

**BIG BEND WATER
AUTHORITY**

AUDIT REPORT

SEPTEMBER 30, 2010

**Big Bend Water Authority
Audit Report
September 30, 2010**

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Independent Auditors' Report

Board of Directors
Big Bend Water Authority
Steinhatchee, Florida

We have audited the accompanying basic financial statements of the Big Bend Water Authority (the "Authority") as of and for the fiscal year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our 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.

As discussed in Note 6 to the financial statements, the Authority has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The effects of this departure from accounting principles generally accepted in the United States of America on the basic financial statements are not reasonably determinable.

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 45, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2010, and the changes in its financial position 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 9, 2011 on our consideration of the Authority's internal control over financial reporting and 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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 financial statements as a whole. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Car, Riggs & Ingram LLC

February 9, 2011
Gainesville, Florida

Management's Discussion and Analysis

This discussion and analysis of the Big Bend Water Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the Authority's financial statements, which follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains financial statements that report on the Authority, which is a proprietary fund-enterprise fund that provides the community with adequate water and wastewater treatment facilities. Enterprise funds are used to account for activities in a manner similar to private-sector business enterprises and use the accrual basis of accounting.

The first financial statement is the Statement of Net Assets. This statement includes all of the Authority's assets and liabilities using the accrual basis of accounting. All of the current year transactions are recorded, regardless of when cash is received or paid. Net assets – the difference between assets and liabilities – can be used to measure the Authority's financial position.

The second financial statement is the Statement of Revenues, Expenses and Changes in Net Assets. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net assets during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the Authority's financial health is improving or deteriorating. However, other non-financial factors must also be considered when assessing the overall health of the Authority.

The Statement of Cash Flows reports cash receipts and cash payments, and classifies the Authority's cash transactions in four categories: operating, noncapital financing, capital and related financing, or investing activities.

In these statements, all of the Authority's activities are considered to be business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services. The Authority has no governmental activities.

CONDENSED FINANCIAL INFORMATION

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

Net Assets				
	<u>2009</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Non-Capital Assets	\$ 993,610	\$ 514,780	\$ (478,830)	(48.19)
Capital Assets	<u>8,382,396</u>	<u>8,194,076</u>	<u>(188,320)</u>	(2.25)
Total Assets	<u>9,376,006</u>	<u>8,708,856</u>	<u>(667,150)</u>	(7.12)
Liabilities:				
Current Liabilities	1,212,072	1,118,595	(93,477)	(7.71)
Long-Term Liabilities	<u>3,363,644</u>	<u>2,928,588</u>	<u>(435,056)</u>	(12.93)
Total Liabilities	<u>4,575,716</u>	<u>4,047,183</u>	<u>(528,533)</u>	(11.55)
Net Assets:				
Invested In Capital Assets, Net of Related Debt	5,452,776	5,125,943	(326,833)	(5.99)
Restricted	39,405	39,405	-	-
Unrestricted	<u>(691,891)</u>	<u>(503,675)</u>	<u>188,216</u>	27.20
Total Net Assets	<u>\$ 4,800,290</u>	<u>\$ 4,661,673</u>	<u>\$ (138,617)</u>	(2.89)

Change In Net Assets

Revenues:				
Operating Revenues	\$ 825,852	\$ 791,971	\$ (33,881)	(4.10)
Capital Grants and Contributions	246,279	27,100	(219,179)	(89.00)
Investment Earnings	<u>6,460</u>	<u>3,387</u>	<u>(3,073)</u>	(47.57)
Total Revenues	<u>1,078,591</u>	<u>822,458</u>	<u>(256,133)</u>	(23.75)
Expenses:				
Water/Sewer Services	609,895	616,849	6,954	1.14
Depreciation	249,494	266,437	16,943	6.79
Interest on Long-term Debt	<u>92,030</u>	<u>77,789</u>	<u>(14,241)</u>	(15.47)
Total Expenses	<u>951,419</u>	<u>961,075</u>	<u>9,656</u>	1.01
Change In Net Assets	127,172	(138,617)	(265,789)	(209.00)
Beginning Net Assets	4,673,118	4,800,290	127,172	2.72
Ending Net Assets	<u>\$ 4,800,290</u>	<u>\$ 4,661,673</u>	<u>\$ (138,617)</u>	(2.89)

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Revenues were \$822,458 compared to expenses of \$961,075. This resulted in a decrease for the year of \$138,617. Because of this, net assets decreased by same. A capital contribution (grant) accounted for approximately \$27,100 of the current year revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority had no significant capital asset acquisitions in the current year. Please refer to a note to the accompanying financial statements entitled *Capital Asset Activity* for more detailed information.

