

Florida Community Services  
Corporation Of Walton County

Financial Statements

February 28, 2010 and 2009

Florida Community Services Corporation of Walton County  
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February 28, 2010 and 2009

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Carr, Riggs & Ingram, LLC  
4460 Legendary Drive  
Suite 100  
Destin, FL 32541

(850) 837-3141  
(850) 654-4619 (fax)  
www.cricpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Florida Community Services Corporation of Walton County  
Santa Rosa Beach, Florida

We have audited the accompanying statements of net assets of Florida Community Services Corporation of Walton County (the "Corporation"), a component unit of Walton County, Florida, as of February 28, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Community Services Corporation of Walton County as of February 28, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2010, on our consideration of the Corporation'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.

Management's discussion and analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Schedules of Operations Expenses on page 30 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Florida Community Services Corporation of Walton County taken as a whole. The accompanying schedule of expenditures of state financial awards on page 31 is presented for purposes of additional analysis as required by Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits – Nonprofit and For-profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Carr, Riggs & Ingram, L.L.C.*

May 21, 2010  
Destin, Florida

## Management's Discussion and Analysis

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Florida Community Services Corporation of Walton County**

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This discussion and analysis (MD&A) of Florida Community Services Corporation of Walton County's (the "Corporation") financial condition provides an overview of financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues. The primary purpose of the Corporation is to provide central wastewater and water service through a regional utilities system for south Walton County, Florida. Although it is important to the long-term existence of the Corporation to maintain its financial health, net assets are accumulated only to the extent required to ensure that there are sufficient reserve funds for future operations and for new capital needs.

The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

**FINANCIAL HIGHLIGHTS**

*Financial Highlights*

- ◆ Total assets decreased \$4,158,102. This is primarily due to an overall decrease in net assets from operations of the Corporation and decreased impact fees and developer capital contributions from year to year, as well as an increase in the allowance for doubtful accounts and bad debt related to developer receivables.
- ◆ Total liabilities decreased \$1,677,925 primarily due to the scheduled repayment of bond issues and the expenditure of grant funds that were recorded as deferred revenue in the prior year.
- ◆ Net assets decreased by \$2,480,177 to a total of \$160,753,877. This decrease is the result of consistent operating revenues combined with increased operating expenses from year to year, as well as decreased impact fees, developer contributions, and interest expense, and an increase to bad debt expense related to developer receivables from year to year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Florida Community Services Corporation of Walton County**

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**FINANCIAL HIGHLIGHTS (CONTINUED)**

*Corporation Highlights*

During the 2009-2010 fiscal year, the Corporation added 196 water meters ranging from 5/8" for residential up to 2" for commercial users. There were 83 grinder pumps added to the areas served by low-pressure sewer systems. A total of 6 directional bores were completed totaling 2,620 feet in sizes of 2" to 24" in diameter. Construction was completed on two (2) new water wells for a new water source project partly funded by the Northwest Florida Water Management District. A 3.0 million gallon potable water treatment and storage plant was completed on Community Way. A complete inventory of all monitoring wells throughout the system was completed and mapped. A new SCADA system on the water system was installed including seven (7) automated remote control valves including: two controls at the Highway 331 water plant, two controls at Peachcreek water plant, one control at the Freeport water system interconnect, and two controls at the Nokuse Wellfield booster station. The system also includes 18 real time digital pressure transducers.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by Statement 37.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Corporation's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Corporation is improving or deteriorating, absent extraordinary events.

The *statement of activities* presents information showing how the Corporation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Florida Community Services Corporation of Walton County**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. All of the Corporation's activity is reported as one proprietary fund.

**Proprietary Fund**

The proprietary fund is used to account for the water and sewer services for which the Corporation charges customers. The proprietary fund shows the same type of information as shown in the government-wide financial statements. Because the Corporation utilizes only one proprietary fund, no separate fund financial statements are presented.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**NET ASSETS**

The following table reflects the condensed Statement of Net Assets and is compared to the prior two years.

February 28/29,	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets			
Current and other assets	\$ 47,108,131	\$ 50,677,520	\$ 57,488,541
Capital assets, net	<u>155,778,736</u>	<u>156,367,449</u>	<u>151,848,424</u>
Total assets	<u>\$ 202,886,867</u>	<u>\$ 207,044,969</u>	<u>\$ 209,336,965</u>
Liabilities			
Current liabilities	\$ 3,040,554	\$ 3,778,091	\$ 5,310,766
Other liabilities	<u>39,092,436</u>	<u>40,032,824</u>	<u>41,082,244</u>
Total liabilities	<u>\$ 42,132,990</u>	<u>\$ 43,810,915</u>	<u>\$ 46,393,010</u>
Net assets			
Invested in capital assets, net of related debt	\$ 118,557,173	\$ 117,886,310	\$ 113,370,568
Restricted for debt service	6,861,867	6,819,273	3,033,442
Unrestricted	<u>35,334,837</u>	<u>38,528,471</u>	<u>46,539,945</u>
Total net assets	<u>160,753,877</u>	<u>163,234,054</u>	<u>162,943,955</u>
Total liabilities and net assets	<u>\$ 202,886,867</u>	<u>\$ 207,044,969</u>	<u>\$ 209,336,965</u>

For more detailed information, see accompanying Statements of Net Assets.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Florida Community Services Corporation of Walton County**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**NET ASSETS (CONTINUED)**

Total assets decreased by \$4,158,102 during the fiscal year ended February 28, 2010. This is primarily due to an increase in the allowance for doubtful accounts related to developer receivables, as well as an overall decrease in net assets from operations of the Corporation and decreased impact fees and developer capital contributions from year to year. Liabilities decreased by \$1,677,925. This decrease is primarily due to the scheduled repayment of bond issue and the expenditure of grant funds that were recorded as deferred revenue in the prior year.

**Change in Net Assets**

The following schedule compares the revenues and expenses for the current and previous two fiscal years.

Year ended February 28/29,	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 14,463,207	\$ 14,357,397	\$ 14,038,656
Operating expenses	<u>(17,883,133)</u>	<u>(17,217,940)</u>	<u>(15,436,245)</u>
Operating income (loss)	<u>(3,419,926)</u>	<u>(2,860,543)</u>	<u>(1,397,589)</u>
Non-operating revenues	3,287,530	3,859,848	20,762,998
Non-operating expenses	<u>(4,241,103)</u>	<u>(3,365,603)</u>	<u>(5,668,131)</u>
Non-operating revenues (expenses)	<u>(953,573)</u>	<u>494,245</u>	<u>15,094,867</u>
Increase (decrease) in net assets before capital contributions	(4,373,499)	(2,366,298)	13,697,278
Capital contributions	<u>1,893,322</u>	<u>2,656,397</u>	<u>9,708,433</u>
Increase (decrease) in net assets	<u>(2,480,177)</u>	<u>290,099</u>	<u>23,405,711</u>
Net assets, beginning	<u>163,234,054</u>	<u>162,943,955</u>	<u>139,538,244</u>
Net assets, ending	<u>\$ 160,753,877</u>	<u>\$ 163,234,054</u>	<u>\$ 162,943,955</u>

For more detailed information, see the accompanying Statement of Activities.

Operating revenues increased in fiscal year 2010 by 0.74% or \$105,810 due to growth in the system from the previous year. Operating expenses increased by 3.86% or \$665,193 from the previous year, again due to growth, as well as the write off of bad debt related to uncollectible operating receivables during the year.

