark Reblin

## FINANCIAL SECTION



**Powell & Jones**  
Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Big Bend Water Authority  
Steinhatchee, Florida

We have audited the accompanying statement of financial position of the Big Bend Water Authority (the Authority), as of September 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2009, on our consideration of the Big Bend Water 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 7 through 9, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Big Bend Water Authority taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**POWELL & JONES**  
February 19, 2009

Florida Institute of Certified Public Accountants • American Institute of Certified Public Accountants

# BIG BEND WATER AUTHORITY

## Management's Discussion and Analysis

September 30, 2008

The management of the Big Bend Water Authority (the Authority) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended September 30, 2008.

### Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting principles that use the same basis of accounting as private-sector business enterprises. The Authority is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements.

The statement of net assets presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, 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 revenue, expenses and changes in net assets reports the operating revenues and expenses and nonoperating revenues and expenses of the Authority for the fiscal year with the difference - the net income or loss - being combined with any capital grants to determine the net change in assets for the fiscal year. That change combined with the net assets at the end of the previous year total to the net assets at the end of the current fiscal year.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, noncapital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current fiscal year.

### Condensed Financial Information

Condensed financial information from the statements of net assets at September 30, 2008, and revenues, expenses and changes in net assets for the year then ended, follows:

**Net Assets at September 30, 2008**

Current and other assets	\$ 851,615
Capital assets, net	<u>8,393,680</u>
Total assets	<u>9,245,295</u>
Current liabilities	279,320
Long-term liabilities	<u>4,419,980</u>
Total liabilities	<u>4,699,300</u>
Net assets:	
Invested in capital assets, net of related debt	4,830,646
Designated	109,455
Unrestricted (deficit)	<u>(394,106)</u>
Total net assets	<u>\$ 4,545,995</u>

**Change in Net Assets for the Fiscal Year Ended September 30, 2008**

Operating revenue:	
Revenue from water and sewer services	\$ <u>796,640</u>
Total operating revenues	<u>796,640</u>
Operating expenses:	
Personal services	291,889
Other operating expenses	<u>400,499</u>
Total operating expenses, excluding depreciation	692,388
Depreciation	<u>126,487</u>
Total operating expenses, including depreciation	<u>818,875</u>
Operating loss	<u>(22,235)</u>
Net nonoperating revenue (expense)	<u>(139,485)</u>
Loss before capital grants	(161,720)
Capital grants and contributions	<u>289,281</u>
Increase in net assets	127,561
Net assets, beginning of year	<u>4,418,434</u>
Net assets, end of year	<u>\$ 4,545,995</u>

During the year ended September 30, 2008, net assets increased by \$127,561, primarily due to capital grants and contributions received during the year.

**Capital Assets and Debt Administration****Capital Assets**

At September 30, 2008, the Authority had \$8,393,680 invested in capital assets, consisting primarily of its water supply system and sewer system.

### Capital Assets at September 30, 2008

Land	\$	264,500
Construction in progress		6,536,855
Buildings and improvements		2,071,163
Equipment		191,018
		<u>9,063,536</u>
Accumulated depreciation		<u>(669,856)</u>
Capital assets, net	\$	<u>8,393,680</u>

#### Debt Outstanding

At year-end, the Authority had \$3,523,069 in debt outstanding .

Prior year comparative financial information has not been included due to the fact that the current year is the Authority's initial full year of operation.

#### Financial Contact

The Authority's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions about the report or need additional financial information, please contact the Authority's Office Manager at P.O. Box 670, Steinhatchee, Florida 32359.

## BASIC FINANCIAL STATEMENTS

# BIG BEND WATER AUTHORITY

## STATEMENT OF NET ASSETS

September 30, 2008

### ASSETS

#### Current Assets

Cash	\$ 761,397
Accounts receivable, net of allowance for doubtful accounts	70,602
Prepaid expenses	13,116
Total current assets	<u>845,115</u>

#### Capital Assets

Land	264,500
Water plant	328,287
Waste water plant	143,831
Pipeline	1,599,045
Machinery and equipment	191,018
Construction in progress	6,536,855
Less accumulated depreciation	<u>(669,856)</u>
Total capital assets, net of accumulated depreciation	<u>8,393,680</u>