Debt Administration

The Authority received \$1,406,467 of grant loan funds from the state revolving fund. \$1,095,381 was to refinance a construction loan in the current year. Please refer to a note to the accompanying financial statements entitled *Long-term Liabilities* for more detailed information.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the Authority's financial position or results of operations.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Authority at Post Office Box 670, Steinhatchee, Florida 32359.

**Statement of Net Assets
September 30, 2010
Big Bend Water Authority**

<u>CURRENT ASSETS</u>	
Cash and Equivalents	\$ 371,322
Investments	19,764
Accounts Receivable (Net of Allowance of \$3,700)	<u>84,289</u>
TOTAL CURRENT ASSETS	<u>475,375</u>
<u>NONCURRENT ASSETS</u>	
Restricted Investments	39,405
Capital Assets:	
Non-Depreciable	1,209,301
Depreciable, Net	<u>6,984,775</u>
TOTAL NONCURRENT ASSETS	<u>8,233,481</u>
TOTAL ASSETS	<u>8,708,856</u>
<u>CURRENT LIABILITIES</u>	
Accounts Payable and Accrued Liabilities	12,384
Interest Payable	22,060
Unearned Revenue	883,583
Compensated Absences	4,877
Customer Deposits	54,195
Current Portion of Notes Payable	<u>141,496</u>
TOTAL CURRENT LIABILITIES	<u>1,118,595</u>
<u>NONCURRENT LIABILITIES</u>	
Notes Payable	2,926,637
Compensated Absences	<u>1,951</u>
TOTAL NONCURRENT LIABILITIES	<u>2,928,588</u>
TOTAL LIABILITIES	<u>4,047,183</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	5,125,943
Restricted for Debt Service Reserve	39,405
Unrestricted	<u>(503,675)</u>
TOTAL NET ASSETS	<u><u>\$ 4,661,673</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

**Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended September 30, 2010
Big Bend Water Authority**

<u>OPERATING REVENUES</u>	
Charges for Services	\$ 783,921
Other Operating Revenues	<u>8,050</u>
TOTAL OPERATING REVENUES	<u>791,971</u>
<u>OPERATING EXPENSES</u>	
Personal Services	316,099
Operating Expenses	300,750
Depreciation	<u>266,437</u>
TOTAL OPERATING EXPENSES	<u>883,286</u>
OPERATING LOSS	<u>(91,315)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Revenue	3,387
Interest Expense	<u>(77,789)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(74,402)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(165,717)
Capital Contributions - Grants	<u>27,100</u>
CHANGE IN NET ASSETS	(138,617)
NET ASSETS, October 1, 2009	<u>4,800,290</u>
NET ASSETS, September 30, 2010	<u><u>\$ 4,661,673</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Statement of Cash Flows
For the Fiscal Year Ended September 30, 2010
Big Bend Water Authority