Non-operating revenues decreased by \$572,318 from fiscal year 2009 to 2010. This decrease was primarily due to decreased impact fees and interest income from year to year. Capital contributions from developers decreased by \$763,075.

The overall results were a \$2,480,177 decrease in net assets for fiscal year 2010 compared to a \$290,099 increase in net assets in fiscal year 2009.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Florida Community Services Corporation of Walton County**

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**FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS**

As mentioned earlier, all of the Corporation's activity is recorded in one proprietary fund. No separate fund financial statements are presented in the basic financial statements; and accordingly no separate financial analysis of the Corporation's funds are presented in this MD&A.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At February 28, 2010, the Corporation had \$ 155,778,736 invested in capital assets (net of accumulated depreciation). This amount represents a net decrease (including additions and deletions) of \$588,713 or 0.38% from the fiscal year 2009 total.

A listing of capital assets by major category for the current and prior two years follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$ 9,079,945	\$ 9,079,945	\$ 9,079,945
Construction in progress	4,275,535	4,693,565	49,984
Buildings	10,161,045	10,070,349	9,620,628
Utility system	194,426,494	184,481,268	175,147,266
Automobiles and trucks	3,481,879	3,386,984	3,471,683
Furniture and fixtures	600,210	550,197	509,022
Machinery and equipment	<u>11,427,718</u>	<u>11,281,548</u>	<u>11,172,139</u>
	<u>233,452,826</u>	<u>223,543,856</u>	<u>209,050,667</u>
Accumulated depreciation	<u>(77,674,090)</u>	<u>(67,176,407)</u>	<u>(57,202,243)</u>
Net capital assets	<u>\$ 155,778,736</u>	<u>\$ 156,367,449</u>	<u>\$ 151,848,424</u>

During the 2009-2010 year, the Corporation utilized funds to continue projects included in the five-year improvement plan. The planned projects consisted of the following: the completion of two (2) additional water wells at the Nokuse Wellfield, bringing the total to eight (8) water wells for the service area. The rehabilitation of the 2.0 million gallons per day Bardenpho wastewater plant at Sandestin was completed, bringing the total to 4 million gallons per day of treatment to the area. At the same time, the removal and replacement of a 750,000 gallon digester at the Sandestin wastewater treatment plant was completed. The design and permitting of 11,000 feet extension of the 30" sub aqueous water line was completed with construction of the project to begin in early May 2010.

More information about the Corporation's capital assets is presented in Note 4 to the financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Florida Community Services Corporation of Walton County**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

**Debt Administration**

At February 28, 2010, the Corporation had \$37,221,563 in revenue bonds outstanding, net of unamortized issuance costs and discounts, versus \$38,310,594 in the prior year, a decrease of \$1,089,031 as shown below:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue bonds, Series 2001, net	\$ 9,062,400	\$ 9,406,233	\$ 9,740,066
Revenue bonds, Series 2002, net	6,685,000	7,235,000	7,755,000
Revenue bonds, Series 2003, net	7,427,539	7,625,041	7,817,543
Revenue bonds, Series 2006, net	<u>14,046,624</u>	<u>14,044,320</u>	<u>14,042,016</u>
Total	<u>\$ 37,221,563</u>	<u>\$ 38,310,594</u>	<u>\$ 39,354,625</u>

The last payment on the debt is due in fiscal year 2032. The payment of the principal and interest on this debt is payable solely from and secured by a pledge on the assets of the Corporation and future Net Revenues.

For additional information on Debt, see Notes 7 and 8 in the accompanying financial statements.

**FUTURE FINANCIAL FACTORS**

Florida Community Services Corporation of Walton County is a Florida non-profit corporation established on August 7, 1985. An eight person Board of Directors governs the Corporation. The Board establishes policy and sets rates. The Corporation has no taxing authority and receives no funds from the State or other source other than certain state grants for the extension of the current system. Revenues are generated by charges to the Corporation's customers for water and wastewater related services. Rates for fiscal year 2011 have been established to provide for the operations of the Corporation, necessary capital requirements, and meet the required covenants of the 2001, 2002, 2003, and 2006 revenue bonds.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our customers and creditors with a general overview of Florida Community Services Corporation of Walton County's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional information, contact the Manager of Florida Community Services Corporation of Walton County, 4432 Highway 98 East, Santa Rosa Beach, Florida 32459.

## Financial Statements

**Florida Community Services Corporation of Walton County**  
**STATEMENTS OF NET ASSETS**  
**February 28, 2010 and 2009**

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 24,653,636	\$ 22,326,901
Investments	7,343,289	5,131,566
Accounts receivable - trade, net	1,177,215	1,326,566
Accounts receivable - developer's agreements, net	-	4,294,602
Accounts receivable - grant	-	80,081
Inventory	2,379,786	2,407,253
Prepaid expenses	<u>51,209</u>	<u>19,238</u>
Total current assets	<u>35,605,135</u>	<u>35,586,207</u>
<b>NON-CURRENT ASSETS</b>		
Restricted Cash		
Revenue bond - debt service fund	6,143,418	6,117,340
Revenue bond - renewal and replacement fund	718,449	701,933
Customer's deposits	1,176,323	1,160,441
Construction funds - designated	945,322	4,143,097
Investments	-	2,034,385
Accounts receivable - developer's agreements, net of current portion	2,180,451	922,787
Utility deposits	11,330	11,330
Prepaid expenses, net of current portion	327,703	-
Property, plant and equipment, net	<u>155,778,736</u>	<u>156,367,449</u>
Total non-current assets	<u>167,281,732</u>	<u>171,458,762</u>
<b>TOTAL ASSETS</b>	<u>\$ 202,886,867</u>	<u>\$ 207,044,969</u>

The accompanying notes are an integral  
part of these financial statements.

**Florida Community Services Corporation of Walton County**  
**STATEMENTS OF NET ASSETS**  
**February 28, 2010 and 2009**

	2010	2009
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</b>		
Accounts payable	\$ 178,807	\$ 113,315
Accrued expenses	176,507	226,367
Deferred grant revenue	563,561	1,342,337
Total current liabilities payable from current assets	918,875	1,682,019
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Revenue bonds, 2001 series	380,000	365,000
Revenue bonds, 2002 series	580,000	550,000
Revenue bonds, 2003 series	225,000	215,000
Accrued interest	936,679	966,072
Total current liabilities payable from restricted assets	2,121,679	2,096,072
<b>NONCURRENT LIABILITIES</b>		
Compensated absences	141,047	148,363
Customer deposits	1,133,615	1,119,196
Obligation for deferred compensation	1,781,211	1,584,671
Revenue bonds, 2001 series, net	8,682,400	9,041,233
Revenue bonds, 2002 series, net	6,105,000	6,685,000
Revenue bonds, 2003 series, net	7,202,539	7,410,041
Revenue bonds, 2006 series, net	14,046,624	14,044,320
Total other liabilities	39,092,436	40,032,824
Total liabilities	42,132,990	43,810,915
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	118,557,173	117,886,310
Restricted for debt service	6,861,867	6,819,273
Unrestricted	35,334,837	38,528,471
Total net assets	160,753,877	163,234,054
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 202,886,867	\$ 207,044,969

The accompanying notes are an integral part of these financial statements.

