

**BEACH MOSQUITO CONTROL DISTRICT**

**BAY COUNTY, FLORIDA**

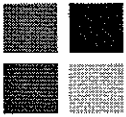
**FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2010**

**BEACH MOSQUITO CONTROL DISTRICT**  
**BAY COUNTY, FLORIDA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**

**CONTENTS**

	PAGE
Independent auditor's report	1
Management's discussion and analysis	3
Basic financial statements --	
Statement of net assets and governmental funds balance sheet with summarized financial information as of September 30, 2009	7
Statement of activities and governmental fund revenues, expenditures and changes in fund balances with summarized financial information for the year ended September 30, 2009	8
Statement of revenues and expenditures budget and actual -- all governmental fund types	9
Notes to financial statements	10
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	22
Independent auditor's management letter for the Auditor General of the State of Florida	25
Statement of explanation pursuant to Rule 10.558(1)	28



## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Beach Mosquito Control District  
Bay County, Florida

We have audited the accompanying basic financial statements of Beach Mosquito Control District, Bay County, Florida, as of and for the year ended September 30, 2010, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year comparative information has been derived from the District's 2009 financial statements and, in our report dated September 7, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities.

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*, and any amendments thereto, 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Beach Mosquito Control District as of September 30, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund and the Special Revenue Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2011, on our consideration of Beach Mosquito Control District'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 audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Tipton, Mark, Hamer & Chastain*

Panama City, Florida  
September 12, 2011



## BEACH MOSQUITO CONTROL DISTRICT

1016 Cox Grade Road  
Panama City Beach, Fl. 32407  
Phone (850) 233-5030  
Fax (850) 233-5033  
[www.pcbeachmosquito.org](http://www.pcbeachmosquito.org)

Board of Commissioners  
Larry J. Couch  
Tom D. Easter  
Dr. John P. Smith

Director James F. Clauson  
E-mail: [jamesclauson@comcast.net](mailto:jamesclauson@comcast.net)

### BEACH MOSQUITO CONTROL DISTRICT Management's Discussion and Analysis For the year ended September 30, 2010

This discussion and analysis of the Beach Mosquito Control District's (BMCD) financial performance provides an overview of the BMCD's financial activities for the fiscal year ended September 30, 2010.

Please read it in conjunction with BMCD's financial statements, which follow this section.

The following are financial highlights for 2009/2010 fiscal year:

The BMCD had total expenses for the fiscal year of \$1,476,612 compared to revenues of \$1,296,150.

Comparing current year (2009/2010) revenues with prior year (2008/2009), an overall decrease of more than 14% occurred. The actual decrease was \$218,696. However, there was a 3.4% decrease in expenditures that amounted to \$51,509.

#### Overview of the Basic Financial Statements

The first financial statement is the Statement of Net Assets and Governmental Funds Balance Sheet. This statement includes all of the BMCD's assets and liabilities using Governmental Accounting Standards (GAS). Total Net Assets – the difference between assets and liabilities – can be used to measure the BMCD's financial position.

The second financial statement is the Statement of Activities and Government Fund Revenues, Expenditures and Changes in Fund Balances. The statement shows the increase or decrease in net assets during the fiscal year. Over time, the increase or decrease in net assets is useful to indicate whether the BMCD's financial health is improving or deteriorating.

*Serving the Panama City Beaches Area*  
[www.pcbeachmosquito.org](http://www.pcbeachmosquito.org)

**BEACH MOSQUITO CONTROL DISTRICT**  
**Management's Discussion and Analysis**  
**Page 2**

The third financial statement is the Budgetary Comparison Schedule – General Fund. This statement reports cash receipts and cash payments and indicates the variance between the actual cash receipts and cash payments and the budgeted amounts.

The fourth financial statement is the Budgetary Comparison Schedule – Special Revenue Fund. This statement reports cash receipts and cash payments and indicates the variance between the actual cash receipts and cash payments and the budgeted amounts.