#### Other Assets

Long-term receivable	6,500
Total assets	<u>\$ 9,245,295</u>

### LIABILITIES

#### Current liabilities

Accounts payable and accrued liabilities	\$ 148,508
Customer deposits	49,108
Interest payable	39,965
Current portion of loans payable	41,739
Total current liabilities	<u>279,320</u>

#### Long-term liabilities

Deferred revenue	938,650
Loans payable	3,481,330
Total long-term liabilities	<u>4,419,980</u>
Total liabilities	<u>4,699,300</u>

### NET ASSETS

Unrestricted	
Operations	(394,106)
Fixed assets, net of related debt	4,830,646
Designated	109,455
Total net assets	<u>\$ 4,545,995</u>

See notes to financial statements.

**BIG BEND WATER AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

**For The Fiscal Year Ended September 30, 2008**

<b>OPERATING REVENUES</b>	
Water services	\$ 471,106
Sewer services	55,848
Connection fees	256,772
Penalties	6,576
Miscellaneous	6,338
Total operating revenues	<u>796,640</u>
<b>OPERATING EXPENSES</b>	
Personal services	291,889
Other operating expenses	400,499
Depreciation	126,487
Total operating expenses	<u>818,875</u>
Operating loss	<u>(22,235)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Insurance proceeds	44,146
Interest revenue	7,601
Interest expense	(193,732)
Gain on sale of assets	2,500
Total nonoperating revenues (expenses)	<u>(139,485)</u>
Loss before capital contributions	<u>(161,720)</u>
<b>CAPITAL CONTRIBUTIONS</b>	
FDEP capital grant	224,856
State legislative appropriation	64,425
Total capital contributions	<u>289,281</u>
Increase in net assets	127,561
Net assets at beginning of year	<u>4,418,434</u>
Net assets at end of year	<u>\$ 4,545,995</u>

See notes to financial statements.

**BIG BEND WATER AUTHORITY  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended September 30, 2008**

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 764,221
Cash payments to employees	(224,118)
Cash payments for employee benefits	(65,145)
Cash paid to vendors	(804,576)
Cash received from other sources	6,338
<b>Net cash used for operating activities</b>	<u><u>(323,280)</u></u>
<b>Cash flows from capital and related financing activities</b>	
Loan proceeds	1,940,924
Capital contributions received	289,281
Interest paid on loans payable	(171,806)
Principal paid on loans payable	(515,857)
<b>Net cash provided by financing activities</b>	<u><u>1,542,542</u></u>
<b>Cash flows from investing activities:</b>	
Interest received	7,601
Insurance proceeds	44,146
Acquisition of property, plant, and equipment	(789,335)
<b>Net cash used for investing activities</b>	<u><u>(737,588)</u></u>
<b>Net increase in cash</b>	481,674
<b>Cash and cash equivalents, beginning of year</b>	<u>279,723</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 761,397</u></u>
 <b>Reconciliation of operating loss to net cash used by operating activities</b>	
<b>Operating loss</b>	<b>\$ (22,235)</b>
<b>Adjustments to reconcile increase in net assets to cash used for operating activities:</b>	
Depreciation	126,487
Gain on disposal of assets	(2,500)
(Increase) decrease in current assets:	
Accounts receivables, net of allowance for doubtful accounts	(28,763)
Prepaid expenses	4,795
(Decrease) increase in current liabilities:	
Accounts payable and accrued liabilities	(403,997)
Customer deposits	2,933
<b>Total adjustments</b>	<u><u>(301,045)</u></u>
<b>Net cash used for operating activities</b>	<u><u>\$ (323,280)</u></u>
<b>Supplemental disclosures of cash flow information</b>	
Cash paid during the year for interest	<u><u>\$ 171,806</u></u>

See notes to financial statements.

**BIG BEND WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

September 30, 2008

**NOTE 1. DESCRIPTION OF ENTITY**

On October 1, 2007, the Steinhatchee Water Authority entered into an agreement to transfer all of its assets and liabilities to the Big Bend Water Authority (the Authority). The Authority is a multi-county special Authority unit of government created through an interlocal agreement between the Boards of County Commissioners of Dixie and Taylor Counties, dated September 6, 2007.

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

**a. Basis of Presentation and Accounting**

The Authority's basic financial statements are presented on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Authority has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components.

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

**b. Cash Equivalents and Investments**

The Authority considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. This includes bank certificates of deposit.