**Florida Community Services Corporation of Walton County**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years Ended February 28, 2010 and 2009**

	2010	2009
<b>OPERATING REVENUES</b>		
Charges for services	\$ 14,463,207	\$ 14,357,397
<b>OPERATING EXPENSES</b>		
Operations	7,289,020	6,894,567
Depreciation and amortization	<u>10,594,113</u>	<u>10,323,373</u>
Total operating expenses	<u>17,883,133</u>	<u>17,217,940</u>
Operating income (loss)	<u>(3,419,926)</u>	<u>(2,860,543)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Impact fees	1,135,311	1,559,657
Lease income	249,400	367,739
Interest income	190,384	685,154
Interest expense	(1,911,710)	(1,931,033)
Bad debt expense	(2,647,687)	(1,434,570)
Grant income	2,198,695	853,830
Gain (loss) on sales of assets	35,237	45,953
Other expense	(521,497)	-
Miscellaneous	<u>318,294</u>	<u>347,515</u>
Total non-operating revenues (expenses)	<u>(953,573)</u>	<u>494,245</u>
Increase (decrease) in net assets before capital contributions	(4,373,499)	(2,366,298)
Capital contributions	<u>1,893,322</u>	<u>2,656,397</u>
Increase (decrease) in net assets	(2,480,177)	290,099
Net assets, beginning of year	<u>163,234,054</u>	<u>162,943,955</u>
Net assets, end of year	<u>\$ 160,753,877</u>	<u>\$ 163,234,054</u>

The accompanying notes are an integral part of these financial statements.

**Florida Community Services Corporation of Walton County**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended February 28, 2010 and 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 14,626,977	\$ 14,269,878
Cash paid for operating expenses	(4,948,491)	(3,387,818)
Cash paid to employees for services	<u>(2,477,303)</u>	<u>(2,192,865)</u>
Net cash flows provided by operating activities	<u>7,201,183</u>	<u>8,689,195</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on revenue bonds	(1,130,000)	(1,085,000)
Interest on revenue bonds	(1,941,103)	(1,991,254)
Payments for the purchase of property	(8,153,183)	(12,955,857)
Proceeds from the sale of property	35,237	45,953
Proceeds from grants	1,000,000	146,260
Proceeds from impact fees	<u>2,162,256</u>	<u>2,315,827</u>
Net cash provided (used) by capital and related financing activities	<u>(8,026,793)</u>	<u>(13,524,071)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(177,338)	(4,109,655)
Investment maturities	-	10,312,493
Interest on investments	190,384	658,729
Miscellaneous revenue	<u>-</u>	<u>347,515</u>
Net cash provided (used) by investing activities	<u>13,046</u>	<u>7,209,082</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(812,564)	2,374,206
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>34,449,712</u>	<u>32,075,506</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 33,637,148</u>	<u>\$ 34,449,712</u>
<b>COMPOSITION OF CASH</b>		
Cash - unrestricted	\$ 25,598,958	\$ 26,469,998
Cash - restricted	<u>8,038,190</u>	<u>7,979,714</u>
Total cash and cash equivalents	<u>\$ 33,637,148</u>	<u>\$ 34,449,712</u>
<b>RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (3,419,926)	\$ (2,860,543)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	10,594,113	10,323,373
Bad debt	160,545	-
Changes in operating assets and liabilities:		
Accounts receivable	(11,194)	(81,467)
Inventory	27,467	1,347,361
Other assets	(359,674)	-
Accounts payable	45,504	(104,040)
Customer deposits	14,419	(6,052)
Accrued expenses	(46,611)	10,929
Obligation for deferred compensation	<u>196,540</u>	<u>59,634</u>
Net cash provided by operating activities	<u>\$ 7,201,183</u>	<u>\$ 8,689,195</u>
Non-cash capital and related financing transactions		
Non-cash developer contribution	<u>\$ 1,893,322</u>	<u>\$ 2,656,397</u>

The accompanying notes are an integral part of these financial statements.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
**February 28, 2010 and 2009**

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**NOTE 1 - NATURE OF ORGANIZATION**

Florida Community Services Corporation of Walton County (hereinafter referred to as the Corporation) was organized under the laws of the State of Florida on August 7, 1985 as a non-profit corporation. Under a Franchise Agreement with Walton County, the Corporation is authorized to acquire and improve existing water distribution facilities in the Southern part of Walton County, Florida, for incorporation into a county regional utility system. The Corporation is also authorized to construct a regional sewage collection treatment and disposal facility as well as a water transmission, storage and distribution system. To fulfill its purpose, the Corporation has issued revenue bonds pledging its property and revenues to secure the payment of such bonds. After the bonds have been fully paid, the Corporation without consideration will transfer all of its assets to Walton County. Because of the equity interest with Walton County, the financial statements of Florida Community Services Corporation of Walton County are included in the basic financial statements of Walton County, Florida, as a component unit.

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

A. Basis of Accounting

The Corporation has adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*," as amended by Statement No. 37. These Statements established standards for external financial reporting for all state and local government entities in the United States which include a statement of net assets, a statement of activities, and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt, restricted, and unrestricted.

These classifications are defined as follows:

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



**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. Basis of Accounting (Continued)

- ◆ *Restricted* - This component of net assets consists of constraints placed on net assets through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- ◆ *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Corporation maintains its records under the accrual method of accounting. Under this method, income is recognized when earned, rather than when received, and expenses are recognized when incurred rather than when paid. The Corporation complies with generally accepted accounting principles (GAAP) and applies all relevant Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

B. Statement of Cash Flows

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments (including restricted assets), unless specifically designated as an investment security, with maturities of three months or less at the date of acquisition to be cash equivalents.

C. Investments

Investments held by the Corporation consist of certificates of deposit. Certificates of deposit held by the Corporation are recorded at cost, which approximates fair value.

D. Restricted Assets

Certain assets of the Corporation are set aside and used for specific purposes; thus, they are not available for general operating purposes. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to first use restricted resources only for items which are restricted and then unrestricted resources as they are needed.

E. Allowance for Doubtful Accounts

The Corporation provides for doubtful accounts based on analysis of individual accounts. For customer accounts, an allowance is created for accounts that are 120 days past due. For developer receivables, an allowance is created for amounts more than one year past due.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Inventory

Inventories are valued at cost using the first in first out method. The inventory of operating supplies is reported using the consumption method under which operating supplies are expensed or additions to the utility system are recorded as the supplies are used.

G. Property, Plant, Equipment and Related Depreciation

Property, plant and equipment are carried at cost. Property contributed by developers is recorded at estimated fair market value at the date contributed. Major additions and improvements are charged to the property accounts while replacements, maintenance, and repairs which do not extend the lives of the respective assets are expensed. When property is retired or otherwise disposed of, the cost of the property and related accumulated depreciation is removed and the related gain or loss is included in income. Property, plant and equipment are depreciated using the straight-line method over the individual asset's estimated useful life, ranging from five to thirty years. Useful lives of property, plant and equipment range by major asset class as follows:

	Useful Life
Buildings	30 years
Utility system	15-30 years
Automobiles and trucks	5 years
Furniture and fixtures	7 years
Machinery and equipment	5-7 years

H. Bond Premiums, Discounts and Issuance Costs

Bond premiums, discounts and related issuance costs are deferred and amortized as a component of interest expense over the remaining life of the related debt.

I. Customer Deposits

This account represents deposits made by customers utilizing water and sewer services provided by the Company. The amounts are retained in non-interest bearing accounts.

J. Compensated Absences

Employees of the Corporation are entitled to accumulate earned, but unused personal leave benefits which are guaranteed to be paid to employees upon separation from service. For the years ended February 28, 2010, and 2009, accumulated and unpaid compensated absence costs were \$141,047, and \$148,363, respectively.