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers	\$ 839,316
Payments to Suppliers	(492,338)
Payments to Employees	<u>(228,086)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>118,892</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Proceeds from Capital Contributions	27,100
Payments on Long-Term Debt	(1,821,491)
Payments of Interest	(73,833)
Proceeds from New Debt	1,406,467
Acquisition of Capital Assets	<u>(78,117)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(539,874)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Received	3,387
Acquisition of Investments	<u>(33,924)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(30,537)</u>
NET CHANGE IN CASH	(451,519)
CASH – OCTOBER 1, 2009	<u>822,841</u>
CASH – SEPTEMBER 30, 2010	<u><u>\$ 371,322</u></u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED</u>	
<u>BY OPERATING ACTIVITIES</u>	
Operating Loss	\$ (91,315)
Depreciation	266,437
Changes in Assets and Liabilities:	
Accounts Receivable	(12,947)
Due from Other Governments	71,178
Prepaid Expense	3,004
Accounts Payable and Accrued Liabilities	(92,792)
Unearned Revenue	(13,006)
Compensated Absences	(8,743)
Service Fees Payable	(5,044)
Customer Deposits	<u>2,120</u>
Net Cash Provided by Operating Activities	<u><u>\$ 118,892</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Notes to Financial Statements
September 30, 2010
Big Bend Water Authority

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Big Bend Water Authority (the “Authority”) conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The Authority is a multi-county special unit of government created through an interlocal agreement between the Boards of County Commissioners of Dixie and Taylor Counties, dated September 6, 2007. It is an independent special district created pursuant to the authority provided in Chapter 163, Part 1, Florida Statutes.

The Authority uses the criteria established in GASB Statement No. 14 to define the reporting entity and identify component units. Component units are entities for which the Authority is considered to be financially accountable. There are no other entities that qualify for inclusion as a component unit within the Authority’s reporting entity.

Basis of Presentation

The financial transactions of the Authority are reported as a proprietary fund type – Enterprise Fund. Enterprise Funds are used to account for activities in a manner similar to private-sector business enterprises.

The Authority’s operating revenues result from exchange transactions. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

Measurement Focus and Basis of Accounting

The Authority utilizes the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Application of FASB Pronouncements

The Authority applies all applicable GASB pronouncements. Additionally, the Authority applies pronouncements of the FASB and its predecessor bodies issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Equivalents

The Authority’s cash consists of legally authorized demand deposits. The institutions in which such deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, the total bank balances on deposit at September 30, 2010 are insured or collateralized pursuant to Chapter 280, Florida Statutes.

For purposes of the statement of cash flows, the Authority considers only highly liquid investments with original maturities of less than three months to be cash equivalents.

Notes to Financial Statements
September 30, 2010
Big Bend Water Authority

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

The Authority invests excess public funds pursuant to the guidelines established in Section 218.415, Florida Statutes. Accordingly, the Authority is authorized to invest excess public funds in the following instruments: the Local Government Surplus Funds Trust Fund; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposit in qualified public depositories; and direct obligations of the U.S. Treasury.

At September 30, 2010, and during the year then ended, investments consisted of certificates of deposit in qualified public depositories with original maturities of more than three months. Such investments are stated at cost and are entirely insured or collateralized.

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

For qualifying constructed assets, interest costs are capitalized, net of interest revenue earned on debt proceeds, from the time of borrowing until the completion of the project.

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

Plant and Equipment	5-40 Years
Vehicles	3 Years
Other Equipment and Wastewater Machinery	5-20 Years

Restricted Net Assets

In the accompanying statement of net assets, *restricted net assets* are subject to restrictions beyond the Authority's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation. It is the practice of the Authority to utilize restricted assets before unrestricted assets.

Compensated Absences

The Authority's policy is to allow limited vesting of employee vacation pay. Employees may not vest accumulated sick leave. A liability for compensated absences is accrued when incurred in the Authority's financial statements.

Notes to Financial Statements
September 30, 2010
Big Bend Water Authority

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended September 30, 2010 follows:

	Balance October 1, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2010</u>
Capital Assets Not Being Depreciated:				
Land	\$ 264,500	\$ -	\$ -	\$ 264,500
Construction in Progress	900,591	49,552	5,342	944,801
Total Capital Assets Not Being Depreciated	<u>1,165,091</u>	<u>49,552</u>	<u>5,342</u>	<u>1,209,301</u>
Capital Assets Being Depreciated:				
Vehicles	95,691	-	-	95,691
Water Plant and Structure	4,246,779	3,073	-	4,249,852
Pipeline	2,145,779	-	-	2,145,779
Waste Water Pipeline	1,347,988	30,834	-	1,378,822
Waste Water Plant and Structure	202,140	-	-	202,140
Software	7,625	-	-	7,625
Office Equipment	15,175	-	-	15,175
Machinery and Equipment	75,478	-	-	75,478
Total Capital Assets Being Depreciated	<u>8,136,655</u>	<u>33,907</u>	<u>-</u>	<u>8,170,562</u>
Less Accumulated Depreciation for:				
Vehicles	78,515	7,910	-	86,425
Water Plant and Structure	329,835	106,254	-	436,089
Pipeline	361,259	103,325	-	464,584
Waste Water Pipeline	26,250	32,264	-	58,514
Waste Water Plant and Structure	51,070	10,561	-	61,631
Software	5,105	1,198	-	6,303
Office Equipment	9,261	2,449	-	11,710
Machinery and Equipment	58,055	2,476	-	60,531
Total Accumulated Depreciation	<u>919,350</u>	<u>266,437</u>	<u>-</u>	<u>1,185,787</u>
Total Capital Assets Being Depreciated, Net	<u>7,217,305</u>	<u>(232,530)</u>	<u>-</u>	<u>6,984,775</u>
Capital Assets, Net	<u>\$ 8,382,396</u>	<u>\$ (182,978)</u>	<u>\$ 5,342</u>	<u>\$ 8,194,076</u>

Notes to Financial Statements
September 30, 2010
Big Bend Water Authority

NOTE 3 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2010:

<u>Description</u>	Balance October 1, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2010</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 1,725,000	\$ -	\$ 1,725,000	\$ -	\$ -
Notes Payable	1,758,157	1,406,467	96,491	3,068,133	141,496
Compensated Absences	15,571	10,399	19,142	6,828	4,877
Total	\$ 3,498,728	\$ 1,416,866	\$ 1,840,633	\$ 3,074,961	\$ 146,373

Notes Payable

Florida Department of Environmental Protection (FDEP)

Note Payable to finance water system improvements. Payable in semi-annual installments of \$15,048 on October and April 15, including interest from 2.64% to 3.52%. Payable from the Pledged Revenues, after satisfaction of any senior obligation. There is no debt senior to this obligation.

\$ 517,849

Note Payable to finance water system improvements. Payable in semi-annual installments of \$29,281 on November and May 15, including interest at 2.67%. Payable from the Pledged Revenues, after satisfaction of any senior obligation. The preceding loan is senior to this obligation.

1,048,103

Note Payable to finance water system improvements. Payable in semi-annual installments of \$14,358 on February and August 15, including interest at 2.64%. Payable from the Pledged Revenues, after satisfaction of any senior obligation. The preceding loans are senior to this obligation.

24,755

Note Payable to finance wastewater system improvements. Payable in semi-annual installments of \$52,499 on December and June 15, including interest at .855%. Payable beginning June 15, 2010, from the Pledged Revenues, after satisfaction of any senior obligation. The preceding loans are senior to this obligation.

397,996

Note Payable to finance wastewater system improvements. Payable in semi-annual installments of \$25,171 on December and June 15, including interest at 1.45%. Payable beginning June 15, 2010, from the Pledged Revenues, after satisfaction of any senior obligation. The preceding loans are senior to this obligation.

1,079,430

Total Notes Payable

\$ 3,068,133

Notes to Financial Statements
September 30, 2010
Big Bend Water Authority

NOTE 3 – LONG-TERM LIABILITIES

Aggregate maturities of the long-term debt are as follows:

Year Ending September 30,	Principal	Interest	Total
2011	\$ 141,496	\$ 58,061	\$ 199,557
2012	118,694	55,637	174,331
2013	120,689	53,645	174,334
2014	122,727	51,606	174,333
2015	124,809	49,524	174,333
2016-2020	656,913	219,608	876,521
2021-2025	604,413	162,174	766,587
2026-2030	597,643	103,682	701,325
2031-2035	579,405	38,753	618,158
2036-2040	1,344	437	1,781
Total	<u>\$ 3,068,133</u>	<u>\$ 793,127</u>	<u>\$ 3,861,260</u>

NOTE 4 – UNEARNED REVENUES

The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. These unearned revenues are comprised of the following prepaid water and sewer installations, and advance collections, as of September 30, 2010.