**c. Capital Assets**

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The Authority defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. As applicable in a fiscal year, the cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to the construction of a sewer and water system.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Structures, pumps and other improvements	20 – 60 years
Office furniture, fixtures and equipment	5 years

**d. Long-Term Debt and Issuance Costs**

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refundings of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

**e. Operating Revenues and Expenses**

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

**f. Net Assets**

Net assets comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net assets are classified in the following four components:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other liabilities that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

Designated net assets - Board designated net assets consist of the following:

Reserve for meter reading system	\$ 85,550
FDEP loan repayment reserve	12,442
FDEP Loan debt service account	11,463
	<u>\$ 109,455</u>

g. Inventories

It has consistently been the policy of the Authority to record acquisition of goods and supplies as expenditures at the time of purchase. The amount of such inventory on hand at any one time would be a nominal amount and considered to be immaterial.

NOTE 3. CASH AND INVESTMENTS

Cash and Investments

Cash and investments are presented on the accompanying statements of net assets as of September 30, 2008, as follows:

Cash and cash equivalents	<u>\$ 761,397</u>
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NOTE 4. CUSTOMER AND OTHER ACCOUNTS RECEIVABLE

Customer and other accounts receivables were as follows:

Installations receivable	\$ 21,261
Utility services accounts	50,066
Allowance for doubtful accounts	(725)
	<u>\$ 70,602</u>

The Authority uses the reserve method for recording bad debts. Under this method, an estimate of uncollectible accounts is determined at year end and an adjustment is made accordingly. The allowance for doubtful accounts was \$725, at year end.

Long-term Receivable

During the year, an individual contracted with the Authority for a sewer installation in the amount of \$6,500. This receivable is not classified as a current receivable due to the uncertainty of time of payment.

**NOTE 5. CAPITAL ASSETS**

Depreciation of capital assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Property and equipment are carried as cost, or if donated, at the approximate fair value on the date of donation. A summary of the Authority's fixed assets at September 30, 2008, follows:

		<u>Life in Years</u>
Land	\$ 264,500	-
Pipeline	1,599,045	25
Water plant and structures	328,287	20 - 60
Waste water plant and structures	143,831	20 - 60
Machinery and equipment	75,478	10
Office equipment	13,158	5 - 20
Vehicles	95,691	5
Software	6,691	5
Construction in progress	<u>6,536,855</u>	-
	9,063,536	
Accumulated depreciation	<u>(669,856)</u>	
	<u>\$ 8,393,680</u>	

**NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses were as follows:

Contractors and vendors	\$ 137,803
Accrued payroll liabilities	<u>10,705</u>
	<u>\$ 148,508</u>

**NOTE 7. CONTINGENCIES**

There is a contingent liability due to the fact that all possible applicable regulatory audits have not been completed for the fiscal year ended September 30, 2008. Under provisions of the funding agreements, any eventual expenditures determined to be not in compliance with grant regulations would be subject to repayment by the Authority. The Authority's management believes that all grant expenditures were significantly in compliance with appropriate grant regulations.

**NOTE 8. EMPLOYEE RETIREMENT PLANS**

**Simplified Employee Pension Plan**

The Authority has a Salary Reduction Simplified Employee Pension Plan (SARSEP) with Prudential Securities that covers all full time employees. The maximum that may be contributed by the Authority and the employee is 15 percent of the employee's salary. The Plan was granted tax-exempt status by the Internal Revenue Service under Section 408 of the Internal Revenue Code. The Authority's contributions to the plan for the year ended September 30, 2008, totaled \$6,958, which represented 6 percent of eligible employee salaries. These amounts were supplemented by employee contributions. One employee participated in this plan at year end.

## Florida Retirement System

As of August 1, 2008, most employees working in regularly established positions of the Authority are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer agency and provides a defined benefit and defined contribution plan for members. The Authority employees participate in the defined contribution retirement plan (Investment Plan). FRS provisions are established by Chapter 121 Parts I, II, and III, Florida Statutes, and Rule Title 19, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. The Investment Plan is qualified under Section 401(a) of the Internal Revenue Code.

Benefits in the Investment Plan vest at one year of service. The Investment Plan provides retirement, disability, and death benefits. The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2007-08 fiscal year were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary (A)</u>
Florida Retirement System Investment Plan, Regular	9.00%

The Authority's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the Authority. The Authority's contributions for the fiscal year ended September 30, 2008 totaled \$1,370 for four employees, which was equal to the required contribution for the fiscal year.