K. Revenues

Operating revenues and expenses result from ongoing principal operations of the wastewater treatment facility as well as providing drinking water through the system. Non-operating revenues and expenses are primarily related to investing and financing type activities.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

L. Contributed Capital

In order to induce the Corporation to provide water and sewer service to a new development, developers and certain governmental entities contribute a portion of the cost of construction of the water production and transmission system and/or the sewer collection and treatment system. In addition, other governmental entities and certain State agencies have contributed monies to assist in the expansion or improvement of existing water and sewer facilities. In accordance with GASB 34, capital assets received from developers and governmental entities are recorded as capital contributions, and presented after non-operating revenues (expenses) on the Statement of Revenues, Expenses and Changes in Net Assets.

M. Impact Fees

Impact fees represent water and sewer connection fees paid by developers and individual property owners for connection to the system. The Corporation recognizes its impact fees as non-operating revenue.

N. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

O. Events Occurring After Reporting Date

The Company has evaluated events and transactions that occurred between February 28, 2010, and May 21, 2010, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

All investments held at February 28, 2010, and 2009, were insured or registered, or are securities held by the Corporation or its agent in the Corporation's name. Investments at February 28, 2010, and 2009 consisted solely of certificates of deposit with financial institutions. Certificates of deposit are reported at cost which approximates fair value. At February 28, 2010 and 2009, investments in certificates of deposit totaled \$7,343,289 and \$7,165,951, respectively. The certificates of deposit bear interest ranging from 1.5% to 3.9% with maturities ranging from May 2010 to September 2010.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Unless otherwise authorized by law or by ordinance, the Corporation is authorized under Chapter 218.415, Florida Statutes, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time to time, in:

- ◆ The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Chapter 163.01, Florida Statutes.
- ◆ Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- ◆ Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280.02, Florida Statutes.
- ◆ Direct obligations of the United States Treasury.
- ◆ Federal agencies and instrumentalities.
- ◆ Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided the portfolio of such investment company or investment trust is limited to United States Government obligations or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- ◆ Other investments authorized by law or by ordinance for a county or a municipality.
- ◆ Other investments authorized by law or by resolution for a school district or a special district.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Risks Associated with Deposits and Investments

Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the Corporation's deposits may not be returned. Insurance provided by the Federal Deposit Insurance Corporation (FDIC) protects the first \$250,000 of deposits at each financial institution, as well as the full amount of certain non-interest bearing accounts. The Corporation places a portion of its cash deposits with federally insured institutions; however, these balances may exceed FDIC limits at times. The Corporation maintains a sweep arrangement with a local financial institution in which deposits are swept into repurchase agreement accounts each night, and are thus not covered by FDIC insurance limits. The credit risk associated with the repurchase agreements involved in the sweep arrangement is mitigated by all the securities under the repurchase agreements consisting of fully collateralized U.S. Government Securities. At February 28, 2009, the Corporation maintained sweep account deposits totaling \$3,708,595.

Money market fund deposits are with Columbia Treasury Reserves ("Columbia") through The Bank of New York Mellon. Columbia's investment strategy is to invest in high-quality money market instruments with at least 80% of its net assets in U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. The average weighted maturity of investments held by the fund is 40 days. The Corporation believes it has mitigated market, interest rate and credit risk by depositing its cash reserves in this conservative fund. Columbia Treasury Reserves has a Standard & Poors credit rating of AAAM and a Moody's credit rating of Aaa. At February 28, 2010, money market deposits with The Bank of New York Mellon totaled \$27,992,536.

As of February 28, 2010, all of the Corporation's investments are certificates of deposit. As certificates of deposit are debt instruments, there is credit risk associated with their purchase, however, insurance provided by the Federal Deposit Insurance Corporation protects the first \$250,000 of cash and certificates of deposit at each financial institution. The certificates of deposit held by the Corporation as of February 28, 2010, were entirely covered by federal deposit insurance.

Certificates of deposit are also subject to interest rate risk, resulting from fluctuations in interest rates. The Corporation has limited interest rate risk by maintaining certificates of deposit with original maturities of 24 months or less, and varying the maturity dates of the certificates of deposit held.

Restricted Deposits

The Corporation has restricted certain amounts of deposits as noted in the Statement of Net Assets. These amounts are restricted to remain in compliance with bond covenants and to meet indenture provision requirements. Amounts are also restricted and designated for construction projects, customer deposits, and for other reasons as the Corporation deems necessary.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT**

A summary of the changes in property, plant and equipment for the year ended February 28, 2010, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 9,079,945	\$ -	\$ -	\$ 9,079,945
Construction in progress	<u>4,693,565</u>	<u>5,204,095</u>	<u>(5,622,126)</u>	<u>4,275,534</u>
Total capital assets not being depreciated	<u>13,773,510</u>	<u>5,204,095</u>	<u>(5,622,126)</u>	<u>13,355,479</u>
Capital assets being depreciated:				
Buildings	10,070,349	90,696	-	10,161,045
Utility system	184,481,268	4,901,364	5,043,863	194,426,495
Automobiles and trucks	3,386,984	136,379	(41,484)	3,481,879
Furniture and fixture	550,197	50,013	-	600,210
Machinery and equipment	<u>11,281,548</u>	<u>169,869</u>	<u>(23,699)</u>	<u>11,427,718</u>
Total capital assets being depreciated	209,770,346	5,348,321	4,978,680	220,097,347
Less accumulated depreciation	<u>(67,176,407)</u>	<u>(10,594,113)</u>	<u>96,430</u>	<u>(77,674,090)</u>
Total capital assets being depreciated, net	<u>142,593,939</u>	<u>(5,245,792)</u>	<u>5,075,110</u>	<u>142,423,257</u>
Capital assets, net	<u>\$ 156,367,449</u>	<u>\$ (41,697)</u>	<u>\$ (547,016)</u>	<u>\$ 155,778,736</u>

A summary of the changes in property, plant and equipment for the year ended February 28, 2009, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 9,079,945	\$ -	\$ -	\$ 9,079,945
Construction in progress	<u>49,984</u>	<u>7,002,789</u>	<u>(2,359,208)</u>	<u>4,693,565</u>
Total capital assets not being depreciated	<u>9,129,929</u>	<u>7,002,789</u>	<u>(2,359,208)</u>	<u>13,773,510</u>
Capital assets being depreciated:				
Buildings	9,620,628	449,721	-	10,070,349
Utility system	175,147,266	6,974,794	2,359,208	184,481,268
Automobiles and trucks	3,471,683	120,410	(205,109)	3,386,984
Furniture and fixture	509,022	41,175	-	550,197
Machinery and equipment	<u>11,172,139</u>	<u>322,265</u>	<u>(212,856)</u>	<u>11,281,548</u>
Total capital assets being depreciated	199,920,738	7,908,365	1,941,243	209,770,346
Less accumulated depreciation	<u>(57,202,243)</u>	<u>(10,323,373)</u>	<u>349,209</u>	<u>(67,176,407)</u>
Total capital assets being depreciated, net	<u>142,718,495</u>	<u>(2,415,008)</u>	<u>2,290,452</u>	<u>142,593,939</u>
Capital assets, net	<u>\$ 151,848,424</u>	<u>\$ 4,587,781</u>	<u>\$ (68,756)</u>	<u>\$ 156,367,449</u>

The Corporation capitalizes interest on funds borrowed to construct plant facilities. For the year ended February 28, 2009, the net interest cost capitalized on funds borrowed to finance the construction of plant facilities was \$39,455. There was no interest capitalized for the year ended February 28, 2010.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5- ACCOUNTS RECEIVABLE - DEVELOPER'S AGREEMENTS**

As of February 28, 2010, and February 28, 2009, the Corporation had gross balances for accounts receivable related to developer's agreements of \$10,250,710, and \$11,531,959, respectively. These receivables represent amounts owed by developers for water and/or sewer connection fees under the terms of contracts between the parties and the Corporation. As of February 28, 2010, the Corporation had taken legal action related to the collection of the past due amounts by filing liens. However, management feels there is uncertainty regarding the collectability of the past due amounts. Therefore, at February 28, 2010, and February 28, 2009, the Corporation had established an allowance for doubtful accounts of \$8,070,257, and \$6,314,570, respectively.