**Condensed Financial Information**

The following presents condensed data about net assets and changes in net assets:

	<u>2010</u>
<b>Assets:</b>	
Cash	\$ 468,844
Accounts Receivable	2,258
Taxes Receivable	238
Inventory	206,917
Prepaid expenditures	28,176
Capital assets – net	<u>551,201</u>
<b>Total Assets</b>	<u><b>\$1,257,634</b></u>
<b>Liabilities:</b>	
Accounts payable	\$ 22,630
Accrued vacation and comp. time	<u>60,009</u>
<b>Total Liabilities</b>	<u><b>82,639</b></u>
<b>Net Assets:</b>	
Invested in capital assets	551,201
Unrestricted	<u>623,794</u>
<b>Total Net Assets</b>	<u><b>\$1,174,995</b></u>
<b>Revenues:</b>	
Ad valorem taxes	\$1,240,659
Intergovernmental	18,913
Interest	8,401
Miscellaneous revenue	<u>28,177</u>
<b>Total Revenues, Net</b>	1,296,150
<b>Operating Expenses</b>	<u>1,476,612</u>
<b>Change in Net Assets</b>	(180,462)
<b>Beginning Net Assets</b>	1,266,149
<b>Increase (Decrease) in reserve for inventory</b>	<u>89,308</u>
<b>Ending Net Assets</b>	<u><b>\$1,174,995</b></u>

**BEACH MOSQUITO CONTROL DISTRICT**  
**Management's Discussion and Analysis**  
**Page 3**

The District's budget is made up of two (2) funding sources, the Local Fund and the State Fund. The Local Fund is generated through the assessment of a millage upon the taxpayers within our district, and carryover from the previous fiscal year, while the State Fund is determined by the Florida Department of Agriculture and Consumer Services.

The total revenue of both funds for the 2009/2010 fiscal year was \$1,296,150 (\$1,276,935 from Local Funds and \$19,215 from State Funds). Our expenditures for the fiscal year were \$1,476,612.

Capital outlay for equipment in fiscal year 2009/2010 included the addition of a helicopter trailer, 2010 Ford F150 pickup truck, Yamaha generator, and 4 Mapvision Systems. There was also a building addition of a pole barn.

The general fund is affected each year by carryover funds that are not precisely known when our budget is approved by our Board of Commissioners and the Florida Department of Agriculture and Consumer Services (FDACS). When the exact amount is known, at the conclusion of our fiscal year, a budget amendment is usually required to reflect the actual amount of our budget.

**Overall Financial Position and Results of Operations**

District net assets decreased by \$91,154 from the previous operating period. Cash decreased by \$188,884, inventory increased by \$89,308 and prepaid expenditures increased by \$20,198. Total revenue, which include taxes, interest and miscellaneous income were less than expenditures for the year by \$180,462.

**Capital Assets and Long-Term Debt Activity**

Capital Assets: Most of the District's significant Capital Assets were purchased in 1987 when the District moved to its current location on Cox Grade Road. The facilities are in need of some modernization and upgrades, which the District expects to undertake within the next several years. Current cash reserves are not adequate to fund these activities.

Long-Term Debt Activity: The District does not currently have any Long-Term Debt and does not anticipate any need for Long-Term Debt in the foreseeable future.

**BEACH MOSQUITO CONTROL DISTRICT**  
**Management's Discussion and Analysis**  
**Page 4**

**Economic Factors**

Bay County Florida has experienced a decrease in property values over the past few years, which has had an impact on the District's tax base. Over the years past, the Board of Commissioners has held several discussions about the expansion of the District's facilities. The financial impact or benefit of such expansion has not yet been fully explored and no decisions have been made at this time.

We are currently unaware of any situations that could adversely affect the District's financial position or results of operations in the near future.

**Request for Information**

The financial report is designed to provide citizens, creditors and other interested parties with a general overview of the District's finances. If you have questions about this report or need any additional information, contact Mr. James Clauson, Executive Director, Beach Mosquito Control District, 1016 Cox Grade Road, Panama City Beach, FL 32407, or call (850) 233-5030. We would also encourage you to visit our website at [www.pcbeachmosquito.org](http://www.pcbeachmosquito.org).