Financial statements and other supplementary information of the FRS are included in the State of Florida Comprehensive Annual Financial Report, which is available from the Florida Department of Management Services. An annual report on the FRS, which includes its financial statements, required supplementary information and other relevant information, is available from the Florida Department of Management Services, Division of Retirement, 2639 Monroe Street, Building C, Tallahassee, Florida 32399-1560.

### NOTE 9. CONCENTRATION OF CREDIT RISK

At September 30, 2008, the bank balance was \$737,492 and certificates of deposit totaled \$23,905. Of this total all was covered by federal depository insurance or pledged collateral under State law.

The Authority grants credit in the form of water charges to its users on a monthly basis. Collection of these accounts receivable are enforced through advance deposits and disconnection of water service, if required.

### NOTE 10. CONSTRUCTION PROJECTS

#### A. Water Plant Improvements

In 1999, the Authority, then the Steinhatchee Water Association, was awarded a State Drinking Water Revolving Fund grant in the total amount including subsequent amendments of \$3,165,261, and a \$558,576 long-term loan. These funds totaling \$3,723,837 were utilized for the construction of a new water supply system for the Authority. The loan is being repaid in sixty semiannual payments in the

tentative amount of \$14,788, including interest at 3.12% for \$334,447 of the loan, 3.52% for \$16,815, 2.81% for \$93,955, and 2.65% for the remaining balance; beginning on October 15, 2005.

#### B. Water Distribution System Upgrade

This project was financed by a loan from the Florida Department of Environmental Protection under its Drinking Water State Revolving Fund assistance program. The loan of \$1,178,256 will be repaid in 60 semi-annual installments of \$28,281, including interest at 2.67% for the 30 year period. The first payment was made on May 15, 2005.

#### C. Water Distribution Upgrade

This project is also financed by a loan from the Florida Department of Environmental Protection under its Clean Water State Revolving Fund assistance program. The loan of \$240,000 will be repaid in 20 semi-annual payments, including an interest rate of 2.64%. At the year end, a total of \$46,162 had been distributed.

#### D. Collection and Treatment Facilities

This project was financed by a loan from the Florida Department of Environmental Protection under its Clean Water State Revolving Fund assistance program. These funds are being utilized for the planning of wastewater facilities. The loan of \$584,494 will be repaid in 40 semi-annual payments, including an interest rate of 0.85%. At the year end, a total of \$117,934 had been distributed.

### NOTE 11. LONG-TERM DEBT

#### 1. Florida Department of Environmental Protection (FDEP) - The Authority has the following long-term debt with FDEP:

- A. Water Plant Improvements - As described in Note 10(A) above, the Authority has borrowed up to \$558,576 from FDEP for construction of a new water supply system. The loan will be repaid in sixty semi-annual installments of approximately \$14,620 if fully drawn, including interest at an estimated average rate of 3.02 percent. Payments are made on April 15 and October 15 of each year, beginning October 15, 2005. The loan is secured by and payable from the net water service revenues of the Authority.

As of September 30, 2008, \$553,239 had been drawn under this loan, and the balance owed at September 30, 2008 was \$526,703. Although the loan had not been finalized as of September 30, 2008, the following is an approximation of payment requirements if no further loan funds are drawn, including interest of \$262,777:

Fiscal Year Ending August 31	Amount
2009	29,240
2010	29,240
2011	29,240
2012	29,240
2013	29,240
2014-2018	146,200
2019-2023	146,200
2024-2028	146,200
2029-2033	146,200
2034-2035	58,480
	<u>\$ 789,480</u>

The current portion of this loan was \$12,548 at September 30, 2008.

- B. **Water Distribution System Improvements** - As described in Note 10(B) above, the Authority has borrowed \$1,178,256 from FDEP for improvements to its water distribution system. This loan is being repaid in 60 semi-annual installments of \$29,281, including interest at 2.67 percent. Payments are due on November 15 and May 15 of each year, and began on May 15, 2005. The loan is co-secured and payable from the net water services revenues of the Authority.