**NOTE 6- GRANTS**

In July 2006, the Corporation was awarded a grant in the amount of \$4,380,000 from the Northwest Florida Water Management District (NFWFMD). The grant was for the purpose of the area-wide alternative water supply source expansion. Under the terms of the grant agreement, funds obtained through the grant were to provide for up to 40% of the overall project construction costs, with the grantee providing for all non-construction funding and a minimum of 60% of all construction funding. A portion of the grant was originally allocated for construction items related to the City of Freeport. The portion of the grant related to the City of Freeport was \$1,426,500. In December 2008, the grant was amended. Under the terms of the amendment, the grant was extended until December 31, 2009. In addition, the amendment stipulated that project components and grant funding originally specified for the City of Freeport be designated for the Corporation. During the fiscal years ended February 28, 2010, and 2009 grant proceeds of \$1,342,337 and \$627,489 were utilized for the projects, respectively. These amounts are included in non-operating revenues for the fiscal year ended February 28, 2010 and 2009, respectively. As of February 28, 2009, \$1,342,337 of unspent grant proceeds were recorded as deferred revenue on the balance sheet. As of February 28, 2010, the entire amount of grant proceeds had been expended.

In November 2008, the Corporation was awarded a grant in the amount of \$1,500,000. The grant is for the purposes of the Walton County Phase II, Regional Water Supply Project to provide for the installation of facility improvements to expand the regional alternative water supply system. Under the terms of the agreement, funds obtained through the grant will provide for up to 50% of the overall project. If final project costs are less than originally estimated, a portion of the grant funds may need to be returned. During the fiscal years ended February 28, 2010, and 2009 grant proceeds of \$856,358 and \$80,081 were utilized for the projects, respectively. These amounts are included in non-operating revenues for the fiscal year ended February 28, 2010 and 2009, respectively. The remaining unspent grant proceeds of \$563,561 are recorded on the balance sheet as deferred revenue at February 28, 2010.

**Florida Community Services Corporation of Walton County**  
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**NOTE 6- GRANTS (CONTINUED)**

In the fiscal year ending February 28, 2009, the Corporation received \$146,260 related to a grant from the State of Florida Department of Environmental Protection (DEP) through Walton County. The grant funds were utilized for the wastewater management system improvements, and are included in non-operating revenues for the fiscal year ended February 28, 2009.

**NOTE 7- REVENUE BONDS**

*Water and Sewer Revenue Refunding Bonds, Series 2001*

On May 1, 2001, the Corporation issued Water and Sewer Revenue Refunding Bonds, Series 2001 (the "Series 2001 Bonds"), in a total principal amount of \$12,230,000 for the purposes of advance refunding \$3,190,000 of the Series 1992 Bonds and to provide capital for expansion of the water and sewer transmission systems. The Series 2001 Bonds are comprised of \$6,725,000 of serial bonds maturing through March 1, 2018, \$2,090,000 of term bonds maturing March 1, 2024; and \$3,415,000 of term bonds maturing March 1, 2031. Principal and interest payments are due semi-annually with principal due in increasing amounts and interest rates varying from 4.00% to 5.50 %. The bonds are secured by the assets of the Corporation and by future revenues.

The balance of the Series 2001 Bonds at February 28, 2010, and February 28, 2009, is summarized as follows:

	2010	2009
Bond principal balance	\$ 9,515,000	\$ 9,880,000
Less unamortized bond issuance costs	(452,600)	(473,767)
Net balance, Series 2001 Bonds	\$ 9,062,400	\$ 9,406,233

Presented below is a summary of accumulations of amounts required to pay remaining debt service requirements of the 2001 series to maturity:

Year Ending February 28	Principal	Interest	Total Debt Service
2011	\$ 380,000	\$ 494,561	\$ 874,561
2012	400,000	476,811	876,811
2013	415,000	457,859	872,859
2014	440,000	436,006	876,006
2015	465,000	411,119	876,119
Due in 6 - 10 years	2,215,000	1,660,250	3,875,250
Due in 11-15 years	1,785,000	1,161,775	2,946,775
Due in 16 - 20 years	2,305,000	620,947	2,925,947
Due in 21 - 25 years	1,110,000	60,469	1,170,469
	\$ 9,515,000	\$ 5,779,797	\$ 15,294,797



**Florida Community Services Corporation of Walton County**  
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**NOTE 7- REVENUE BONDS (CONTINUED)**

***Water and Sewer Revenue Refunding Bonds, Series 2002***

On June 6, 2002, the Corporation issued Water and Sewer Revenue Refunding Bonds, Series 2002 (the "Series 2002 Bonds"), in a total principal amount of \$9,725,000 for the purposes of completing the advance refunding of the Series 1992 Bonds. The Series 2002 Bonds are comprised of \$1,475,000 of serial bonds which matured March 1, 2006, \$1,015,000 of term bonds which matured March 1, 2008; \$3,210,000 of term bonds maturing March 1, 2014, and \$3,475,000 of term bonds maturing on March 1, 2018. Principal and interest payments are due semi-annually with principal due in increasing amounts and interest rates varying from 5.00% to 5.874%. The bonds are secured by the assets of the Corporation and by future revenues.

Presented below is a summary of accumulations of amounts required to pay remaining debt service requirements of the 2002 series to maturity:

Year Ending February 28	Principal	Interest	Total Debt Service
2011	\$ 580,000	\$ 364,031	\$ 944,031
2012	610,000	332,031	942,031
2013	640,000	297,656	937,656
2014	670,000	261,631	931,631
2015	710,000	223,681	933,681
Due in 6 - 10 years	<u>3,475,000</u>	<u>438,716</u>	<u>3,913,716</u>
	<u>\$ 6,685,000</u>	<u>\$ 1,917,746</u>	<u>\$ 8,602,746</u>

***Water and Sewer Revenue Refunding Bonds, Series 2003***

On December 1, 2003, the Corporation issued Water and Sewer Revenue Bonds, Series 2003 (the "Series 2003 Bonds"), in a total principal amount of \$8,820,000 for the purposes of acquiring and constructing improvements to the combined water and sewer system and to retire the Series 1997 Bonds. The Series 2003 Bonds are comprised of \$5,510,000 of serial bonds maturing through March 1, 2024, \$1,760,000 of term bonds maturing March 1, 2028, and \$1,550,000 of term bonds maturing March 1, 2031. Principal and interest payments are due semi-annually with principal due in increasing amounts and interest rates varying from 2.25% to 4.7%. The bonds are secured by the assets of the Corporation and by future revenues.