**BEACH MOSQUITO CONTROL DISTRICT  
STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION  
AS OF SEPTEMBER 30, 2009**

<b>ASSETS</b>	General Fund	Special Revenue Fund	Total	Adjustments	September 30 2010 Statement of Net Assets	September 30 2009 Financial Information
Cash	\$ 429,234	\$ 39,729	\$ 468,963	\$	\$ 468,963	\$ 657,728
Accounts receivable (all considered collectible)	2,258		2,258		2,258	2,258
Interest receivable	119		119		119	1,239
Internal receivables	94,716		94,716	(94,716)		
Inventory	206,917		206,917		206,917	117,609
Prepaid expenditures	28,176		28,176		28,176	7,978
Capital assets, net of accumulated depreciation				551,201	551,201	602,346
<b>Total Assets</b>	<b>\$ 761,420</b>	<b>\$ 39,729</b>	<b>\$ 801,149</b>	<b>\$ 456,485</b>	<b>\$ 1,257,634</b>	<b>\$ 1,389,158</b>
 <b>LIABILITIES, FUND BALANCES AND NET ASSETS</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 22,630	\$	\$ 22,630	\$	\$ 22,630	\$ 40,512
Internal payables		94,716	94,716	(94,716)		
Accrued vacation				38,635	38,635	54,970
Accrued compensatory time-off				21,374	21,374	27,527
Total liabilities	22,630	94,716	117,346	(34,707)	82,639	123,009
 <b>Fund Balances (Deficit):</b>						
Reserved for inventory	206,917		206,917	(206,917)		
Unreserved and undesignated	531,873	(54,987)	476,886	(476,886)		
Total fund balances	738,790	(54,987)	683,803	(683,803)		
<b>Total Liabilities and Fund Balance:</b>	<b>\$ 761,420</b>	<b>\$ 39,729</b>	<b>\$ 801,149</b>			
 <b>Net Assets:</b>						
Invested in capital assets				551,201	551,201	602,346
Unrestricted				623,794	623,794	663,803
<b>Total Net Assets</b>				<b>\$ 1,174,995</b>	<b>\$ 1,174,995</b>	<b>\$ 1,266,149</b>

See the accompanying notes.

**BEACH MOSQUITO CONTROL DISTRICT  
STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2010  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	General Fund	Special Revenue Fund	Total	Adjustments	September 30 2010 Statement of Activities	September 30 2009 Financial Information
<b>Expenditures:</b>						
Current operating -						
Personal services	\$ 609,789	\$	\$ 609,789	\$ (22,488)	\$ 587,301	\$ 570,208
Personal services benefits	352,867		352,867		352,867	347,980
Operating expenses	92,488	19,923	112,411		112,411	114,806
Travel and per diem	20,457		20,457		20,457	12,810
Communication services	8,276		8,276		8,276	9,183
Freight and postage	1,227		1,227		1,227	1,345
Utility services	12,576		12,576		12,576	13,369
Rentals and leases	3,608		3,608		3,608	4,272
Insurance	86,671		86,671		86,671	89,143
Repair and maintenance services	34,480		34,480		34,480	30,356
Printing and binding	2,191		2,191		2,191	1,395
Promotional activities	1,833		1,833		1,833	5,814
Other current charges and obligations	1,213		1,213		1,213	2,459
Supplies and materials	28,393		28,393		28,393	19,891
Books, publications, subscriptions, and memberships	7,832		7,832		7,832	7,342
Gasoline, oil, and lubricants	17,488		17,488		17,488	18,424
Chemicals, solvents, additives	115,129	-	115,129		115,129	192,896
Capital outlay	31,514		31,514	(31,514)		
Depreciation				79,552	79,552	86,428
Disposition of capital assets				3,107	3,107	0
Total expenditures	<u>1,428,032</u>	<u>19,923</u>	<u>1,447,955</u>	<u>28,657</u>	<u>1,476,612</u>	<u>1,528,121</u>
<b>Revenues:</b>						
Ad valorem taxes	1,240,659		1,240,659		1,240,659	1,433,539
Intergovernmental		18,913	18,913		18,913	18,512
Spraying services - other governments	22,346		22,346		22,346	45,867
Interest	8,099	302	8,401		8,401	16,928
Miscellaneous	5,831		5,831		5,831	0
Total revenues	<u>1,276,935</u>	<u>19,215</u>	<u>1,296,150</u>	<u>0</u>	<u>1,296,150</u>	<u>1,514,846</u>
Excess (Deficiency) of revenues over expenditures	(151,097)	(708)	(151,805)	151,805		
Change in net assets				(180,462)	(180,462)	(13,275)
<b>Fund balance/net assets (deficit):</b>						
Beginning of the year	800,579	(54,279)	746,300	519,849	1,266,149	1,313,122
Increase (Decrease) in reserve for inventory	89,308		89,308		89,308	(33,698)
End of the year	<u>\$ 738,790</u>	<u>\$ (54,987)</u>	<u>\$ 683,803</u>	<u>\$ 491,192</u>	<u>\$ 1,174,995</u>	<u>\$ 1,266,149</u>

See the accompanying notes.