Scheduled maturity of the loan is as follows:

Fiscal Year Ending August 31	Principal	Interest	Total
2009	\$ 29,191	\$ 29,371	\$ 58,562
2010	29,976	28,586	58,562
2011	30,781	27,781	58,562
2012	31,609	26,953	58,562
2013	32,458	26,104	58,562
2014-2018	175,857	116,951	292,808
2019-2023	200,795	92,013	292,808
2024-2028	229,271	63,537	292,808
2029-2033	261,784	31,024	292,808
2034-2035	85,548	2,295	87,843
	<u>\$ 1,107,270</u>	<u>\$ 444,615</u>	<u>\$ 1,551,885</u>

**NOTE 12. LOAN PAYABLE - BRANCH BANK AND TRUST COMPANY**

On April 16, 2008, the Authority entered into a loan agreement with Branch Bank and Trust Company for \$1,725,000 for the purpose of completing sewer lines. The loan requires six quarterly interest payments, with interest rate of 2.70%, and full principal due on April 11, 2011. This loan is secured by pledged revenues. This loan is a bridge loan which is subject to advances approved by Florida Department of Environmental Protection. As of September 30, 2008, the outstanding amount of the loan was \$1,725,000.

NOTE 13. CHANGES IN LONG-TERM DEBT

A schedule of changes in long-term debt follows:

	Balance October 1, 2007	Increases	Decreases	Balance September 30, 2008	Due Within One Year
FDEP #DW6200010	\$ 489,663	\$ 51,828	\$ (14,788)	\$ 526,703	\$ 12,548
FDEP #DW6200020	1,135,697	-	(28,427)	1,107,270	29,191
FDEP #DW6200030	-	46,162	-	46,162	-
FDEP #WW409010	-	117,934	-	117,934	-
BB & T Loan	-	1,725,000	-	1,725,000	-
Citizens State Bank Loan	472,641	-	(472,641)	-	-
	<u>\$ 2,098,001</u>	<u>\$ 1,940,924</u>	<u>\$ (515,856)</u>	<u>\$ 3,523,069</u>	<u>\$ 41,739</u>

NOTE 14. 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; and natural disasters for which the District carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Accidental Death and Dismemberment

NOTE 15. DEFERRED REVENUES

Deferred revenues reported in the financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. These deferred revenues represent the following prepaid water and sewer installations in the amount of \$938,650 as of September 30, 2008.

The Estuary	\$ 68,250
Woods Gulf Breeze	676,000
Steinhatchee Shores	67,900
Peninsular	12,900
Riverwalk	48,600
The Villages	65,000
	<u>\$ 938,650</u>

## COMPLIANCE SECTION

**BIG BEND WATER AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
For Fiscal Year Ended September 30, 2008

<u>Program Titles &amp; Grant Numbers</u>	<u>CFDA/ CFSA</u>	<u>Award/ Contract Amount</u>	<u>Revenue/ Loan Proceeds Recognized in Prior Years</u>	<u>Revenue/ Loan Proceeds Drawn</u>	<u>Program Expenditures</u>	<u>Ending Balances September 30, 2008</u>
<u>Non-Major Programs</u>						
<u>Federal Awards</u>						
United States Environmental Protection Agency - Passed Through Florida Department of Environmental Protection Capitalization Grants for State Revolving Fund:						
Drinking Water # DW6200010 Grant	66.468	\$ 3,165,261	\$ 2,940,405	\$ 224,856	\$ 224,856	\$ -
Loan # DW6200030 Loan	66.486	558,576 240,000	501,411 -	51,828 45,000	51,828 45,000	- -
Waste Water # WW409010 Loan	66.458	584,494	-	116,899	116,899	-
<b>Total federal awards</b>		<u>4,548,331</u>	<u>3,441,816</u>	<u>438,583</u>	<u>438,583</u>	<u>-</u>
<u>State Financial Assistance</u>						
General Appropriations Act # LP6865	37.039	400,000	-	64,425	64,425	-
<b>Total state financial assistance</b>		<u>400,000</u>	<u>-</u>	<u>64,425</u>	<u>64,425</u>	<u>-</u>
<b>Total</b>		<u>\$ 4,948,331</u>	<u>\$ 3,441,816</u>	<u>\$ 503,008</u>	<u>\$ 503,008</u>	<u>\$ -</u>

## BIG BEND WATER AUTHORITY

### Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended September 30, 2008

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying policies and presentation of the Single Audit Report of Big Bend Water Authority have been designated to conform to generally accepted accounting principles as applicable to voluntary health and welfare agencies, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget Circular A-133.