The balance of the Series 2003 Bonds at February 28, 2010, and February 28, 2009, is summarized as follows:

	2010	2009
Bond principal balance	\$ 7,795,000	\$ 8,010,000
Less unamortized bond issuance costs	<u>(367,461)</u>	<u>(384,959)</u>
Net balance, Series 2003 Bonds	<u>\$ 7,427,539</u>	<u>\$ 7,625,041</u>

**Florida Community Services Corporation of Walton County**  
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**NOTE 7- REVENUE BONDS (CONTINUED)**

***Water and Sewer Revenue Refunding Bonds, Series 2003 (Continued)***

Presented below is a summary of accumulations of amounts required to pay remaining debt service requirements of the 2003 series to maturity:

Year Ending February 28	Principal	Interest	Total Debt Service
2011	\$ 225,000	\$ 336,890	\$ 561,890
2012	235,000	327,690	562,690
2024	245,000	318,703	563,703
2013	250,000	309,885	559,885
2015	260,000	300,153	560,153
Due in 6 - 10 years	1,465,000	1,330,977	2,795,977
Due in 11-15 years	1,805,000	981,183	2,786,183
Due in 16 - 20 years	2,255,000	520,044	2,775,044
Due in 21 - 25 years	1,055,000	50,172	1,105,172
	<u>\$ 7,795,000</u>	<u>\$ 4,475,697</u>	<u>\$ 12,270,697</u>

***Water and Sewer Revenue Refunding Bonds, Series 2006***

On March 9, 2006, the Corporation issued Water and Sewer Revenue Bonds, Series 2006 (the "Series 2006 Bonds"), in a total principal amount of \$14,095,000 for the purpose of acquiring and constructing improvements to the combined water and sewer system. The Series 2006 Bonds are comprised of \$7,695,000 of serial bonds maturing through March 1, 2026; \$3,655,000 of term bonds maturing March 1, 2029; and \$2,745,000 of term bonds maturing March 1, 2031. Principal and interest payments are due semi-annually with principal due in increasing amounts and interest rates varying from 4.0% to 5.0%. The bonds are secured by the assets of the Corporation and by future revenues.

The balance of the Series 2006 Bonds at February 28, 2010, and February 28, 2009, is summarized as follows:

	2010	2009
Bond principal balance	\$ 14,095,000	\$ 14,095,000
Less unamortized bond issuance costs	(48,376)	(50,680)
Net balance, Series 2006 Bonds	<u>\$ 14,046,624</u>	<u>\$ 14,044,320</u>

**Florida Community Services Corporation of Walton County**  
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**NOTE 7- REVENUE BONDS (CONTINUED)**

***Water and Sewer Revenue Refunding Bonds, Series 2006 (Continued)***

Presented below is a summary of accumulations of amounts required to pay remaining debt service requirements of the 2006 series to maturity:

Year Ending February 28	Principal	Interest	Total Debt Service
2011	\$ -	\$ 649,601	\$ 649,601
2012	-	649,601	649,601
2013	-	649,601	649,601
2014	-	649,601	649,601
2015	-	649,601	649,601
Due in 6 - 10 years	1,695,000	3,214,805	4,909,805
Due in 11-15 years	4,885,000	2,504,169	7,389,169
Due in 16 - 20 years	6,110,000	1,288,195	7,398,195
Due in 21 - 25 years	<u>1,405,000</u>	<u>70,250</u>	<u>1,475,250</u>
	<u>\$ 14,095,000</u>	<u>\$ 10,325,424</u>	<u>\$ 24,420,424</u>

The following is a summary of changes in long-term liabilities during the fiscal year:

	Beginning Balance	Additions	Repayments	Ending Balance	Due Within One Year
Revenue bonds, 2001 series	\$ 9,406,233	\$ 21,167	\$ (365,000)	\$ 9,062,400	\$ 380,000
Revenue bonds, 2002 series	7,235,000	-	(550,000)	6,685,000	580,000
Revenue bonds, 2003 series	7,625,041	17,498	(215,000)	7,427,539	225,000
Revenue bonds, 2006 series	<u>14,044,320</u>	<u>2,304</u>	<u>-</u>	<u>14,046,624</u>	<u>-</u>
TOTAL	<u>\$ 38,310,594</u>	<u>\$ 40,969</u>	<u>\$ (1,130,000)</u>	<u>\$ 37,221,563</u>	<u>\$ 1,185,000</u>

**NOTE 8- BOND COVENANTS AND INDENTURE PROVISIONS**

***Bond Covenants***

The 2001, 2002, 2003, and 2006 Series Bond issues require the Corporation to provide in each fiscal year net revenues and water and sewer impact fees that are adequate to pay at least 115% of the annual debt service. Additionally, annual net revenues must be adequate to pay 105% of the Corporation's annual debt service plus any amounts required to be deposited in reserve and certain other accounts. As of February 28, 2010, and February 28, 2009, the Corporation was in compliance with all of its debt covenants.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8- BOND COVENANTS AND INDENTURE PROVISIONS (CONTINUED)**

*Indenture Provisions*

The 2001, 2002, 2003, and 2006 Series Bond issues require the establishment of a reserve account be maintained in the total amount of \$3,982,684, or the Corporation may elect to obtain a surety bond in place of fully funding the reserve account requirement. At February 28, 2010 and 2009, the Corporation maintained a surety bond in place of fully funding the reserve account. At February 28, 2010 and 2009, the Corporation was in compliance with the reserve requirements of the surety bond.

The 2001, 2002, 2003, and 2006 Series Bond issues require the establishment of a renewal and replacement fund which must maintain a balance equal to 5% of the gross revenues received by the issuer in the immediately preceding fiscal year. The Corporation met this requirement for fiscal years 2010 and 2009. Within the same bank account, the Corporation maintains additional funds which are restricted by the Corporation's Board for use in replacements and repairs due to natural disasters, such as hurricanes.

**NOTE 9- 401(k) PLAN**

The Corporation has established a 401(k), defined contribution retirement plan which is available to all full time employees who have reached age 20 and have a least one year of service with the Corporation. Under this plan, the Corporation matches voluntary employee deferrals dollar for dollar up to a total employer contribution of 6% of total employee compensation. The plan is administered by ING. The Board of Directors of the Corporation has the authority to establish or amend the plan's provisions and contribution requirements. Contributions made by the Corporation for the year ended February 28, 2010, and 2009, were \$143,051, and \$140,438, respectively.

**NOTE 10- RELATED PARTIES**

**Bay Crossing Pipeline Lease**

In the fiscal year ending February 28, 2001, the Corporation entered into an agreement with South Walton Utility Company to lease 60% of its water line capacity beginning June 1, 2001, and continuing for 20 years. The agreement calls for a standard monthly payment of \$15,085 per month, plus operating and maintenance charges. The cost basis of the transmission lines under the operating lease is \$11,174,487, with approximately \$4,888,837 in accumulated depreciation, resulting in a carrying value of \$6,285,650 at February 28, 2010.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
**February 28, 2010 and 2009**

**NOTE 10- RELATED PARTIES (CONTINUED)**

**Bay Crossing Pipeline Lease (Continued)**

Minimum Future Lease Revenue:

Year Ending February 28	Amount
2011	\$ 181,020
2012	181,020
2013	181,020
2014	181,020
2015	181,020
Remainder of lease	1,131,375
Total	\$ 2,036,475