**BEACH MOSQUITO CONTROL DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED SEPTEMBER 30, 2010**

**GENERAL FUND**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,263,386	\$ 1,263,386	\$ 1,240,659	\$ (22,727)
Intergovernmental				
Spraying services - other governments			22,346	22,346
Interest		14,000	8,099	(5,901)
Miscellaneous		8,000	5,831	(2,169)
Total revenues	<u>1,263,386</u>	<u>1,285,386</u>	<u>1,276,935</u>	<u>(8,451)</u>
<b>Expenditures:</b>				
Physical environmental services -				
Personal services	641,508	641,508	609,789	31,719
Personal services benefits	369,785	369,785	352,867	16,918
Operating expenses	98,000	115,200	92,488	22,712
Travel and per diem	24,015	24,015	20,457	3,558
Communication services	9,480	9,480	8,276	1,204
Freight services	1,100	1,100	1,227	(127)
Utility services	10,020	13,220	12,576	644
Rentals and leases	2,500	4,000	3,608	392
Insurance	83,800	86,500	86,671	(171)
Repair and maintenance services	40,200	50,500	34,480	16,020
Printing and binding	1,500	1,500	2,191	(691)
Promotional activities	2,000	2,000	1,833	167
Other current charges and obligations	1,775	1,775	1,213	562
Supplies and materials	11,500	28,500	28,393	107
Publications, subscriptions, and memberships	6,608	6,608	7,832	(1,224)
Gasoline, oil, and lubricants	25,027	25,027	17,488	7,539
Chemicals, solvents, additives	188,902	188,902	115,129	73,773
Capital outlay		63,608	31,514	32,094
Contingency	50,000	28,900		28,900
Total expenditures	<u>1,567,720</u>	<u>1,662,128</u>	<u>1,428,032</u>	<u>234,096</u>
Excess (Deficiency) of revenues over expenses	<u>\$ (304,334)</u>	<u>\$ (376,742)</u>	<u>\$ (151,097)</u>	<u>\$ 225,645</u>

**SPECIAL REVENUE FUND**

Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 18,284	\$ 18,284	\$ 18,913	\$ 629
	500	302	(198)
<u>18,284</u>	<u>18,784</u>	<u>19,215</u>	<u>431</u>

19,923

20,000	20,000		
34,004	34,004		34,004
	5,216		5,216
<u>54,004</u>	<u>59,220</u>	<u>19,923</u>	<u>39,297</u>
<u>\$ (35,720)</u>	<u>\$ (40,436)</u>	<u>\$ (708)</u>	<u>\$ 39,728</u>

See the accompanying notes.

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting Entity:*

Beach Mosquito Control District is an independent special district operating under the provisions of Chapter 388, Florida Statutes, and regulations of the Florida Department of Agriculture and Consumer Services. The District is a political subdivision of the State of Florida and was legally created by the Laws of Florida, Chapter 388, on October 14, 1952. The District engages in arthropod control in Bay County, Florida.

This report includes financial statements of the funds required to account for those financial activities which are related to the District and are controlled by or dependent upon the District's legislative body, the Board of Commissioners. Control or dependence upon the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, or the District's obligation to fund any deficits that may occur.

Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards was reviewed to determine whether any additional local governmental entities (component units) should be included in the District's combined financial statements. The following criteria are considered in determining whether any component units should be included in the District's combined financial statements:

- 1) Financial accountability
- 2) Appointment of a voting majority
- 3) Imposition of will
- 4) Financial benefit to or burden on the primary government
- 5) Financial accountability as a result of fiscal dependency

Based on the above criteria, no component units are included in the District's financial statements.

*Basis of Presentation:*

Beach Mosquito Control District maintains the following funds in the normal course of its operations:

General Fund – to account for all financial resources except those required to be accounted for in other funds. The principal source of revenue is property taxes. Primary expenditures are for arthropod control measures.

Special Revenue Fund - to account for revenue derived from specific sources that are legally restricted to expenditures for specified purposes.

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The financial statements include a Statement of Net Assets, Balance Sheet, Statement of Activities, and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Statement of Net Assets is presented in a net assets format (assets less liabilities equal net assets) and is shown with three components: amounts invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Statement of Activities reports functional categories of programs by the District and demonstrates how and to what degree those programs are supported by specific revenue. Certain financial information from the audit of the preceding fiscal year has been included on the Statement of Net Assets and the Statement of Activities to aid the financial statement users in comparing the changes from September 30, 2009 to September 30, 2010.