The Estuary	\$ 70,241
Woods Gulf Breeze	676,000
Steinhatchee Shores	67,900
Riverwalk	48,600
Bond	<u>6,500</u>
	869,241
Advance Collections from Customers	<u>14,342</u>
Total Unearned Revenues	<u>\$883,583</u>

NOTE 5 – PENSION PLANS

Simplified Employee Plan

The Authority has a Salary Reduction Simplified Employee Pension Plan 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, 2010 totaled \$3,933, which represented 10 percent of eligible employee salaries. One employee participated in this plan.

Notes to Financial Statements
September 30, 2010
Big Bend Water Authority

NOTE 5 – PENSION PLANS

Florida Retirement System

Plan Description. The Authority contributes to the Florida Retirement System (“System”), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000, or by calling (850) 488-6491.

Funding Policy. The system is employee noncontributory. The Authority is required to contribute at an actuarially determined rate. The rates at September 30, 2010 were as follows: Regular Employees 10.77%; Special Risk Employees 23.25%; Senior Management 14.57%; Elected Officials 18.64%. The contribution requirements of plan members and the Authority are established and may be amended by the Florida Legislature. The Authority’s contributions to the System for the years ended September 30, 2010, 2009 and 2008 were \$16,179, \$14,372, and \$1,370 respectively, equal to the required contributions for each year.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS

The Authority provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits.

The Authority has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

NOTE 7 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of employees. To manage its risks, the Authority participates in the Preferred Government Insurance Trust (the “Trust”), a public entity risk pool currently operating as a common risk management and insurance program for member districts. The Authority pays an annual premium to the Trust for its coverage. The premiums are designed to fund the liability risks assumed by the Trust and are based on certain actual exposures of each member.

SUPPLEMENTAL INFORMATION

**Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2010
Big Bend Water Authority**

<u>FEDERAL AWARDS</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Expendi- tures</u>	<u>Program Totals</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Passed Through Florida Department of Environmental Protection:				
ARRA- Capitalization Grants for Clean Water State Revolving Funds	66.458	WW 409010	\$ 292,247	\$ -
ARRA- Capitalization Grants for Clean Water State Revolving Funds	66.458	WW 409011	1,095,381	1,387,628
ARRA- Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW 620001	18,839	18,839
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,406,467</u>	<u>\$ 1,406,467</u>
 <u>STATE FINANCIAL ASSISTANCE</u>				
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>				
Legislative Projects Grant	37.039	LP8903	<u>\$ 27,100</u>	<u>\$ 27,100</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the accompanying schedule, expenditures represent allowable costs determined in accordance with generally accepted accounting principles, using the accrual basis of accounting.

NOTE 2 – SUBRECIPIENTS

The Authority did not provide federal or state awards to subrecipients.

**ADDITIONAL ELEMENTS REQUIRED BY
THE RULES OF THE AUDITOR GENERAL**

Management Letter

Board of Commissioners
Big Bend Water Authority
Steinhatchee, Florida

We have audited the financial statements of the Big Bend Water Authority (the "Authority"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated February 9, 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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. In that regard, the condition described in prior audit finding 09-1 was not resolved and, therefore, is repeated in the accompanying Schedule of Findings and Questioned Costs as item 10-1.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Authority has met one of the conditions described in Section 218.503(1), Florida Statutes. That condition – an unrestricted net assets deficit – resulted from a deteriorating financial condition as discussed in the following paragraph.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(7). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures revealed evidence of "deteriorating financial condition" as that term is defined in Rule 10.554. We observed that the Authority incurred an operating loss of \$91,315, and a loss before capital contributions of \$165,717. The Authority's unrestricted net assets deficit was \$503,675 at September 30, 2010. Given this condition, we recommend that the Authority's financial condition be closely monitored on an ongoing basis during 2011.

Annual Financial Report

As required by the Rules of the Auditor General, we determined that the 2009-2010 annual financial report was filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, and is in substantial agreement with the audit report for the fiscal year ended September 30, 2010.

Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal any noncompliance with the provisions of Section 218.415, Florida Statutes.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

This management letter is intended solely for the information and use of the members of the Board of Commissioners, management and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Carr, Riggs & Ingram LLC

February 9, 2011
Gainesville, Florida

Board of Commissioners
Big Bend Water Authority
Steinhatchee, Florida

We have audited the financial statements of the Big Bend Water Authority (the "Authority") as of and for the year ended September 30, 2010, and have issued our report thereon dated February 9, 2011. Our report on the financial statements was qualified because the Authority did not implement the accounting and financial reporting requirements of GASB Statement No. 45. 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.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 10-1 to be a material weakness.

Compliance and Other Matters

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

The Authority's response to the finding identified in our audit is described in its accompanying letter of response. We did not audit the Authority's response and, accordingly, we express no opinion on it.

Communication with Those Charged with Governance

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements is the estimate of depreciation expense.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. In Note 6 to the financial statements, the Authority disclosed that it did not implement the provisions of GASB Statement No. 45. Our report on the financial statements was qualified in that regard.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Our audit did not reveal any such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

This report is intended solely for the information and use of members of the Board of Commissioners, management and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram LLC

February 9, 2011
Gainesville, Florida

**Report on Compliance with Requirements That Could Have
a Direct and Material Effect on Each Major Program
and on Internal Control Over Compliance**

Board of Commissioners
Big Bend Water Authority
Steinhatchee, Florida

Compliance

We have audited the compliance of the Big Bend Water Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended September 30, 2010. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2010.

Internal Control Over Compliance

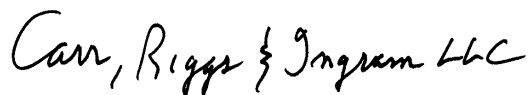
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on

its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the members of the Board of Commissioners, its management, and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.



February 9, 2011
Gainesville, Florida

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2010
Big Bend Water Authority**

PART I - SUMMARY OF AUDITOR'S RESULTS

- (i) The independent auditors' report on the financial statements expressed a qualified opinion, because GASB Statement No. 45 was not implemented.
- (ii) The audit did disclose a material weakness in internal control over financial reporting. No significant deficiencies were reported.
- (iii) The audit did not disclose any noncompliance considered material to the financial statements.
- (iv) No significant deficiencies or material weaknesses in internal control over the major federal award program were reported.
- (v) The report on compliance for the major federal program was unqualified.
- (vi) The audit disclosed no findings relative to the major federal program.
- (vii) The Authority's major program is:

<u>Federal Program</u>	<u>CFDA Number</u>
ARRA – Capitalization Grants for Clean Water State Revolving Funds	66.458

- (viii) A threshold of \$300,000 was used to distinguish between Type A and Type B programs.
- (ix) The Authority did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

PART II - FINANCIAL STATEMENT FINDINGS

10-1 *Condition* – Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional errors or irregularities could exist and not be promptly detected.

Recommendation – To help compensate for the lack of segregation of incompatible employee duties and responsibilities, the Authority's day-to-day financial activities should be closely monitored on an ongoing basis. To the extent practical, a system of "checks and balances" should be maintained to help mitigate the Authority's overall risks that result from this condition.

PART III – FEDERAL PROGRAM FINDINGS

None.

BIG BEND WATER AUTHORITY

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Steinhatchee, FL 32359

(352)498-3576

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bbwa@bellsouth.net

February 17, 2011

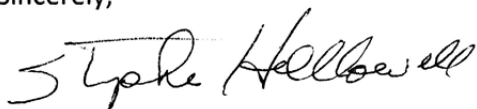
Carr, Riggs & Ingram, LLC
4010 NW 25th PL
Gainesville, FL 32606

Ref: Letter for comments on page 27

To Whom It May Concern:

As General Manager, I monitor the day to day operation in our office. "Checks and Balances" have been established as to money coming in each day and must balance. In regards to money going out: a BBWA Board member must sign the check after I review it.

Sincerely,



Stephen Hollowell
General Manager, BBWA