**Wellfield Operations Facilities Agreement**

During 2001, the Corporation entered into a Wellfield Operations Facilities Lease with South Walton Utility Company, Inc. Rental payments under the lease consist of a capital charge which includes a portion of the debt related to the Phase 1 Water Supply Project, as well as operating charges. During the year ending February 28, 2003, the Phase 1, Water Supply Project was completed by South Walton Utility Company, Inc. Under the terms of the agreement, Corporation and Destin Water Users, Inc. are paying 54% of the cost of this project, which includes the debt acquired by South Walton Utility Company. As such, the Corporation pays a set monthly charge to South Walton Utility Company for their portion of the debt, as part of the monthly rental payments. In February 2010, the Corporation made payment in the amount of \$362,338 to South Walton Utility Company to fully pay off its portion of the debt. This payment is considered to be a prepayment of the annual minimum lease payments required under the operating lease, and accordingly has been recorded as a prepaid expense on the balance sheet, and will be amortized over the remaining term of the lease through June 2021. A total of \$62,878 and \$33,870 were paid by the Corporation to South Walton Utility Company, Inc. as a set monthly capital charge related the Phase 1 Water Supply Project in accordance with the Wellfield Operations Facilities Lease, and are included as operating expenses for the years ended February 28, 2010 and 2009, respectively. The Corporation paid a total of \$52,201 and \$77,547 in operating charges to South Walton Utility Company for the years ended February 28, 2010 and 2009, respectively under the terms of the Wellfield Operations Facilities Lease Agreement.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
**February 28, 2010 and 2009**

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**NOTE 11- COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES**

**Employment Agreements**

*Chief Executive Officer*

The Corporation has entered into an employment agreement with Dewey C. Wilson, Chief Executive Officer (currently Chairman of the Board of Directors). The original term of the agreement is ten years, and unless notice is given, the agreement automatically renews annually for an additional ten-year period on the same terms. For the term of the agreement, he will receive a minimum annual salary, various insurance benefits, a death benefit, and the use of a vehicle as well as maintenance and insurance on that vehicle.

In the event of a change in control of the Corporation, which means a change in ownership or a change of more than 40% of the Board of Directors, either party, within three months after the change, has the right to terminate the agreement. In the event of termination under this provision, the employee will have no further job duties with the Corporation, but the Corporation will continue to pay the employee compensation for the ten years following such termination at a stated rate of pay. In lieu of such continued compensation and provision of benefits, the employee, at his sole discretion, may elect to receive a lump-sum buy-out in an amount equal to the total of all sums to be paid per the Agreement discounted by 10%. In the event of voluntary termination by the employee (retirement), the employee will be retained as an independent contractor, and will be paid a base salary of consisting of 60% of the employee's compensation at the time of retirement and benefits for 10 years after retirement. Accordingly, the Corporation has recorded a liability for its estimated obligation for deferred compensation under the terms of the agreement in the amount of \$1,340,941 and \$1,211,297, at February 28, 2010 and February 29, 2009, respectively. The obligation for deferred compensation represents the discounted present value of the expected future payments to Mr. Wilson for base compensation and benefits under the terms of the agreement, assuming a discount rate of 2.29% and 3.9% at February 28, 2010, and 2009, respectively. The discount rate used in the present value calculation was determined using the estimated yield on the investments that are expected to be used to finance the payment of obligation as of February 28, 2010, and 2009.

In addition, for each day of consultation, or part thereof the employee will receive 1/240th of the total sum of salary and benefits the employee received for the year immediately preceding retirement. Beginning March 1, 2008, Mr. Wilson has elected to exercise this option for voluntary termination, and has been retained as an independent contractor going forward.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
**February 28, 2010 and 2009**

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**NOTE 11- COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES (CONTINUED)**

**Employment Agreements (Continued)**

*General Manager/President*

The Corporation has also entered into an employment agreement with Michael G. Standley, General Manager/President. The original term of the agreement is 3 years, and unless notice is given, the agreement automatically renews annually for an additional three-year period on the same terms. For the term of the agreement, the employee will receive a minimum salary, various insurance benefits, a death benefit, and use of a vehicle as well as maintenance and insurance on that vehicle.

In the event of a change in control of the Corporation, either party, within three months after the change, has the right to terminate the agreement. In the event of termination, the employee will have no further job duties with the Corporation. In the event of voluntary termination by the employee (retirement), the employee will be retained as an independent contractor, and will be paid 25% of the employee's compensation at the time of retirement and benefits with yearly 3% increases for up to 10 years after retirement. Accordingly, the Corporation has recorded a liability for its estimated obligation for deferred compensation under the terms of the agreement in the amount of \$440,270 and \$373,374, at February 28, 2010 and 2009, respectively. The obligation for deferred compensation represents the discounted present value of the expected future payments to Mr. Standley for base compensation and benefits under the terms of the agreement, assuming a discount rate of 2.29% and 3.9% at February 28, 2010, and 2009, respectively. The discount rate used in the present value calculation was determined using the estimated yield on the investments that are expected to be used to finance the payment of the obligation as of February 28, 2010 and 2009.

In addition, for each day of consultation, or part thereof the employee will receive 1/240th of the total sum of salary and benefits the employee received for the year immediately preceding retirement.

*Secretary/Treasurer*

The Corporation has also entered into an employment agreement with Melissa W. Pilcher, Secretary/Treasurer. The original term of the agreement is ten years, and unless notice is given, the agreement automatically renews annually for an additional ten-year period on the same terms. For the term of the agreement, she will receive a minimum annual salary, various insurance benefits, a death benefit, and the use of a vehicle as well as maintenance and insurance on that vehicle.

**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
**February 28, 2010 and 2009**

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**NOTE 11- COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES (CONTINUED)**

**Employment Agreements (Continued)**

*Secretary/Treasurer (Continued)*

In the event of a change in control of the Corporation, which means a change in ownership or a change of more than 40% of the Board of Directors, either party, within three months after the change, has the right to terminate the agreement. In the event of termination under this provision, the employee will have no further job duties with the Corporation, but the Corporation will continue to pay the employee compensation for the ten years following such termination at a stated rate of pay. In lieu of such continued compensation and provision of benefits, the employee, at her sole discretion, may elect to receive a lump-sum buy-out in an amount equal to the total of all sums to be paid per the Agreement discounted by 10%. In the event of voluntary termination by the employee (retirement), the employee will be retained as an independent contractor, and will be paid 25% of the employee's compensation at the time of retirement and benefits for ten years after retirement. Beginning January 2006, Melissa Pilcher elected to exercise the option for voluntary termination, and has been retained as an independent contractor.

Under the terms of the agreement, in her duties as an independent contractor following voluntary termination, the employee works a minimum of eight hours per week, and performs specific tasks for the Corporation in return for the base pay and benefits specified. Accordingly, no liability for deferred compensation has been recorded for this employment agreement.

In addition, for each day of consultation, or part thereof the employee receives 1/240th of the total sum of salary and benefits the employee received for the year immediately preceding retirement.

*Other Employee Agreements*

The Corporation has also entered into employment agreements with four other employees. The term of the agreements is one year, with the agreements being reevaluated and considered for renewal on an annual basis. In the event of a change in control of the Corporation, either party, within three months after the change, has the right to terminate the agreement. In the event of termination, the employee will have no further job duties with the Corporation, but the Corporation will be obligated to pay the balance of compensation remaining on the contract. Annual salaries on these four agreements total approximately \$295,000.

**Purchase of Water**

The Corporation has an agreement with the City of Freeport, Florida regarding the purchase of water. Pursuant to this agreement, the Corporation is obligated to annually purchase a minimum of 1.1 million gallons of water.