*Measurement Focus:*

General and Special Revenue funds are accounted for on a “spending” or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Accordingly, the reported undesignated fund balances (net current assets) are considered a measure of available, spendable or appropriable resources. Governmental Fund Type operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

*Basis of Accounting:*

Governmental fund revenues and expenditures are recognized on the modified accrual basis of accounting. Under this method, generally, revenues are recognized in the period in which they become available and measurable. Expenditures are recognized in the period in which the liability is incurred and becomes measurable, except for unmatured interest on general long-term debt, which is recognized when paid.

*Budgetary Basis:*

Formal budgetary integration is employed as a management control device during the year for the General Fund and the Special Revenue Fund. Budgets for the General Fund and the Special Revenue Fund are adopted at the beginning of each fiscal year by the Board of Commissioners.

Any amendment made to the budget must be approved by the Board of Commissioners. The Commissioners may amend the budget at any time during the year. Amounts shown in the financial statements represent the original budgeted amounts and all subsequent amendments. The budgets of the District are adopted on a basis consistent with generally accepted accounting principles.

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Assets:*

Property and equipment having a useful life greater than one year with an initial cost of \$500 or more are recorded as expenditures at the time of purchase in the General and Special Revenue Funds and are capitalized at cost. Gifts or contributions are recorded at fair market value when received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

*Inventory:*

The District accounts for its inventory of chemicals by the purchase method whereby purchases are recorded as expenditures when incurred. The inventory is valued at cost, with cost determined principally by the first in - first out method. Reported inventory is equally offset by a fund balance reserve which indicates that it does not constitute "available spendable resources" even though it is a component of net assets.

*Use of Estimates:*

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

*Property Taxes:*

The property tax calendar is as follows:

Lien date	January 1, 2009
Levy date	October 1, 2009
Tax bills mailing deadline	November 30, 2009
Delinquent date	April 1, 2010
Tax sale – 2009 delinquent property taxes	June 1, 2010

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Source of Accounting Principles Applied:*

The Beach Mosquito Control District complies with Generally Accepted Accounting Principles (GAAP). The District's reporting entity applied all relevant Governmental Accounting Standards Board (GASB) pronouncements.

*Vacation, Sick Leave and Compensatory Time-off Policies:*

Vacation

Employees with six months to five years of employment earn eight hours per month, employees with five years to ten years of employment earn ten hours per month, employees with more than ten years of employment earn 12 hours per month, employees with more than 15 years of employment earn 14 hours per month, employees with more than 20 years earn 16 hours per month, and employees with more than 25 years earn 18 hours per month. Employees with less than ten years of employment can accumulate up to 240 hours and employees with more than ten years of employment can accumulate up to 360 hours annual leave. All accumulated annual leave will be paid upon termination of employment. Accumulated vacation is accrued when earned.

Sick Leave

Employees earn eight hours per month after six months of employment. The accumulation of sick leave is unlimited. Unused days are forfeited upon termination, but are paid upon retirement up to a maximum of 480 hours. The total accumulation at September 30, 2010, was \$26,740. Sick leave is recorded in the period in which the liability becomes certain.

Compensatory Time-off

Beach Mosquito Control gives employees the option of receiving compensatory time-off instead of overtime pay for overtime hours worked. The time-off is given at the rate of one and one-half hours for each hour of overtime worked. Employees can accumulate up to a maximum of 160 hours. Accumulated compensatory time-off is accrued when earned.

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 2 – RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

Fund Balance	\$	683,803
Capital assets used in government activities are not financial resources and are therefore not reported on the balance sheet		551,201
Compensated absences not due and payable within the next fiscal year are not reported as a liability on the balance sheet		<u>(60,009)</u>
Net Assets	\$	<u>1,174,995</u>

**NOTE 3 – RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

Net change in fund balance	\$	(151,805)
Compensated absences are not included in personal services expense in the Statement of Revenues, Expenditures and Changes in Fund Balance. This amount is included on the Statement of Activities.		22,488
Capital outlay is included as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance, but is not included on the Statement of Activities.		31,514
Disposition of capital assets is included in the Statement of Activities, but is excluded on the Statement of Revenues, Expenditures and Changes in Fund Balance		(3,107)
Depreciation expense on capital assets included in the Statement of Activities is excluded on the Statement of Revenues, Expenditures and Changes in Fund Balance		<u>(79,552)</u>
Change in net assets	\$	<u>(180,462)</u>

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 4 – RETIREMENT PLAN**

Plan Description

Beach Mosquito Control District contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Florida Division of Retirement. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS was established in 1970 by chapter 121, Florida Statutes. Changes to the law can be made only by an act of the Florida Legislature. Rules governing the operations and administration of the system may be found in chapter 60S of the Florida Administrative Code. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-6570 or by calling (850) 414-6346.