##### A. Reporting Entity

The reporting entity consists of Big Bend Water Authority. The Organization includes a Schedule of Expenditures of Federal Awards and State Financial Assistance in the Single Audit and Compliance Section.

##### B. Basis of Accounting

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the accrual basis, revenues are recognized when they become earned. Expenses generally are recorded when a liability is incurred.

REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Big Bend Water Authority  
Steinhatchee, Florida

We have audited the basic financial statements of the Big Bend Water Authority, as of and for the year ended September 30, 2008, and have issued our report thereon dated February 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

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. We consider the following deficiency to be a significant deficiency in internal control:

#### Financial Statement Preparation

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists when the Authority does not have the expertise necessary to prevent, detect, and correct misstatements. A control deficiency exists in instances where the Authority is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

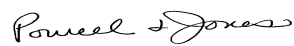
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the Big Bend Water Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

However, we noted certain matters that we reported to management of the Big Bend Water Authority in a separate letter dated February 19, 2009 on pages 27 - 28.

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



POWELL & JONES  
February 19, 2009

MANAGEMENT LETTER REQUIRED BY  
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Board of Directors  
Big Bend Water Authority  
Steinhatchee, Florida

We have audited the basic financial statements of Big Bend Water Authority (Authority) as of and for the year ended September 30, 2008, and have issued our report thereon dated February 19, 2009.

We have issued our 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 dated February 19, 2009. Disclosures in that report, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. 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 the following be addressed in this letter:

**PRIOR YEAR FINDINGS (PREDECESSOR ENTITY)**

Paid Invoices - From our test of selected disbursements in the prior year of the Steinhatchee Water Association, the predecessor entity, and current year, we found several instances where paid invoices or other equivalent supporting documentation could not be located for audit purposes. We again recommend that all invoices should be retained in Authority records to fully document disbursements made.

Also, during the current and prior years we found that several invoices were paid after the dates due.

**CURRENT YEAR FINDINGS**

Check Signatures - From our test of disbursements, we found two instances where checks that required two authorized signatures had only one.

**FINANCIAL COMPLIANCE MATTERS**

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the accompanying financial statements of the Authority, for the fiscal year ended September 30, 2008.

Investment of Public Funds - The Authority complied with Section 218.415, Florida Statutes, regarding the investment of public funds during the fiscal year ended September 30, 2008.

Financial Emergency Status - The Authority had an unreserved negative retained earnings of (\$394,106) at September 30, 2008. There were no legally available resources to cover this deficit balance. This circumstance caused us to believe that the Authority had met one of the conditions described in Section 218.503(1)(e), Florida Statutes, that might result in a financial emergency. However, the Authority was in compliance with all of the other conditions described in 218.503 Florida Statutes. This condition is the result of the deteriorating financial condition described below.

Financial Condition Assessment - As required by the Rules of the Auditor General (Sections 10.554(7)(c) and 10.556(7)), we applied financial condition assessment procedures. We have assessed that the Authority is experiencing a deteriorating financial condition. 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 they provided.

Deteriorating Financial Conditions - From our audit procedures, we found the following conditions comprise "deteriorating financial conditions" as defined by Section 218.503, Florida Statutes:

The Authority showed a loss before grant contributions of (\$161,720). This shows that the Authority did not generate sufficient operating revenues to fully fund its operations. Continuation of this condition into the future could undermine the financial condition of the Authority.

To correct these deteriorating financial conditions we recommend that the Authority implement strict measures during the current year and next budget cycle to assure that revenues are sufficient to fund expenditures and replenish needed fiscal reserves. Finances should then be closely monitored during the current and subsequent years to ensure that these objectives are met.

Failure to correct these conditions could cause the Authority in the future to continue to meet a statutory condition that could result in a financial emergency.

Our audit did not disclose any further items that would be required to be reported under the Rules of the Auditor General, Chapter 10.554(1)(f).

#### CONCLUSION

We very much enjoyed the challenge and experiences with our audit of the Authority. We appreciate the helpful assistance of Authority staff in completing our audit and also the generally high quality of the Authority's financial records and internal controls.



POWELL & JONES  
Certified Public Accountants  
February 19, 2009