**Florida Community Services Corporation of Walton County**  
**NOTES TO FINANCIAL STATEMENTS**  
**February 28, 2010 and 2009**

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**NOTE 11- COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES (CONTINUED)**

**Water and Sewer Connection Fees**

As discussed in Note 5, at February 28, 2010, the Corporation had a balance of \$10,250,710 for accounts receivable related to developer's agreements. This amount represents payments owed by developers for water and/or sewer connection fees under the terms of contracts between the parties and the Corporation. Included in the receivable balance is \$8,446,120 of past due amounts owed by developers. As of February 28, 2010, the Corporation had taken legal action related to the collection of the past due amounts by filing liens. However, management feels there is some uncertainty regarding the collectability of the past due amounts. Therefore, as discussed in Note 5, the Corporation established an allowance for doubtful accounts of \$8,070,257 at February 28, 2010. As such, the Corporation's net balance for accounts receivable related to developer's agreements at February 28, 2010, was \$2,180,451.

**NOTE 12- RISK MANAGEMENT**

The Corporation 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 Corporation carries commercial insurance for all risks of loss, including liability, workers compensation, fidelity bond, accidental death and dismemberment and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

After the past hurricane seasons, the Corporation opted to self-insure for wind damage to equipment items due to the relatively large deductible and premium costs related to the extent of possible damage. The Corporation does maintain insurance for wind damage on the buildings. The board has made a designation of funds that are held with the renewal and replacement funds in the amount of \$3,000,000 at February 28, 2010.

## Supplementary Information

**Florida Community Services Corporation of Walton County**  
**SCHEDULES OF OPERATIONS**  
**EXPENSES**  
**Years Ended February 28, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Accounting and legal	\$ 70,946	\$ 97,314
Advertising	9,712	15,529
Auto and truck expense	175,087	312,961
Bank charges	31,833	82,102
Sewer chemicals	356,475	300,893
Consulting fees	5,796	8,920
Damage claims	13,328	17,224
Dues and subscriptions	37,271	23,687
Entertainment	8,300	3,170
Insurance	798,035	778,780
Licenses and taxes	36,350	31,174
Miscellaneous	36,377	52,156
Office maintenance	187,281	228,838
Officer compensation	33,000	33,000
Payroll taxes	191,727	222,303
Pension expense	88,412	89,798
Postage	102,798	112,156
Purchased water	432,247	383,201
Repairs and maintenance	745,163	944,664
Salaries	2,266,249	1,902,892
Telephone	88,036	98,602
Travel	1,423	2,647
Utilities	1,229,015	986,389
Bad debt	160,545	-
Water testing expense	111,964	123,376
Baycrossing water maintenance	71,650	50,847
Total operations	<u>\$ 7,289,020</u>	<u>\$ 6,894,567</u>

**Florida Community Services Corporation of Walton County**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS**  
**Year Ended February 28, 2010**

Grantor/Program Title	CSFA Number	Grantor's Agreement Number	Amount of Expenditures
<b>Department of Environmental Protection:</b>			
Indirect:			
Northwest Florida Water Management District:			
Statewide Surface Water Restoration and Wastewater Projects	37.039	09-024	\$ 856,358
Northwest Florida Water Management District:			
Water Protection and Sustainability Program	37.066	06-082	1,342,337
<b>Total</b>			<b>\$ 2,198,695</b>

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state financial awards includes the state grant activity of Florida Community Services Corporation of Walton County, and is presented on the accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits-Nonprofit and For-Profit Organizations*.



Carr, Riggs & Ingram, LLC  
4460 Legendary Drive  
Suite 100  
Destin, FL 32541  
  
(850) 837-3141  
(850) 654-4619 (fax)  
[www.cricpa.com](http://www.cricpa.com)

**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**

To the Board of Directors  
Florida Community Services Corporation  
of Walton County  
Santa Rosa Beach, Florida

We have audited the financial statements of Florida Community Services Corporation of Walton County (the "Corporation"), a component unit of Walton County, Florida, as of and for the year ended February 28, 2010, and have issued our report thereon dated May 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal controls over financial reporting.

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 Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Florida Community Services Corporation of Walton County'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, awarding agencies and pass-through entities, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Caru, Riggs & Ingram, L.L.C.*

May 21, 2010  
Destin, Florida



Carr, Riggs & Ingram, LLC  
4460 Legendary Drive  
Suite 100  
Destin, FL 32541  
  
(850) 837-3141  
(850) 654-4619 (fax)  
www.cricpa.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR STATE PROJECT AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.650, RULES OF THE AUDITOR  
GENERAL**

To the Board of Directors  
Florida Community Services Corporation of Walton County  
Santa Rosa Beach, Florida

***Compliance***

We have audited the compliance of Florida Community Services Corporation of Walton County ("the Corporation"), a component unit of Walton County, Florida, with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that are applicable to each of its State projects for the year ended February 28, 2010. The Corporation's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State projects is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit 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 Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits – Nonprofit and For-Profit Organizations*. Those standards and Chapter 10.650, Rules of the Auditor General, 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 State project occurred. An audit includes examining, on a test basis, evidence about the Corporation'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 Corporation's compliance with those requirements.

In our opinion, Florida Community Services Corporation of Walton County, a component unit of Walton County, Florida; complied, in all material respects, with the requirements referred to above that are applicable to each of its major State projects for the year ended February 28, 2010.

### ***Internal Control Over Compliance***

Management of Florida Community Services Corporation of Walton County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to State projects. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major State project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Corporation's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a State project 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 State project 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 board of directors, management, others within the organization, State awarding agencies and pass-through entities, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Carly Riggs & Ingram, L.L.C.*

May 21, 2010  
Destin, Florida



Florida Community Services Corporation of Walton County  
Schedule Of Findings And Questioned Costs – State Projects  
For The Year Ended February 28, 2010

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**Summary Of Auditor's Results**

As required by Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits – Nonprofit and For-profit Organizations*, the following is a summary of the results of the audit of the Florida Community Services Corporation of Walton County for the fiscal year ended February 28, 2010:

- The auditor's report expresses an unqualified opinion on the Florida Community Services Corporation of Walton County basic financial statements.
- No significant deficiencies are reported in the 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.
- No instances of noncompliance material to the financial statements of the Florida Community Services Corporation of Walton County were disclosed during the audit.
- No significant deficiencies relating to the audit of the major State projects are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General.
- The auditor's report on compliance with requirements applicable to the major State projects for the Florida Community Services Corporation of Walton County expresses an unqualified opinion.
- Our audit disclosed no findings required to be reported related to State projects required to be disclosed under Chapter 10.656 for Florida Community Services Corporation of Walton County.
- The programs tested as major projects for the year ended February 28, 2010 included the Water Protection and Sustainability Program (CSFA 37.066) and Statewide Surface Water Restoration and Wastewater Projects (CSFA 37.039).
- The threshold for distinguishing Type A and B projects was \$300,000 for major State projects.

Florida Community Services Corporation of Walton County  
Schedule Of Findings And Questioned Costs – State Projects  
For The Year Ended February 28, 2010

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**Findings – Financial Statements**

- The results of our audit of the Florida Community Services Corporation of Walton County did not disclose any findings required to be reported in accordance with GAGAS.

**Findings And Questioned Costs – Major State Projects**

- The results of our audit of the Florida Community Services Corporation of Walton County did not disclose any findings or questioned costs required to be reported under the provision of Chapter 10.650, Rules of the Auditor General, *Florida Single Audit Act Audits – Nonprofit and For-profit Organizations*.

**Other Issues**

- No corrective action plan is required because there were no findings required to be reported under the State Single Audit Act. Accordingly, no management letter pursuant to Florida Statutes Sections 10.656(3)(e) is required.
- No Summary Schedule of Prior Audit Findings pursuant to 10.557(3)(d)(5) and 10.656(3)(d)(6) is required because there were no prior audit findings related to State projects.