Funding Policy

The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after a member has vested; however, there is a five-percent benefit reduction for each year remaining from a member's retirement date to his/her normal retirement age. Generally, membership is compulsory for all full-time and part-time employees. Certain members, including elected officials and local government senior managers, may elect not to participate in the system.

The FRS is noncontributory for members. The District is required to pay all contributions. The rates effective October 1, 2009 – June 30, 2010 were 9.85% of salary for regular participants and 10.91% of salary for DROP participants. The rates effective July 1, 2010– September 30, 2010 were 10.77% of salary for regular participants and 12.25% of salary for DROP participants.

The Deferred Retirement Option Program (DROP) is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to sixty months.

The contribution requirements of the plan are established and may be amended by the Florida Legislature. The District's contributions to the FRS were \$59,923, \$56,837 and \$53,878 for the years ending September 30, 2010, 2009 and 2008, respectively.

Three Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
9/30/2008	\$ 53,878	100 %	0
9/30/2009	56,837	100 %	0
9/30/2010	59,923	100 %	0

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5 – CAPITAL ASSETS**

Details of changes in capital assets for the year ended September 30, 2010, are as follows:

	Balance <u>10/01/09</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>09/30/10</u>
Land, not being depreciated	\$ 36,289	\$ _____	\$ _____	\$ 36,289
Buildings	231,754	9,750		241,504
Vehicles, furniture, and equipment	<u>1,110,241</u>	<u>22,864</u>	<u>44,880</u>	<u>1,088,225</u>
	1,341,995	32,614	44,880	1,329,729
Less accumulated depreciation	<u>(775,938)</u>	<u>(79,552)</u>	<u>(40,673)</u>	<u>(814,817)</u>
Net depreciable assets	<u>566,057</u>	<u>(46,938)</u>	<u>4,207</u>	<u>514,912</u>
Total	<u>\$ 602,346</u>	<u>\$ (46,938)</u>	<u>\$ 4,207</u>	<u>\$ 551,201</u>

**NOTE 6 - GENERAL LONG-TERM DEBT**

General long-term debt consists of accrued vacation and compensatory time-off only (all considered long-term).

Changes in general long-term debt were as follows:

Balance – October 1, 2009	\$ 82,497
Decrease	<u>(22,488)</u>
Balance – September 30, 2010	<u>\$ 60,009</u>

**NOTE 7 – DEPOSITS AND INVESTMENTS**

Deposits - All cash resources of the District are placed in banks that qualify as a public depository, as required by law (Florida Security for Public Deposits Act). The State Treasurer is required by this law to ensure that the District's funds are entirely collateralized throughout the fiscal year. Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 7 – DEPOSITS AND INVESTMENTS (Continued)**

At year-end, the carrying amount of the District's deposits, excluding certificates of deposit, were \$266,267 and the respective bank balances totaled \$265,239.

Investments – Florida Statutes, Section 218.415, authorizes the District to invest surplus funds in the following:

1. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Savings accounts in interest-bearing time deposits or qualified public depositories.
4. Direct obligations of the U.S. Treasury.

The District's investments at September 30, 2010 consist entirely of savings accounts and certificates of deposit. The carrying amount and fair value are the same.

Credit Risk – Credit Risk exists when there is a possibility the issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District's investing activities are managed by the Director and Board of Commissioners. Investing is performed in accordance with the investment policy set forth by the State of Florida Statutes.

Interest Rate Risk - Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The District's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk and therefore the District has not adopted an investment policy on that point.

Concentration of Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District's investments at September 30, 2010 consist entirely of savings accounts and certificates of deposit. The carrying amount and market value are the same.

**NOTE 8 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District is a member of the Governmental Risk Insurance Trust, a public entity risk pool, which provides the District's insurance including comprehensive, worker's compensation and automobile. The District pays the premium and is liable for the deductible on the comprehensive policy and the automobile policy. Any settlements have not exceeded insurance coverage for each of the past three years.

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB), during the fiscal year ended September 30, 2010, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively.

- A. Plan Description – The District has previously established and maintains an employee group health insurance plan (the Plan) that is made available to eligible retirees in accordance with the requirements of Florida State Statutes, Section 112.0801. Pursuant to this statute, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which the coverage is available for active employees. The Plan is a single employer plan that provides medical, dental, and vision benefits. The postemployment portion of the Plan refers to these related benefits applicable to current and future retirees and their eligible dependents. No stand alone report is issued for this plan.

The number of participants included at September 30, 2010 included:

Retirees and beneficiaries receiving benefits	2
Active plan members	<u>13</u>
Total	<u>15</u>

- B. Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. These contributions are neither mandated nor guaranteed. Eligible retirees pay the full cost of blended rate premiums associated with the healthcare plan elected; no direct District subsidy is currently applicable. To-date, the District has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs.

The State of Florida prohibits the District from separately rating retirees and active employees. The District therefore assigns eligible active employees and eligible retirees an equal, blended premium. The actual costs of providing benefits considering the retirees experience rating would be higher. Inversely, the actual costs of providing benefits considering the active employee's experience rating would be lower. This requirement creates an implicit rate subsidy. Although the retirees pay the full cost of their benefits, the District is in effect providing a benefit to the retiree with an implicit cost. With an implicit rate subsidy, the active employee premiums are subsidizing the retirees premiums, and that subsidization creates a liability that may need to be recognized. Although both groups are assigned the same blended rate premiums, governmental standards require the actuarial liability presented below to be calculated using age-adjusted premiums approximating claim costs for eligible retirees separate from active eligible members. The District contributed \$8,142 to the Plan for the year ended September 30, 2010.

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

Retired plan members and beneficiaries currently receiving benefits contribute monthly contributions as follows:

Medical Insurance	
Blue Cross - Plan 5462	
Retiree	\$ 790
Retiree + spouse	1,636
Retiree + children	1,486
Retiree + family	2,509
Blue Cross - Plan 5466	
Retiree	\$ 687
Retiree + spouse	1,423
Retiree + children	1,292
Retiree + family	2,183
Dental Insurance	
Retiree	\$ 25
Retiree + spouse	72
Retiree + children	72
Retiree + family	72
Vision Insurance	
Retiree	\$ 6
Retiree + spouse	14
Retiree + children	14
Retiree + family	14

- C. Annual OPEB cost and Net OPEB Obligation – The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The District’s Contribution equals the contribution made for OPEB in relation to the employer’s Annual Required Contribution (ARC), adjusted to include the effect of any implicit subsidy inherent in the retiree premiums. The cumulative difference between the Annual OPEB Cost for the year and the contributions for the year is called the Net OPEB Obligation or Asset. The Net OPEB Obligation or Asset, if necessary, is allocated among the related funds and recorded accordingly. The District is in the advantageous position of having a net OPEB Asset. Due to the insignificant amount of the Net OPEB Asset, the asset has not been recorded as of September 30, 2010.

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

The following table shows the components of the District’s annual OPEB cost for the year, the amount contributed to the plan, and the change in the District’s net OPEB obligation:

Annual required contribution	\$	8,080
Interest on net OPEB obligation		0
Adjustment to annual required contribution		<u>0</u>
Annual OPEB cost		8,080
Contributions made		<u>(8,142)</u>
Decrease in net OPEB obligation		(62)
Net OPEB obligation – beginning of year		<u>0</u>
Net OPEB obligation (asset) – end of year		<u>(62)</u>

The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB Asset as of September 30, 2010 are as follows:

Fiscal Year Ended	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
9/30/2010	\$8,080	100.8%	\$(62)

D. Funded Status and Funding Progress – The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits (only one year presented in this year of implementation). The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
10/1/2009	\$0	\$37,404	\$37,404	0%	\$512,106	7.3%

**BEACH MOSQUITO CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

- E. Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates about the future.

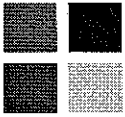
Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and Plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table summarizes the actuarial methods and assumptions as of the latest actuarial valuation date:

Valuation date	October 1, 2009
Applicable for Fiscal Year ending	September 30, 2010
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Amortization period	30 years
Payroll inflation rate	0.0%
Discount rate	4.5%
Healthcare cost trend rate:	Decreasing from 8.0% to 5.0% by 2012

**NOTE 10 – SUBSEQUENT EVENTS**

The District did not have any subsequent events requiring disclosure or recording in these financial statements through September 12, 2011, which is the date these financial statements were issued.



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

Board of Commissioners  
Beach Mosquito Control District  
Bay County, Florida

We have audited the accompanying financial statements of the governmental activities of the Beach Mosquito Control District as of and for the year ended September 30, 2010, and have issued our report thereon dated September 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, and any amendments thereto, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beach Mosquito Control District'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 Beach Mosquito Control District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Beach Mosquito Control District's 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 a certain deficiency 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 Beach Mosquito Control District'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 Beach Mosquito Control District's financial statements is more than inconsequential and will not be prevented or detected by the Beach Mosquito Control District's internal control. We consider the following deficiency described below to be a significant deficiency in internal control over financial reporting.

Significant Deficiency:

2010-1:

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Commissioners remain involved in the financial affairs of the District to provide oversight and independent review functions.

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 Beach Mosquito Control District's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

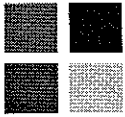
As part of obtaining reasonable assurance about whether Beach Mosquito Control District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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* (2007 Revision), and any amendments thereto.

Beach Mosquito Control District's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit Beach Mosquito Control District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners and the pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Tipton, Mark, Harm & Christman*

Panama City, Florida  
September 12, 2011



**INDEPENDENT AUDITOR'S MANAGEMENT LETTER  
FOR THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Board of Commissioners  
Beach Mosquito Control District  
Bay County, Florida

We have audited the financial statements of the Beach Mosquito Control District, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated September 12, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated September 12, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

The Rules of the Auditor General (Section 10.554(1)(i)1.) require 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. There were no recommendations made in the preceding financial report.

As required by the Rules of the Auditor General (Section 10.554(1)(i)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Beach Mosquito Control District complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal control. In connection with our audit, we noted the following:

Significant Deficiency:

2010-1:

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Commissioners remain involved in the financial affairs of the District to provide oversight and independent review functions.

The Rules of the Auditor General (Section 10.554(1)(i)4.) require 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.

The Rules of the Auditor General (Section 10.554(1)(i)5.) require, 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 that have occurred or abuses 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; (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 any such findings.

The Rules of the Auditor General (Section 10.554(1)(i)6.) also require 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. Beach Mosquito Control District was established by Laws of Florida Chapter 5341 (1903) on October 14, 1952. The Beach Mosquito Control District has no component units.

The Rules of the Auditor General (Section 10.554(1)(i)7.a.), require a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Beach Mosquito Control District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the Beach Mosquito Control District for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

The Rules of the Auditor General (Sections 10.554(i)7c. and 10.556(7)), require that we apply financial condition assessment procedures in connection with our audit. 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. Financial condition assessment procedures were performed as of September 30, 2010.

Pursuant to Chapter 19, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Beach Mosquito Control District and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Tipton, Mark, Harm & Chastain*

Panama City, Florida  
September 12, 2011



## BEACH MOSQUITO CONTROL DISTRICT

1016 Cox Grade Road  
Panama City Beach, Fl. 32407  
Phone (850) 233-5030  
Fax (850) 233-5033  
[www.pcbeachmosquito.org](http://www.pcbeachmosquito.org)

Board of Commissioners  
Larry J. Couch  
Tom D. Easter  
Dr. John P. Smith

Director James F. Clauson  
E-mail: [jamesclauson@comcast.net](mailto:jamesclauson@comcast.net)

September 12, 2011

Board of Commissioners  
Beach Mosquito control District  
1016 Cox Grade Road  
Panama City Beach, Florida 32407

Gentlemen:

The annual audit report of Beach Mosquito Control District for the year ended September 30, 2010, contained the following significant deficiency:

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Commissioners remains involved in the financial affairs of the District to provide oversight and independent review functions.

It is not cost efficient to hire additional staff to provide a proper segregation of duties; however, the above condition is mitigated by having the Commissioners review the monthly deposits and expenditures of the District and including their approval and/or comments in the minutes of the board meetings.

Respectfully submitted,

A handwritten signature in black ink that reads "James Clauson". The signature is written in a cursive style.

James Clauson  
Director